Laurentian Bank reports first quarter results

Mar 5, 2014

Highlights of the first quarter of 2014

- Financial measures on an adjusted basis for the first quarter of 2014 are as follows:
  - Adjusted net income of $39.3 million
  - Adjusted return on common shareholders' equity of 11.7%
  - Adjusted diluted earnings per share of $1.29
- Reported net income of $35.5 million, return on common shareholders' equity of 10.5%, and diluted earnings per share of $1.16
- Loan losses remain low at $10.5 million
- Continued growth in the commercial loan portfolios
- Positive operating leverage
- Segment realignment resulting in the Personal & Commercial, B2B Bank and Laurentian Bank Securities & Capital Markets business segments

MONTREAL, March 5, 2014 /CNW Telbec/ - Laurentian Bank of Canada reported adjusted net income of $39.3 million or $1.29 diluted per share for the first quarter of 2014, compared with $39.1 million or $1.30 diluted per share for the same period in 2013. Adjusted return on common shareholders' equity was 11.7% for the first quarter of 2014, compared with 12.5% for the same period in 2013. When including adjusting items[1], net income totalled $35.5 million or $1.16 diluted per share for the first quarter ended January 31, 2014, compared with $32.8 million or $1.07 diluted per share for the first quarter of 2013. Return on common shareholders' equity was 10.5% for the first quarter of 2014, compared with 10.3% for the same period in 2013.

Commenting on the Bank's financial results for the first quarter of 2014, Réjean Robitaille, President and Chief Executive Officer, mentioned: "We delivered strong earnings and generated positive operating leverage in the quarter, as we continued to execute on our business plan. In an environment where compressed margins and consumer deleveraging still pose a challenge, the continued excellent credit quality of the loan portfolio and rigorous control over expenses contributed to the good performance for the quarter. We also focused on further developing our higher-margin commercial activities and growing income from non-interest sensitive sources in order to foster stronger revenue growth."

Mr. Robitaille added: "As we move forward, we will continue our targeted efforts to improve efficiency, maximize operating leverage, and deliver the synergies related to our acquired businesses. We remain committed to enhancing value for our shareholders and we are working diligently to generate sustained earnings growth in each of our business segments."

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

Caution Regarding Forward-looking Statements

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

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

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

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

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

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

Highlights [1]

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED **JANUARY 31 2014**	OCTOBER 31 2013	VARIANCE	JANUARY 31 2013	VARIANCE
Profitability					
Total revenue	**$ 216,109**	$ 215,531	— %	$ 213,914	1 %
Net income	**$ 35,525**	$ 25,866	37 %	$ 32,788	8 %
Diluted earnings per share	**$ 1.16**	$ 0.82	41 %	$ 1.07	8 %
Return on common shareholders' equity [2]	**10.5 %**	7.6 %		10.3 %	
Net interest margin [2]	**1.66 %**	1.66 %		1.63 %	
Efficiency ratio [2]	**73.6 %**	80.1 %		76.2 %	
Operating leverage [2] [3]	**8.1 %**	(0.2) %		n. m.	
Per common share					
Share price					
High	**$ 47.96**	$ 47.15		$ 45.97	
Low	**$ 44.34**	$ 44.25		$ 42.90	

