



LAURENTIAN  
BANK

# 1<sup>st</sup> Quarter 2013 CONFERENCE CALL

Réjean Robitaille, President & CEO

Michel C. Lauzon, CFO

**March 6, 2013 at 2 p.m.**

**1-888-789-9572, Code 5680517**



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.

## **NON-GAAP FINANCIAL MEASURES**

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

<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.



- **Net income increased:** reported net income up 10% and adjusted net income up 23% year-over-year, with MRS and AGF Trust contributing
- **Positive operating leverage:** 3.5% quarter-over-quarter
- **Balance sheet growth continued:** loans and deposits increased by 18% and 15% respectively year-over-year
- **Excellent credit quality** owing to our proactive strategies
- All **4 business segments** delivered improved earnings year-over-year
- Successful launch of our **Dividend Reinvestment and Share Purchase Plan**

In millions of dollars, except per share and percentage amounts

	Q1-2013	Q1-2012	Variation
<b>FULL GAAP BASIS</b>			
<b>Net income</b>	\$34.1	\$31.0	10%
<b>Diluted EPS</b>	\$1.12	\$1.16	-3%
<b>ADJUSTED MEASURES *</b>			
<b>Net income</b>	\$40.4	\$32.9	23%
<b>Diluted EPS</b>	\$1.34	\$1.24	8%

\* Excluding adjusting items, see page 22



	2013 OBJECTIVES	Q1- 2013 RESULTS
Revenue growth	> 5%	10%
Adjusted efficiency ratio *	72.5% to 69.5%	71.9%
Adjusted net income *	\$145.0 M to \$165.0 M	\$40.4 M
Adjusted return on common shareholders' equity *	10.5% to 12.5%	12.2%
Common Equity Tier 1 ratio (All-in basis)	> 7.0%	7.5%

\* Excluding adjusting items, see page 22

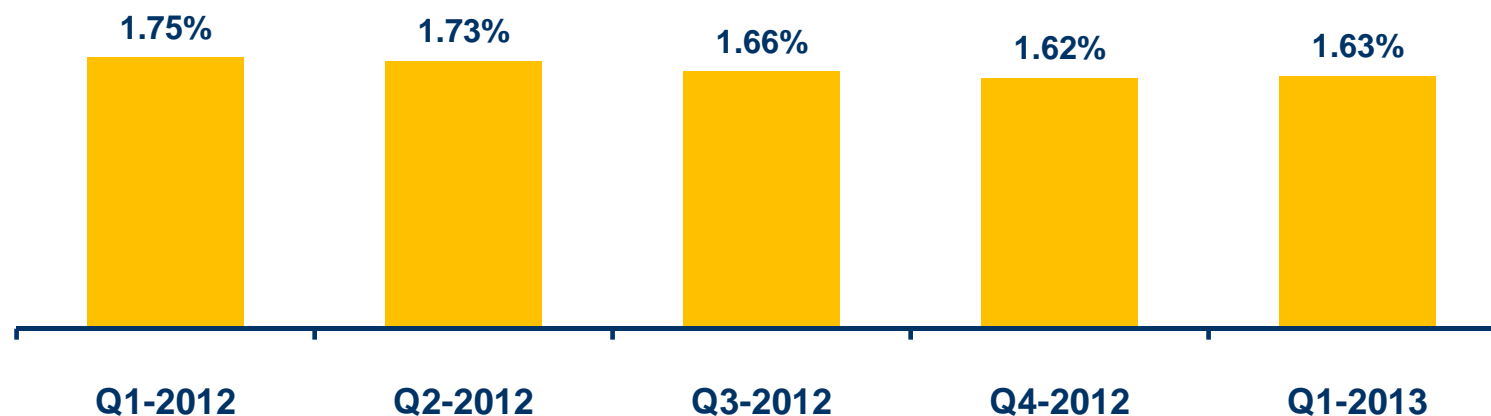


In millions of dollars, except per share and percentage amounts

	Q1-2013	Q1-2012	Variation
Net interest income	\$142.3	\$130.6	9%
Other income	71.6	63.1	13%
<b>Total revenue</b>	<b>213.9</b>	<b>193.7</b>	<b>10%</b>
Gain on acquisition and amortization of net premium on purchased financial instruments	-1.1	-	n.a.
Provision for loan losses	8.0	10.0	-20%
Non-interest expenses (NIE)	161.3	143.0	13%
Income taxes	9.5	9.8	-3%
<b>Net income</b>	<b>\$34.1</b>	<b>\$31.0</b>	<b>10%</b>
Preferred share dividends	2.5	3.2	-20%
<b>Net income available to common shareholders</b>	<b>\$31.6</b>	<b>\$27.8</b>	<b>14%</b>
<b>Diluted EPS</b>	<b>\$1.12</b>	<b>\$1.16</b>	<b>-3%</b>
Return on common shareholders' equity	10.3%	11.5%	-120 bps
Efficiency ratio	75.4%	73.8%	160 bps
Effective tax rate	21.7%	24.0%	-230 bps
<b>ADJUSTED MEASURES *</b>			
<b>Adjusted net income</b>	<b>\$40.4</b>	<b>\$32.9</b>	<b>23%</b>
<b>Adjusted diluted EPS</b>	<b>\$1.34</b>	<b>\$1.24</b>	<b>8%</b>
Adjusted return on common shareholders' equity	12.2%	12.4%	-20 bps
NIE including AGF Trust but excluding T&I costs	\$153.8	\$140.4	10%
Adjusted efficiency ratio	71.9%	72.4%	-50 bps

\* Excluding adjusting items, see page 22

Symbol: LB, TSX



- 12 bps decline in NIM between Q1-2012 and Q1-2013 is mainly explained by:
- -7 bps reflecting the low interest rate environment, a flatter yield curve and pricing
  - -4 bps due to higher liquidity level and mix
  - -8 bps from miscellaneous items
  - +7 bps from AGF Trust's higher margin loans



In millions of dollars

	Q1-2013	Q1-2012	Variation
<b>Fees and commissions on loans and deposits</b>	\$24.9	\$22.8	9%
<b>Income from brokerage operations</b>	16.5	13.5	22%
<b>Investment account fees</b>	7.9	6.8	16%
<b>Card service revenues</b>	6.4	5.7	13%
<b>Income from treasury and financial market operations</b>	5.3	4.7	13%
<b>Income from sales of mutual funds</b>	5.1	4.3	19%
<b>Credit insurance income</b>	3.4	3.8	-10%
<b>Other income</b>	2.0	1.4	38%
<b>Total *</b>	<b>\$71.6</b>	<b>\$63.1</b>	<b>13%</b>