Close	**$ 45.73**	$ 46.55	(2) %	$ 44.10	4 %
Price / earnings ratio (trailing four quarters)	**11.8 x**	12.2 x		9.1 x	
Book value [2]	**$ 44.03**	$ 43.19	2 %	$ 41.45	6 %
Market to book value	**104 %**	108 %		106 %	
Dividends declared	**$ 0.51**	$ 0.50	2 %	$ 0.49	4 %
Dividend yield [2]	**4.5 %**	4.3 %		4.4 %	
Dividend payout ratio [2]	**44.1 %**	61.2 %		45.6 %	
Adjusted financial measures					
Adjusted net income [2]	**$ 39,261**	$ 33,919	16 %	$ 39,116	— %
Adjusted diluted earnings per share [2]	**$ 1.29**	$ 1.10	17 %	$ 1.30	(1) %
Adjusted return on common shareholders' equity [2]	**11.7 %**	10.2 %		12.5 %	
Adjusted efficiency ratio [2]	**71.8 %**	75.5 %		72.7 %	
Adjusted operating leverage [2] [3]	**4.9 %**	(2.9) %		n. m.	
Adjusted dividend payout ratio [2]	**39.6 %**	45.5 %		37.7 %	
Financial position (in millions of Canadian dollars)					
Balance sheet assets	**$ 33,631**	$ 33,911	(1) %	$ 34,252	(2) %
Loans and acceptances	**$ 27,092**	$ 27,229	(1) %	$ 26,847	1 %
Deposits	**$ 23,804**	$ 23,927	(1) %	$ 23,767	— %
Basel III regulatory capital ratios — All-in basis [4]					
Common Equity Tier I	**7.6 %**	7.6 %		7.5 %	
Tier 1	**9.1 %**	9.1 %		9.6 %	
Total	**12.4 %**	12.7 %		13.2 %	
Other information					
Number of full-time equivalent employees	**3,850**	3,987		4,259	
Number of branches	**153**	153		155	
Number of automated banking machines	**422**	422		424	

[1] Comparative figures have been prepared in accordance with current IFRS. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

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

[3] Quarterly growth rates are calculated sequentially. Operating leverage for the three months ended January 31, 2013 is not meaningful as 2012 results were not restated to reflect the adoption of the amended IFRS accounting standard on employee benefits.

[4] Regulatory capital ratios for 2013 are presented as filed with OSFI and have not been adjusted to include the impact of the adoption of the amendments to IFRS.

Review of Business Highlights

Commercial activities continue to be increasingly important at the Bank, with commercial loans and BAs growing by 17% in the first quarter of 2014 compared to a year ago. Successful initiatives in renewable energy, health care and public/private partnerships have helped develop our focused approach. The commercial group is also busy rolling out leasing solutions. While in its infancy, the experienced team that has been assembled and the breadth of products that is being offered are planting the seeds for the generation of a growing and diversified portfolio in the years to come.

B2B Bank is focussed on the RRSP season, working closely with the 27,000 financial advisors and brokers that it has relationships with. After this all-important period, focus will be redirected towards the final phases of integration of its acquisitions and new business development. This will pave the way for leverage of these extensive relationships to be maximized and expected revenue synergies to be fully realized.

The Bank continues to demonstrate its commitment to clients. To this end, four innovative vehicles were introduced for the RRSP season, designed to meet the needs of all savers. Products such as a three-year GIC with a potential return of up to 12%, a 2% Cashback option and a Duo GIC which combines return with guaranteed capital serve investors well and lay the foundation for a successful RRSP campaign. In addition, the LBC mutual fund line-up is performing well and is very popular among clients, with revenues increasing by 28% during the first quarter of 2014 compared to a year earlier. By offering performing products the Bank helps clients build wealth for a more secure future.

Laurentian Bank Securities also continues to raise its profile among investors and issuers as it plans its inaugural small cap conference. A full roster of companies from LBS's research coverage universe will make presentations to a large group of institutional equity investors in April. This event will serve to further solidify LBS as a leader within the small cap market niche.

Laurentian Bank ranked, according to the Mediacorp Canada competition, among Montreal's Top Employers. Based on selection criteria which include employee communications, work atmosphere, employee benefits, performance management, training and skill development and community involvement, the Bank earned a spot among the 25 most enviable places to work. With solid and competitive human resource programs, the Bank continues to demonstrate its commitment to serving its clients through its loyal and dedicated employees.

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 January 31, 2014, and of how it performed during the three-month period then ended. This MD&A, dated March 5, 2014, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended January 31, 2014, prepared in accordance with IAS 34 *Interim financial reporting,* as issued by the International Accounting Standards Board (IASB). Supplemental information on risk management, critical accounting policies and estimates, and off-balance sheet arrangements is also provided in the Bank's 2013 Annual Report.