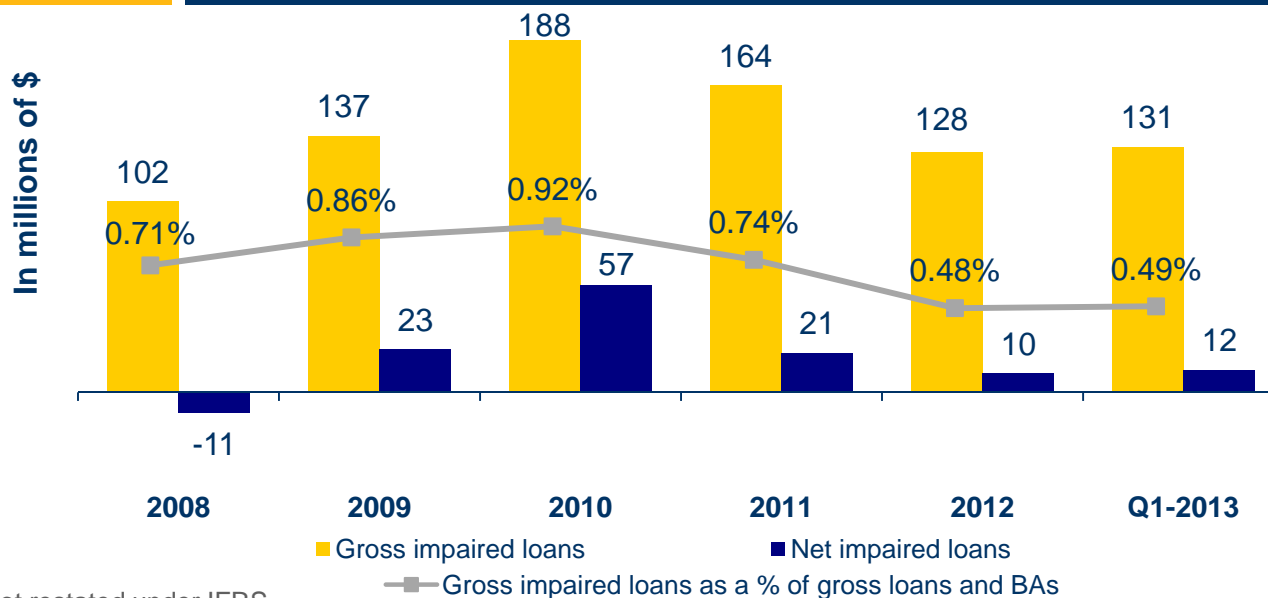
\* Certain totals do not add due to rounding



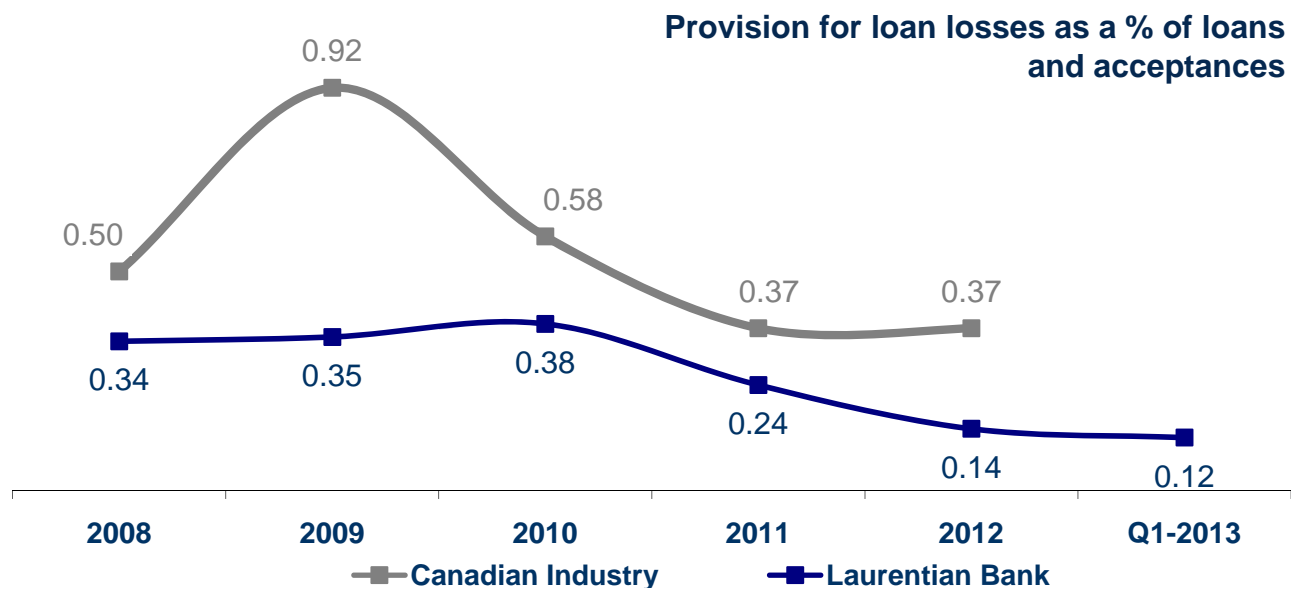
In thousands of dollars  
(except percentage amounts)

	Q1-2013	Q4-2012	Q1-2012
<b>Personal loans and Visa cards</b>	<b>\$ 8,058</b>	<b>\$ 7,568</b>	<b>\$ 6,189</b>
<b>Residential mortgage loans</b>	<b>1,407</b>	<b>1,416</b>	<b>284</b>
<b>Commercial mortgage loans</b>	<b>1,101</b>	<b>(1,929)</b>	<b>888</b>
<b>Commercial loans and other</b>	<b>(2,566)</b>	<b>945</b>	<b>2,639</b>
<b>TOTAL</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ 10,000</b>
<b>As a % of avg. loans and BAs</b>	<b>0.12%</b>	<b>0.12%</b>	<b>0.18%</b>