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

Economic Outlook

The first quarter has been characterized by higher volatility in financial markets with the Federal Reserve pursuing its tapering of asset purchases based on continuous improvement of U.S. private demand. As a result, there has been massive capital outflows from emerging markets with significant current account deficits resulting in rapid currency devaluation against the US dollar. Central banks have responded quickly by raising short term interest rates. The Bank does not expect this situation to create any contagion among the advanced economies. The Canadian dollar has also depreciated significantly against the US dollar as the economic indicators published recently suggested that economic growth in the U.S. should surpass that of Canada in 2014. The renewed strength of the U.S. market, the decline in the Canadian dollar and the favourable interest rate environment point to an improvement in the business climate in Canada, particularly for Canadian exporters in the manufacturing sector in Ontario and Québec.

Adoption of the amended IFRS accounting standard on employee benefits

LAURENTIAN BANK

Effective November 1, 2013, the Bank adopted the amendments to the existing International Financial Reporting Standards (IFRS) on employee benefits, which required restatement of the Bank's 2013 comparative information and financial measures. In addition, the Bank issued on February 12, 2014 a separate press release which provides quarterly and full year financial results for 2013 reflecting the adoption of these amendments. The adoption of this standard also impacted regulatory capital as of the adoption date. On a *pro forma* basis, as at October 31, 2013, the Common Equity Tier 1 capital ratio would have been reduced by approximately 0.2% to 7.4%.

Additional information on the impact from the transition is also available in the notes to the unaudited condensed interim consolidated financial statements and in the supplementary information reported for the first quarter of 2014.

2014 Financial Performance

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

2014 FINANCIAL OBJECTIVES [1]	2014 OBJECTIVES	FOR THE THREE MONTHS ENDED JANUARY 31, 2014
Adjusted return on common shareholders' equity	10.5% to 12.5%	**11.7%**
Adjusted net income (in millions of dollars)	$145.0 to $165.0	**$39.3**
Adjusted efficiency ratio	72.5% to 69.5%	**71.8%**
Adjusted operating leverage [2]	Positive	**1.3%**
Common Equity Tier I capital ratio — All-in basis	> 7.0%	**7.6%**

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

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

Based on the results for the three months ended January 31, 2014 and current forecasts, management believes that the Bank is in line to meet its objectives as set out at the beginning of the year. Good organic growth in the higher-margin commercial businesses, and the Bank's strategies to diversify other income, combined with a disciplined management of expenses and continued credit quality should contribute to the overall financial performance.

Analysis of Consolidated Results

CONDENSED CONSOLIDATED RESULTS [1]

	FOR THE THREE MONTHS ENDED		
In thousands of Canadian dollars, except per share amounts (Unaudited)	**JANUARY 31 2014**	OCTOBER 31 2013	JANUARY 31 2013
Net interest income	**$ 140,856**	$ 141,437	$ 142,344
Other income	**75,253**	74,094	71,570
Total revenue	**216,109**	215,531	213,914
Amortization of net premium on purchased financial instruments	**1,136**	1,006	1,056
Provision for loan losses	**10,500**	10,000	8,000
Non-interest expenses	**159,133**	172,651	163,093
Income before income taxes	**45,340**	31,874	41,765
Income taxes	**9,815**	6,008	8,977

Net income	**$**	**35,525**	$	25,866	$	32,788
Preferred share dividends, including applicable taxes		**2,501**		2,637		2,533
Net income available to common shareholders	**$**	**33,024**	$	23,229	$	30,255
Diluted earnings per share	**$**	**1.16**	$	0.82	$	1.07

[1] Comparative figures have been prepared in accordance with current IFRS. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

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

Adjusting items

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

IMPACT OF ADJUSTING ITEMS [1] [2]