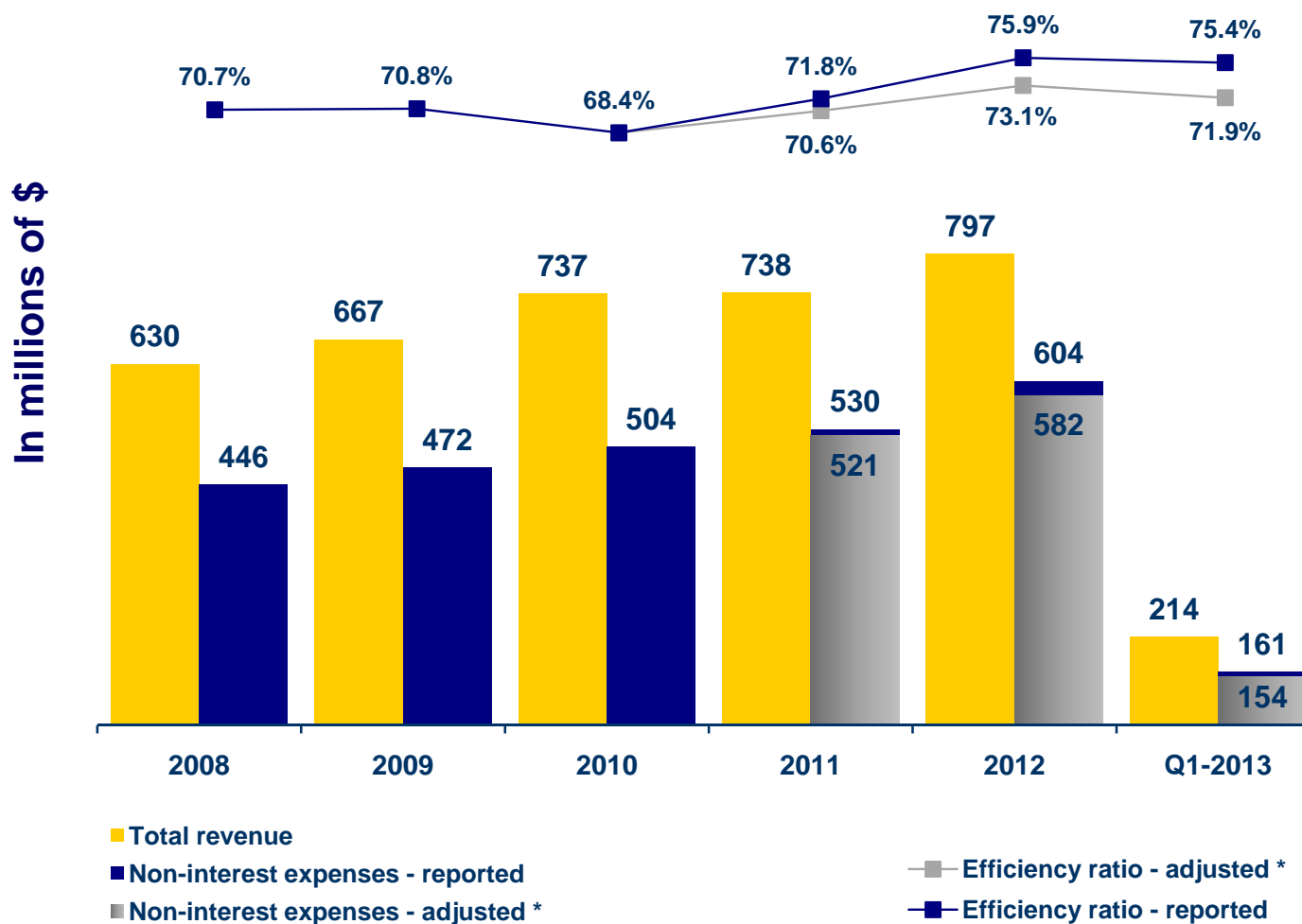




Figures prior to 2010 not restated under IFRS



Figures prior to 2011 not restated under IFRS



\* Excluding adjusting items, see page 22



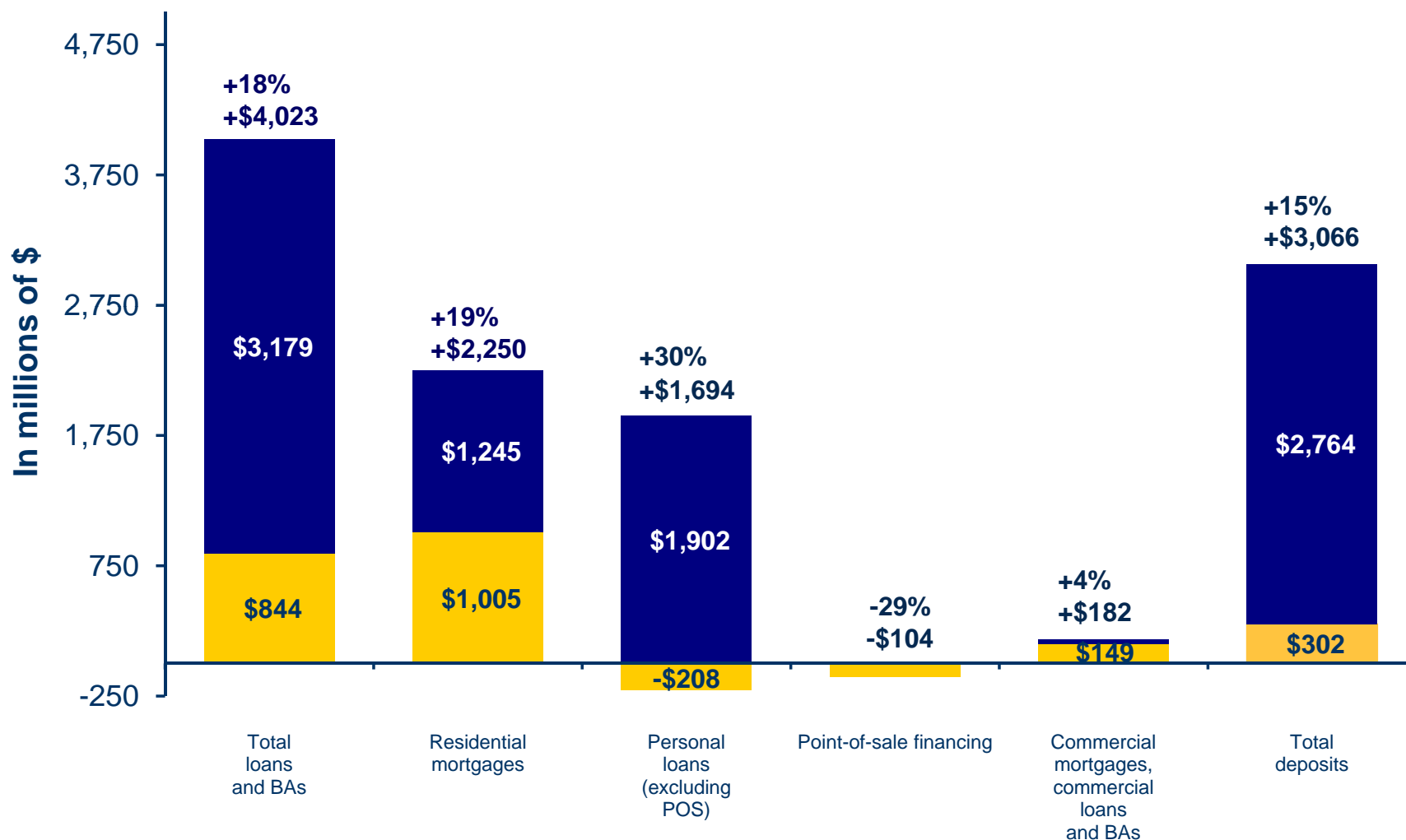
In millions of dollars

	Q1 2013	Q4 2012	Q1 2012	Q1-2013 vs Q4-2012	Q1-2013 vs Q1-2012
<b>Non-interest expenses (NIE)</b>	<b>\$161.3</b>	<b>\$165.4</b>	<b>\$143.0</b>	<b>-2%</b>	<b>13%</b>
T&I Costs*	7.6	8.8	2.7	-14%	184%
<b>NIE excluding T&amp;I Costs</b>	<b>153.8</b>	<b>156.6</b>	<b>140.4</b>	<b>-2%</b>	<b>10%</b>
AGF Trust operating expenses	9.0	8.3	-	8%	n.m.
<b>NIE excluding AGF Trust and T&amp;I Costs</b>	<b>\$144.8</b>	<b>\$148.3</b>	<b>\$140.4</b>	<b>-2%</b>	<b>3%</b>