	FOR THE THREE MONTHS ENDED					
In thousands of Canadian dollars, except per share amounts (Unaudited)		**JANUARY 31 2014**		OCTOBER 31 2013		JANUARY 31 2013
Impact on net income						
Reported net income	**$**	**35,525**	$	25,866	$	32,788
Adjusting items, net of income taxes						
Amortization of net premium on purchased financial instruments		**836**		744		778
Costs related to business combinations [3]						
MRS Companies integration related costs		**474**		2,028		4,318
AGF Trust integration related costs		**2,426**		5,281		1,232
		3,736		8,053		6,328
Adjusted net income	**$**	**39,261**	$	33,919	$	39,116
Impact on diluted earnings per share						
Reported diluted earnings per share	**$**	**1.16**	$	0.82	$	1.07
Adjusting items		**0.13**		0.28		0.22
Adjusted diluted earnings per share [4]	**$**	**1.29**	$	1.10	$	1.30

[1] Comparative figures have been prepared in accordance with current IFRS. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

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

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

[4] The impact of adjusting items on a per share basis does not add due to rounding for the quarter ended January 31, 2013.

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

Net income was $35.5 million, or $1.16 diluted per share, for the first quarter of 2014, compared with $32.8 million, or $1.07 diluted per share, for the first quarter of 2013. Adjusted net income was $39.3 million for the first quarter ended January 31, 2014, essentially unchanged compared with $39.1 million in 2013, while adjusted diluted earnings per share was $1.29, compared with $1.30 diluted per share, in 2013.

Total revenue

Total revenue increased by $2.2 million or 1% to $216.1 million in the first quarter of 2014, compared with $213.9 million in the first quarter of 2013, as the 5% growth in other income year-over-year was partly offset by slightly lower net interest income.

Net interest income decreased by $1.5 million to $140.9 million for the first quarter of 2014, from $142.3 million in the first quarter of 2013, essentially reflecting a reduced level of investment loans and lower residential mortgage loan prepayment penalties, partly offset by improved margins. When compared with the first quarter of 2013, margins increased by 3 basis points to 1.66% for the first quarter of 2014. The maturing of high-coupon securitization liabilities during 2013 and the reduced level of lower-yielding liquid assets compared to a year ago mainly contributed to the increase. These factors more than compensated for modest loan and deposit margin tightening stemming from the repricing of maturing loans and deposits in the very low interest rate environment over the last twelve months.

Other income totalled $75.3 million in the first quarter of 2014, compared with $71.6 million in the first quarter of 2013, a $3.7 million or 5% increase. During the quarter, fees and commissions on loans and deposits benefitted from higher loan prepayment penalties in the commercial portfolios amounting to $1.8 million. Continued solid income from sales of mutual funds as well as higher insurance income and card service revenues also contributed to the increase year-over-year. These solid increases were partly offset by lower income from brokerage operations compared to a particularly strong quarter a year ago, and lower income from treasury and financial market operations due to lower net realized security gains in the first quarter of 2014.

Amortization of net premium on purchased financial instruments

For the first quarter of 2014, the amortization of net premium on purchased financial instruments amounted to $1.1 million, unchanged compared with the first quarter of 2013. Refer to Note 12 to the unaudited condensed interim consolidated financial statements for additional information on this item.

Provision for loan losses

The provision for loan losses increased by $2.5 million to $10.5 million in the first quarter of 2014 from $8.0 million in the first quarter of 2013. The Bank maintained its prudent approach to loan loss provisioning. Loan losses remained nonetheless at a low level which reflects the overall underlying quality of loan portfolios. Loan losses on personal loans decreased by $3.6 million compared with the first quarter of 2013, mainly driven by lower provisions in the investment loan portfolios. Loan losses on residential mortgage loans decreased slightly by $0.8 million year-over-year. Loan losses on commercial mortgages and commercial loans increased by a combined $6.8 million year-over-year to $5.4 million in the first quarter of 2014 compared with a net $1.5 million reduction in provisions a year ago. The increase in the first quarter of 2014 reflects a return to more normalized overall loan losses from the 2013 low levels.