\* T&I costs – Transaction and Integration costs



12-month period ended January 31, 2013

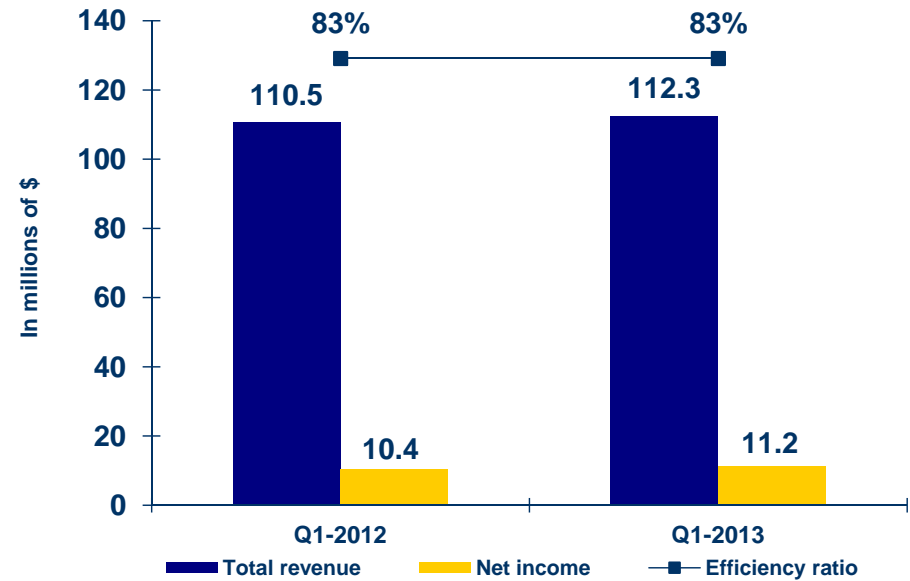


■ LBC excluding AGF Trust ■ AGF Trust portfolio at acquisition date



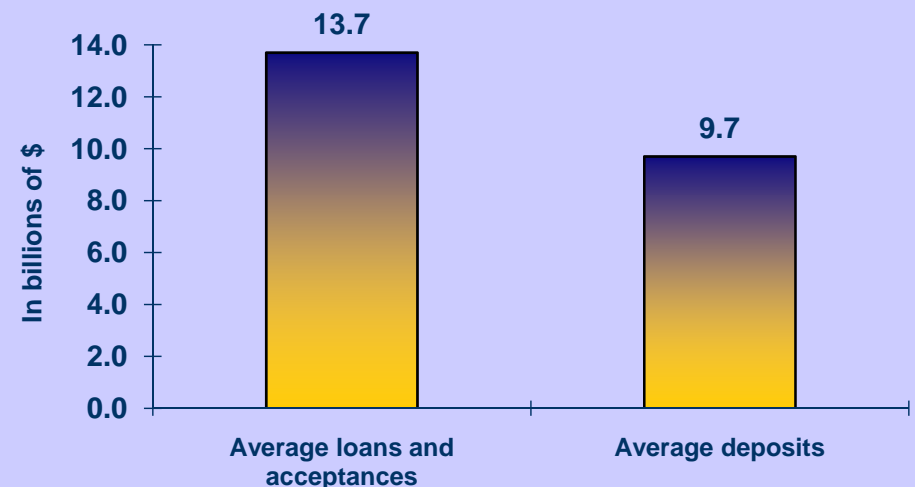
## Q1-2013 Highlights

- Net income: up 8% Y/Y
- Net interest income : down 2% Y/Y: growth in loans and deposits did not fully compensate for lower NIM owing to low interest rate environment
- Average loan and deposit growth: 5% and 3% Y/Y
- Other income up 11%: higher card revenues and deposit fees
- Non-interest expenses: 2% Y/Y due to cost control initiatives and restructurings
- Loan loss provision: relatively stable despite increased volumes



## Business Segment Profile

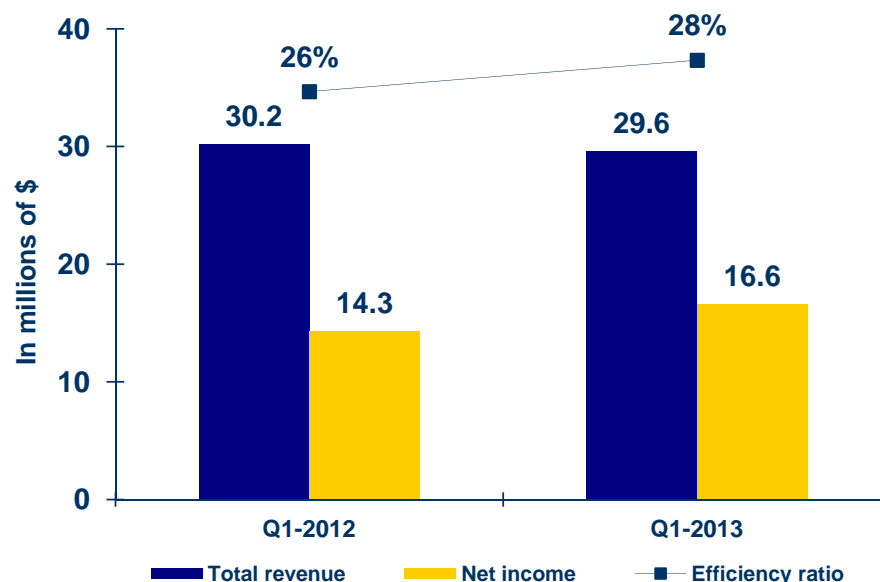
- Provides financial products and services for retail and SME in Québec
- 3<sup>rd</sup> largest branch network in Québec with 155 branches
- 424 ATMs
- 24 commercial banking centers





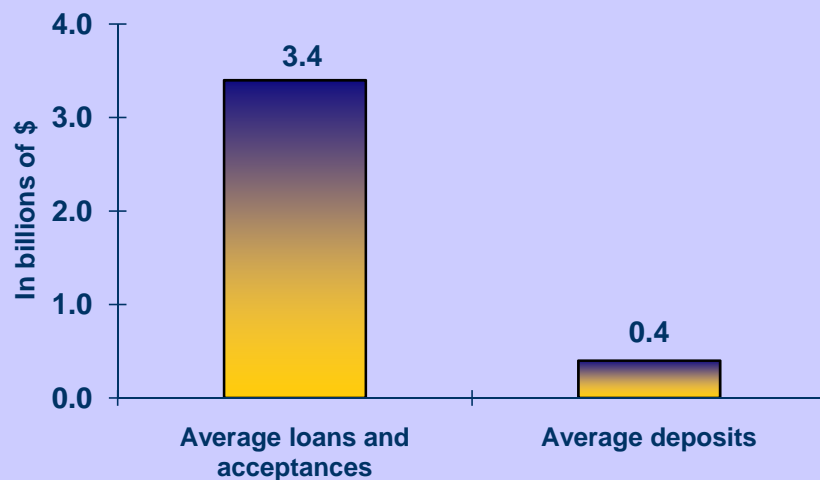
## Q1-2013 Highlights

- Net income: up 16% Y/Y
- Net interest income: down \$0.7 M Y/Y due to margin compression
- Growth in average loans and BAs: 2% Y/Y
- Non-interest expenses: up \$0.7 M Y/Y, due to additional headcount to support higher business activity
- Lower loan losses: \$(1.5) M vs \$2.9 M reflecting excellent credit