Non-interest expenses

Non-interest expenses decreased by $4.0 million to $159.1 million for the first quarter of 2014, compared with $163.1 million for the first quarter of 2013. This mainly reflects lower T&I costs while the Bank's other non-interest expenses were held unchanged, through tight cost controls and process reviews.

Salaries and employee benefits decreased by $5.6 million or 6% to $85.5 million for the first quarter of 2014, compared with the first quarter of 2013, mainly due to lower headcount from acquisition synergies and the optimization of certain activities in the fourth quarter of 2013, partly offset by regular salary increases. Lower performance-based compensation and slightly lower pension costs also contributed to the decrease year-over-year.

Premises and technology costs increased by $7.1 million to $45.9 million compared with the first quarter of 2013, mostly stemming from higher IT costs related to ongoing business growth, regulatory requirements and enhanced on-line services. Higher amortization expense related to completed regulatory IT projects and rental costs related to additional square footage of leased premises for IT development teams also contributed to the increase. Premises and technology costs in the first quarter of 2013 were also favourably impacted by adjustments related to the resolution of contractual IT exposures.

Other non-interest expenses decreased by $1.8 million to $23.7 million for the first quarter of 2014, from $25.5 million for the first quarter of 2013. Helped by realized cost synergies, the Bank continued to exercise disciplined control over discretionary expenses in light of a slower growth environment.

T&I Costs for the first quarter of 2014 totalled $3.9 million compared with $7.6 million a year ago, and mainly related to IT systems conversion costs, employee relocation costs, salaries, professional fees and other expenses mostly for the integration of former AGF Trust operations.

The adjusted efficiency ratio was 71.8% in the first quarter of 2014, compared with 72.7% in the first quarter of 2013. On the same basis, the Bank generated 1.3% of positive operating leverage year-over-year, mainly due to higher other income, integration synergies, and continued rigorous cost control and efforts to streamline its operations. Management remains committed to ensuring growth and continues to invest in strategic growth initiatives in each of its business segments.

Income taxes

For the quarter ended January 31, 2014, the income tax expense was $9.8 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 quarter ended January 31, 2013, the income tax expense was $9.0 million and the effective tax rate was 21.5%, essentially unchanged compared with the effective tax rate for the first quarter ended January 31, 2014.

Three months ended January 31, 2014 compared with the three months ended October 31, 2013

Net income was $35.5 million or $1.16 diluted per share for the first quarter of 2014 compared with $25.9 million or $0.82 diluted per share for the fourth quarter of 2013. Adjusted net income was $39.3 million, or $1.29 diluted per share, compared with $33.9 million or $1.10 diluted per share for the fourth quarter of 2013. Notably, net income in the fourth quarter of 2013 was adversely impacted by one-time restructuring charges of $6.3 million before income taxes ($4.6 million after income taxes), or $0.16 diluted per share, related to the optimization of certain activities.

Total revenue increased to $216.1 million in the first quarter of 2014, compared with $215.5 million in the previous quarter. Net interest income decreased by $0.6 million sequentially to $140.9 million in the first quarter of 2014. While average assets declined slightly sequentially, net interest margins held stable at 1.66% in the first quarter of 2014, unchanged compared with the fourth quarter of 2013.

Other income increased by $1.2 million sequentially, essentially as a result of higher income from treasury and financial market operations due to higher net realized security gains in the first quarter of 2014. This was partly offset by lower lending fees in the first quarter of 2014 mainly due to seasonally lower business activity.

The amortization of net premium on purchased financial instruments amounted to $1.1 million in the first quarter of 2014, compared with $1.0 million for the last quarter. Refer to Note 12 to the unaudited condensed interim consolidated financial statements for additional information on this item.

The provision for loan losses remained low at $10.5 million for the first quarter of 2014, compared with $10.0 million for the fourth quarter of 2013, reflecting the continued high quality of the portfolio.

Non-interest expenses amounted to $159.1 million for the first quarter of 2014, compared with $172.7 million for the fourth quarter of 2013. T&I Costs decreased to $3.9 million in the first quarter of 2014, compared with $10.0 million in the fourth quarter of 2013. Excluding T&I Costs and $6.3 million of restructuring charges incurred in the fourth quarter of 2013, non-interest expenses decreased sequentially by 1%, as the Bank benefitted from synergies and the prior quarter's restructuring.

Financial condition

CONDENSED BALANCE SHEET [1]

In thousands of Canadian dollars (Unaudited)	**AS AT JANUARY 31 2014**	AS AT OCTOBER 31 2013	AS AT JANUARY 31 2013
ASSETS			
Cash and deposits with other banks	**$ 176,097**	$ 208,838	$ 370,789
Securities	**4,763,022**	4,480,525	5,274,099
Securities purchased under reverse repurchase agreements	**923,821**	1,218,255	917,007
Loans and acceptances, net	**26,972,559**	27,113,107	26,727,737
Other assets	**795,784**	890,301	962,153
	$ 33,631,283	$ 33,911,026	$ 34,251,785
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits	**$ 23,803,938**	$ 23,927,350	$ 23,767,493
Other liabilities	**3,051,203**	3,129,918	3,309,783
Debt related to securitization activities	**4,865,326**	4,974,714	5,244,311
Subordinated debt	**445,977**	445,473	443,978
Shareholders' equity	**1,464,839**	1,433,571	1,486,220
	$ 33,631,283	$ 33,911,026	$ 34,251,785

[1] Comparative figures have been prepared in accordance with current IFRS. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

Balance sheet assets amounted to $33.6 billion at January 31, 2014, down $0.3 billion or 1% from year-end 2013. Over the last twelve months, balance sheet assets decreased by $0.6 billion or 2%.

Liquid assets

Liquid assets, including cash, deposits with other banks, securities and securities purchased under reverse repurchase agreements, totalled $5.9 billion at January 31, 2014, a slight decrease of $44.7

million or 1% compared with October 31, 2013. This decrease is mainly due to a reduction in low-yielding replacement assets that were used to reimburse $0.3 billion of matured debt related to securitization activities during the quarter ended January 31, 2014. Liquid assets as a percentage of total assets remained unchanged at 17% compared with October 31, 2013. Overall, the Bank continues to maintain diverse funding sources, to prudently manage the level of liquid assets and to hold sufficient cash resources in order to meet its current and future financial obligations, under both normal and stressed conditions.

Loans

Loans and bankers' acceptances, net of allowances, stood at $27.0 billion as at January 31, 2014, marginally down by $0.1 billion or 1% from October 31, 2013 as continued organic growth in the higher-margin commercial loan portfolios were more than offset by the ongoing decrease in the personal loan portfolio. Commercial loans, including bankers' acceptances, increased by $38.2 million or 1% since October 31, 2013, and commercial mortgage loans increased by $43.0 million or 2% over the same period as the Bank maintains focus on developing these portfolios. Personal loans decreased by $134.6 million or 2% since October 31, 2013, mainly reflecting repayments of Immigrant Investor Program loans, expected ongoing attrition in the investment loan portfolios and limited consumer appetite to increase leverage. Residential mortgage loans decreased slightly by $83.7 million or 1% from October 31, 2013, mainly in the B2B Bank portfolio as the business segment focused on integration to build the foundation of its future growth, which temporarily slowed business development efforts with certain financial intermediaries.

Deposits

Personal deposits stood at $19.4 billion as at January 31, 2014, relatively unchanged from October 31, 2013. Business and other deposits, which include institutional deposits decreased by $0.2 billion or 4% since October 31, 2013 to $4.4 billion as at January 31, 2014. This decrease is due to the reduction of the level of wholesale deposits, in line with the growth in the Bank's loan portfolio during the quarter. However, the Bank continues to maintain diversified funding sources and to actively manage its liquidity levels. Moreover, in light of future regulatory liquidity requirements, the Bank continues to focus its efforts on retail deposit gathering and maintaining its solid retail funding base. Personal deposits represented 81% of total deposits as at January 31, 2014, unchanged from year-end 2013.