## Business Segment Profile

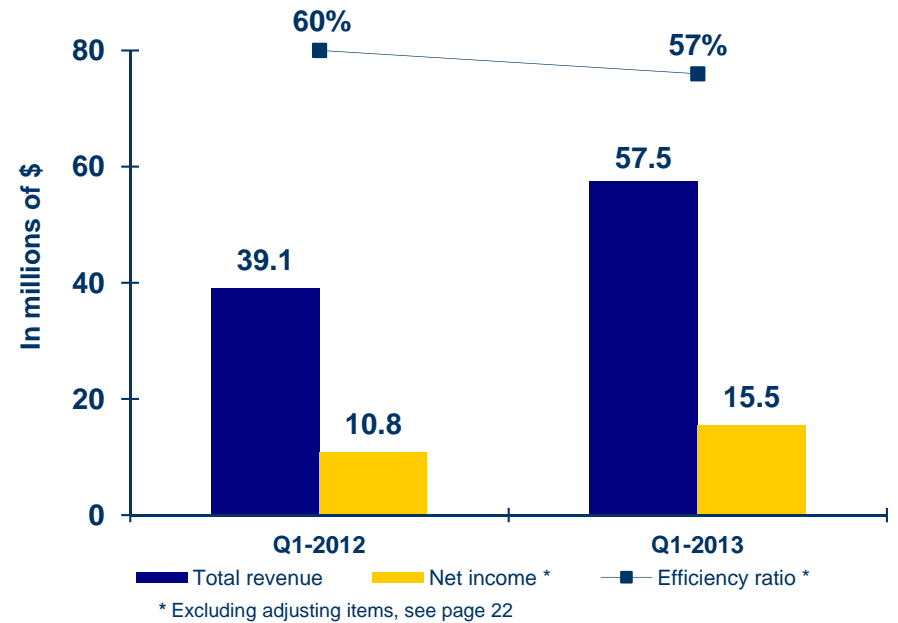
- Offers real estate financing for commercial property and commercial banking for medium-sized enterprises across Canada
- 14 real estate and commercial banking centers in B.C., Alberta, Ontario and Québec





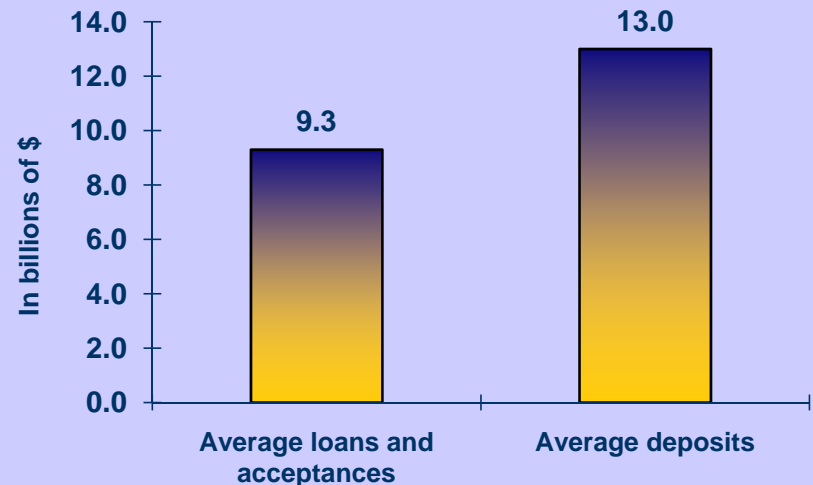
### Q1-2013 Highlights

- Adjusted net income \$15.5 M excluding (after tax) T&I Costs: \$7.6 M vs \$2.7 M in Q1-2012
- Total revenue: up 47% Y/Y due to AGF Trust
- Net interest income: up 56% Y/Y mainly due to AGF Trust
- Solid average loan and deposit growth: 60% and 32% respectively Y/Y due to AGF Trust
- Other income: Up 11% due to AGF Trust
- Loan losses: \$3.4 M vs \$0.9 M in Q1-2012 due to AGF Trust
- Non-interest expenses excluding T&I Costs: slightly higher 2% Y/Y excluding \$9.0 M related to AGF Trust



### Business Segment Profile

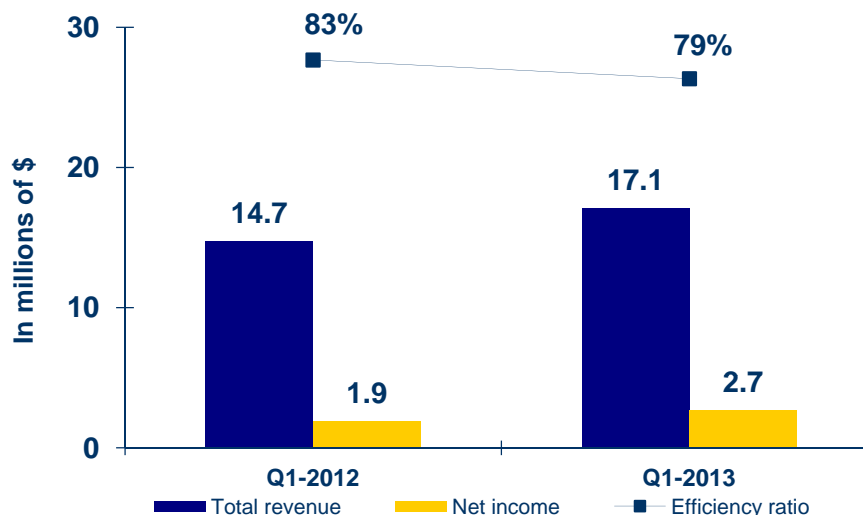
- Provides personal banking products such as investment loans, mortgages, high interest accounts, GIC's and investment accounts and services distributed through a network of financial advisors and brokers to their clients
- Canadian leader in serving the financial advisor and broker market





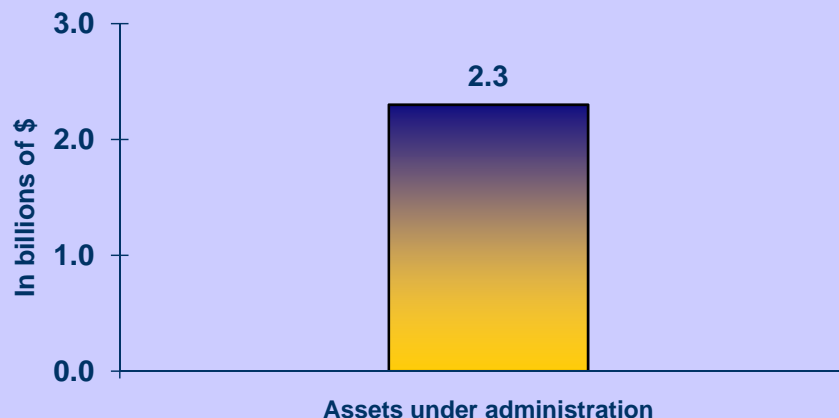
## Q1-2013 Highlights

- Net income: up 43% Y/Y
- Total revenue: increased by 17% due to improved underwriting and trading activities
- Non-interest expenses: up \$1.3 M due to higher performance-based compensation reflecting higher market-driven income



## Business Segment Profile

- Integrated broker serving Institutional and Retail investors
- Bank-related capital market activities
- Recognized and choice provider of Fixed Income
- 16 retail brokerage offices in Québec, Ontario and Manitoba

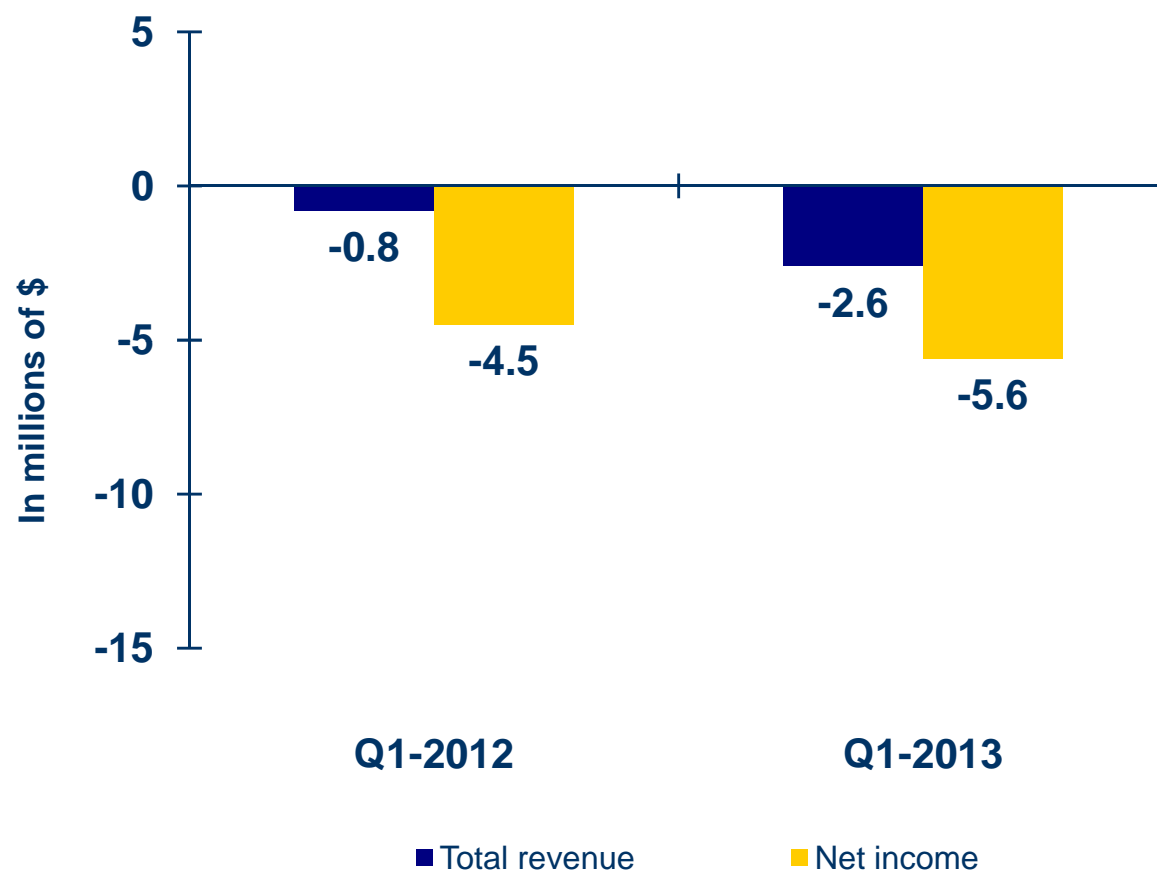






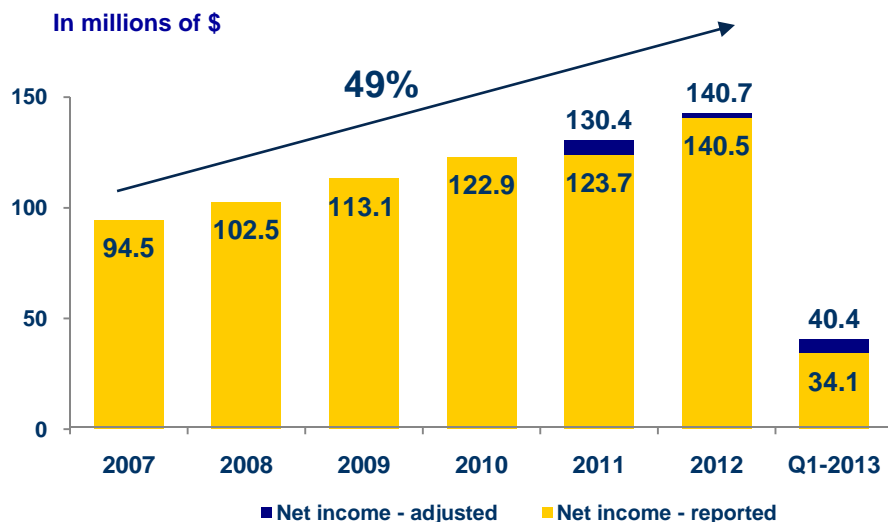
### Q1-2013 Highlights

- Total revenue decreased by \$1.8 M from Q1-2012
- Non-interest expenses: increased by \$0.2 M to \$5.9 M