Other Liabilities

Overall, debt related to securitization activities and subordinated debt remained unchanged compared with October 31, 2013 and stood at $4.9 billion and $446.0 million respectively as at January 31, 2014.

Shareholders' equity

Shareholders' equity stood at $1,464.8 million as at January 31, 2014, compared with $1,433.6 million as at October 31, 2013. This increase resulted mainly from net income for the first quarter, net of declared dividends. As mentioned above, effective November 1, 2013 the Bank adopted the amendments to IFRS on employee benefits, that requires actuarial gains and losses to be presented in shareholders' equity. In this context, for the quarter ended January 31, 2014, the Bank recorded a $5.6 million actuarial gain within retained earnings. Refer to the Note 2 to the Condensed Interim Consolidated Financial Statements for further details on the adoption of these amendments. In addition, the issuance of 110,189 new common shares under the Shareholder Dividend Reinvestment and Share Purchase Plan further contributed to the increase in shareholders' equity. The Bank's book value per common share[1] appreciated to $44.03 as at January 31, 2014 from $43.19 as at October 31, 2013. There were 28,642,971 common shares and 20,000 share purchase options outstanding as at February 26, 2014.

Capital Management

Regulatory capital

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

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

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

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

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 12.4%, respectively, as at January 31, 2014. These ratios meet all current requirements.

REGULATORY CAPITAL [1]

In thousands of Canadian dollars, except percentage amounts (Unaudited)	**AS AT JANUARY 31 2014**	AS AT OCTOBER 31 2013	AS AT JANUARY 31 2013
Regulatory capital			
Common Equity Tier 1 capital (A)	**$ 1,014,033**	$ 1,017,659	$ 1,002,778
Tier 1 capital (B)	**$ 1,219,237**	$ 1,222,863	$ 1,275,674
Total capital ©	**$ 1,665,670**	$ 1,694,167	$ 1,753,649
Total risk-weighted assets (D) [2]	**$ 13,400,908**	$ 13,379,834	$ 13,286,829
Regulatory capital ratios			
Common Equity Tier 1 capital ratio (A/D)	**7.6 %**	7.6 %	7.5 %
Tier 1 capital ratio (B/D)	**9.1 %**	9.1 %	9.6 %
Total capital ratio (C/D)	**12.4 %**	12.7 %	13.2 %

[1] The amounts are presented on an "all-in" basis. Regulatory capital for 2013 is presented as filed with OSFI and has not been adjusted to include the impact of the adoption of the amendments to IFRS.

[2] Using the Standardized Approach in determining credit risk capital and to account for operational risk.

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

Basel leverage ratio requirement

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

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

Dividends

On February 12, 2014, the Board of Directors declared regular dividends on the various series of preferred shares to shareholders of record on March 7, 2014. At its meeting on March 5, 2014, the Board of Directors declared a dividend of $0.51 per common share, payable on May 1, 2014, to shareholders of record on April 1, 2014.

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COMMON SHARE DIVIDENDS AND PAYOUT RATIO [1]

In Canadian dollars, except payout ratios (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE YEARS ENDED		
	JANUARY 31 2014	OCTOBER 31 2013	JANUARY 31 2013	OCTOBER 31 2013	OCTOBER 31 2012	OCTOBER 31 2011
Dividends declared per common share	**$ 0.51**	$ 0.50	$ 0.49	$ 1.98	$ 1.84	$ 1.62
Dividend payout ratio [2]	**44.1 %**	61.2 %	45.6 %	52.0 %	37.0 %	34.8 %
Adjusted dividend payout ratio [2]	**39.6 %**	45.5 %	37.7 %	40.3 %	36.9 %	32.9 %

[1] Comparative figures for 2013 have been prepared taking into consideration current IFRS. Comparative figures for 2012 and 2011 have not been restated. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