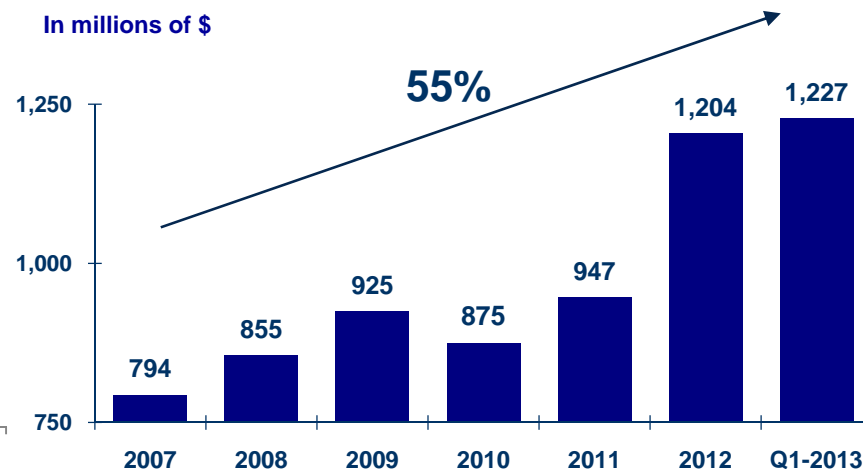




## Net income\*

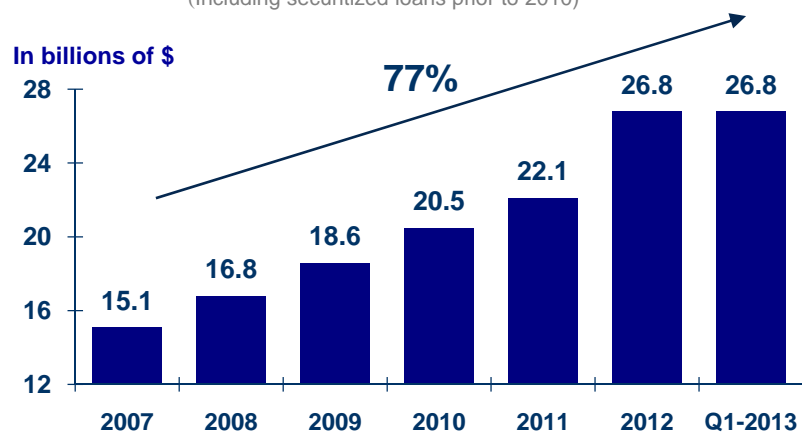


## Common shareholders' equity\*\*

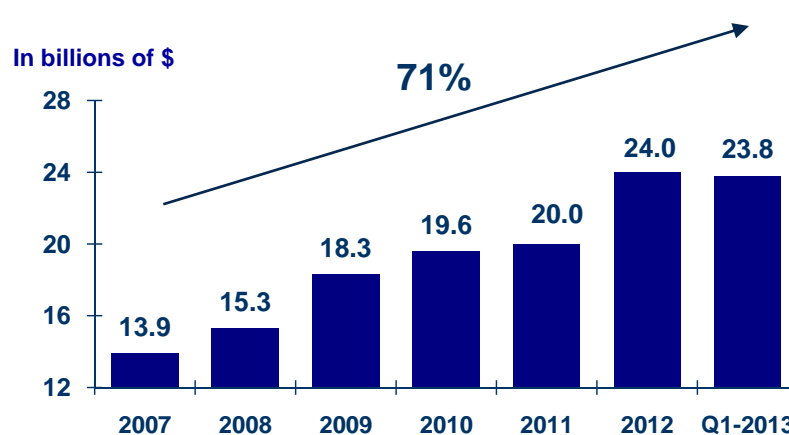


## Loans and BAs\*\*

(Including securitized loans prior to 2010)



## Deposits\*\*

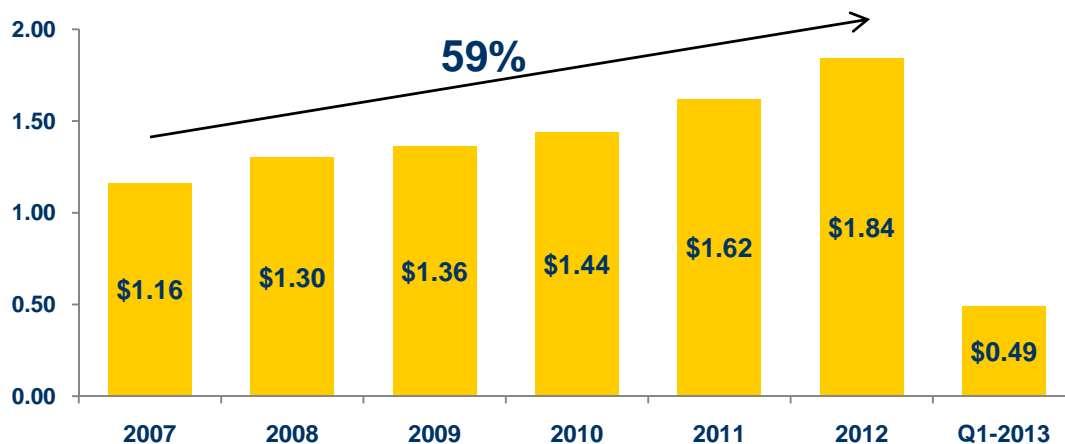


\* Figures prior to 2011 not restated under IFRS

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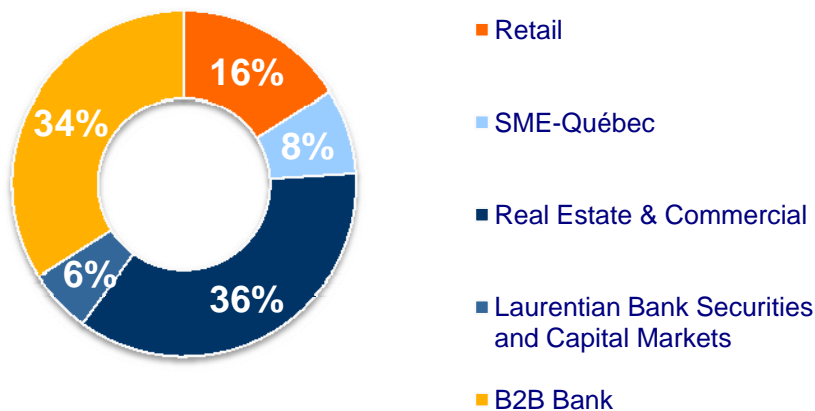


## Dividends declared per common share

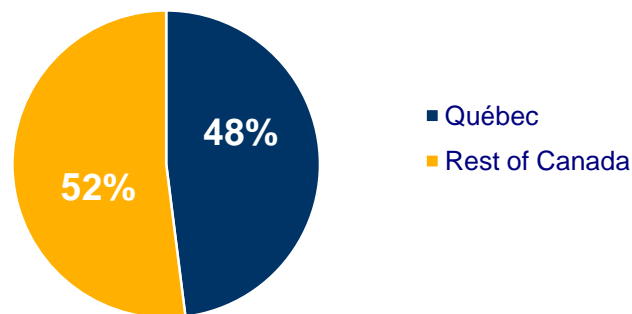


## Diversification of profitability

Contribution to the Bank's net income for the period ended January 31, 2013, excluding Other segment and adjusting items



## Geographic distribution of profitability





- **Réjean Robitaille**, President and Chief Executive Officer
- **Michel C. Lauzon**, Executive Vice-President and Chief Financial Officer
- **Luc Bernard**, Executive Vice-President, Retail and SME Financial Services
- **François Desjardins**, Executive Vice-President of the Bank and President and Chief Executive Officer of B2B Bank
- **Pierre Minville**, Executive Vice-President and Chief Risk Officer
- **Lorraine Pilon**, Executive Vice-President, Corporate Affairs, Human Resources and Secretary
- **Michel C. Trudeau**, Executive Vice-President, Capital Markets of the Bank, and President and Chief Executive Officer of Laurentian Bank Securities Inc.
- **Stéphane Therrien**, Executive Vice-President, Real Estate and Commercial
- **Gilles Godbout**, Executive Vice-President, Operations and Systems and Chief Information Officer
- **Louis Marquis**, Senior Vice-President, Credit
- **Stéphanie Pelletier**, Vice-President, Finance
- **André Lopresti**, Vice-President and Chief Accountant
- **Gladys Caron**, Vice-President, Public Affairs, Communications and Investor Relations
- **Susan Cohen**, Director, Investor Relations

# APPENDICES



## IMPACT OF ADJUSTING ITEMS, NET OF INCOME TAXES

In millions of dollars, except per share amounts \*

### Impact on net income

	Q1-2013	Q4-2012	Q1-2012
<b>Reported net income</b>	<b>\$ 34.1</b>	<b>\$ 45.7</b>	<b>\$ 31.0</b>
<b>Adjusting items, net of income taxes</b>			
Gain on acquisition and amortization of net premium on purchased financial instruments	0.8	(16.0)	-
<b>Cost related to business combinations and other</b>			
MRS Companies	4.3	4.7	2.0
AGF Trust	1.2	1.7	-
	<u>6.3</u>	<u>(9.5)</u>	<u>2.0</u>
<b>Adjusted net income</b>	<b>\$ 40.4</b>	<b>\$ 36.2</b>	<b>\$ 32.9</b>

### Impact on diluted earnings per share

<b>Reported diluted earnings per share</b>	<b>\$ 1.12</b>	<b>\$ 1.51</b>	<b>\$ 1.16</b>
Adjusting items	0.22	(0.34)	0.08
<b>Adjusted diluted earnings per share</b>	<b>\$ 1.34</b>	<b>\$ 1.17</b>	<b>\$ 1.24</b>

\* Certain totals do not add due to rounding

Symbol: LB, TSX



- **3<sup>rd</sup> largest financial institution in Québec** in terms of branches and **7<sup>th</sup> largest Canadian Schedule I chartered bank** based on assets
- **More than 240 points of service** across Canada, including **155 retail branches** and **424 ABMs**
- **\$34.2 billion of assets** on balance sheet as of January 31, 2013
- **Main markets:** Province of Québec with significant activities elsewhere in Canada (39% of total loans come from outside of Québec)
- **Over 4,200 employees**
- **Founded in 1846**



For the quarter ended January 31, 2013

## Retail & SME-Québec

## Real Estate & Commercial

## B2B Bank

## LB Securities & Capital Markets

% of total revenue <sup>(1)</sup> **52%**

**14%**

**26%**

**8%**

% of net income <sup>(1)(2)</sup> **24%**

**36%**

**34%**

**6%**

- Financial products and services for retail and SME in Québec

- Real estate financing for commercial property and commercial banking for medium-sized enterprises across Canada

- Personal banking products such as investment loans, mortgages, high interest accounts, GIC's and investment accounts and services distributed through a network of financial advisors and brokers to their clients

- Integrated broker serving Institutional and Retail investors; Bank-related capital market activities

- Approximately 2,300 employees
- 155 retail branches in Québec
- 24 commercial offices in Québec

- Approximately 140 employees
- 14 offices in Ontario, Western Canada and Québec

- Approximately 850 employees

- Approximately 250 employees
- 16 offices in Québec, Ontario and Manitoba

- \$11.0 B in residential mortgage loans and home equity lines of credit
- \$0.4 B in personal lines of credit
- \$1.3 B in average commercial loans – SME Québec
- Total deposits: \$9.8 B
- Assets under administration \$2.2 B

- \$2.4 B in commercial mortgage loans
- \$1.0 B in commercial loans
- Total deposits: \$0.5 B

- \$4.8 B in investment and RRSP loans
- \$4.4 B in brokered mortgages
- Total deposits: \$13.0 B
- Assets under administration \$26.9 B

- Assets under administration: \$2.3 B

(1) Excluding Other segment

(2) Excluding adjusting items, see page 22





## **Réjean Robitaille, FCPA, FCA**

**President and Chief Executive Officer**

President of Laurentian Bank since 2006  
With Laurentian Bank since 1988

## **Michel C. Lauzon**

**Executive Vice-President  
and Chief Financial Officer**

With Laurentian Bank since 2009  
and from 1988 to 1998

## **Luc Bernard**

**Executive Vice-President  
Retail and SME Financial Services**

With Laurentian Bank since 2001

## **François Desjardins**

**Executive Vice-President of the Bank  
President and Chief Executive Officer of  
B2B Bank**

With Laurentian Bank since 1991

## **Gilles Godbout**

**Executive Vice-President, Operations and  
Systems and Chief Information Officer**

With Laurentian Bank since May 2012  
and from 1987 to 1999

## **Pierre Minville**

**Executive Vice-President, and Chief Risk Officer**

With Laurentian Bank since 2000

## **Lorraine Pilon**

**Executive Vice-President  
Corporate Affairs, Human Resources, and  
Secretary**

With Laurentian Bank since 1990

## **Stéphane Therrien**

**Executive Vice-President, Real Estate and  
Commercial**

With Laurentian Bank since February 2012

## **Michel C. Trudeau**

**Executive Vice-President, Capital Markets of the  
Bank and President and Chief Executive Officer of  
Laurentian Bank Securities Inc.**

With Laurentian Bank since 1999



**L. Denis Desautels, O.C.,  
FCPA, FCA (2001)**

Chairman of the Board  
Laurentian Bank of Canada  
Corporate Director

**Pierre Anctil (2011)**

President and CEO of Fiera  
Axium Infrastructure

**Lise Bastarache (2006)**

Economist and Corporate  
Director

**Jean Bazin C.R. (2002)**

Counsel  
Fraser Milner Casgrain LLP

**Richard Bélanger,  
FCPA, FCA (2003)**

President  
Toryvel Group Inc.

**Isabelle Courville (2007)**

Corporate Director

**Pierre Genest (2006)**

Chairman of the Board  
SSQ, Life Insurance Company  
Inc.

**Michel Labonté (2009)**

Corporate Director

**Jacqueline C. Orange  
(2008)**

Corporate Director

**Marie-France Poulin (2009)**

Vice-President  
Camanda Group

**Réjean Robitaille,  
FCPA, FCA (2006)**

President and Chief Executive  
Officer  
Laurentian Bank of Canada

**Michelle R. Savoy (2012)**

Corporate Director

**Jonathan I. Wener, C.M.  
(1998)**

Chairman of the Board  
Canderel Management Inc.



**Gladys Caron** - Vice-President, Public Affairs,  
Communications and Investor Relations  
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**Susan Cohen** - Director, Investor Relations  
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