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

Risk Management

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

Credit risk

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

PROVISION FOR LOAN LOSSES

	FOR THE THREE MONTHS ENDED		
In thousands of Canadian dollars, except percentage amounts (Unaudited)	**JANUARY 31 2014**	OCTOBER 31 2013	JANUARY 31 2013
Provision for loan losses			
Personal loans	**$ 4,473**	$ 10,020	$ 8,058
Residential mortgage loans	**648**	1,789	1,407
Commercial mortgage loans	**2,892**	(1,648)	1,101
Commercial and other loans (including acceptances)	**2,487**	(161)	(2,566)
	$ 10,500	$ 10,000	$ 8,000
As a % of average loans and acceptances	**0.15 %**	0.15 %	0.12 %

The provision for loan losses amounted to $10.5 million in the first quarter of 2014, slightly up by $0.5 million from the fourth quarter of 2013 and up $2.5 million compared to a year ago. Provision for loan losses continue to be at a low level and reflects the strong overall credit quality of the Bank's loan portfolios and prolonged favourable credit conditions in the Canadian market.

Loan losses on personal loans decreased by $3.6 million compared with the first quarter of 2013, mainly driven by lower provisions in the investment loan portfolios. Loan losses on residential mortgage loans decreased slightly by $0.8 million year-over-year.

Totalling $5.4 million for the first quarter of 2014, loan losses on commercial mortgages and commercial loans remained at a low level but increased by a combined $7.2 million sequentially and $6.8 million year-over-year. On a sequential basis, the increase is mainly explained by the relatively higher level of impaired loans and continued growth in the Bank's commercial loan portfolios. The prolonged low level of loan losses continues to reflect the excellent credit quality of these portfolios.

IMPAIRED LOANS

In thousands of Canadian dollars, except percentage amounts (Unaudited)	**AS AT JANUARY 31 2014**	AS AT OCTOBER 31 2013	AS AT JANUARY 31 2013
Gross impaired loans			
Personal	**$ 22,752**	$ 13,971	$ 21,185
Residential mortgages	**32,384**	32,651	23,142
Commercial mortgages	**23,701**	14,082	36,826
Commercial and other (including acceptances)	**35,095**	38,687	49,505
	113,932	99,391	130,658

Allowances for loan losses against impaired loans						
Individual allowances		**(31,026)**		(34,266)		(45,717)
Collective allowances		**(18,558)**		(12,049)		(14,893)
		(49,584)		(46,315)		(60,610)
Net impaired loans	**$**	**64,348**	$	53,076	$	70,048
Collective allowances against other loans	**$**	**(69,472)**	$	(69,275)	$	(58,311)
Impaired loans as a % of loans and acceptances						
Gross		**0.42%**		0.37%		0.49%
Net		**0.24%**		0.19%		0.26%

Gross impaired loans amounted to $113.9 million as at January 31, 2014, up from $99.4 million as at October 31, 2013, as continued improvement in the commercial loan portfolio was more than offset by increases in impaired loans in the personal loan portfolios, mainly in certain acquired portfolios. Higher impaired loans in the commercial mortgage loan portfolio have also contributed to the overall increase in gross impaired loans since the year-end 2013, but are limited to a few specific exposures. Despite the overall increase, gross impaired loans remain at a historically low level and borrowers continue to benefit from the favourable low interest rate environment, as well as the prevailing business conditions in Canada.

Since the beginning of the year, individual allowances decreased by $3.2 million to $31.0 million. Collective allowances increased by $6.5 million over the same period, in-line with higher impaired loans. Net impaired loans, calculated as gross impaired loans less individual allowances and collective allowances against impaired loans, amounted to $64.3 million as at January 31, 2014, compared with $53.1 million as at October 31, 2013, and totalled 0.24% of loans and acceptances compared with 0.19% at October 31, 2013. This low level is in line with management's continued prudent approach to provisioning of impaired loans.

Liquidity and funding risk

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

Regulatory developments concerning liquidity

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

In November 2013, OSFI issued a comprehensive domestic Liquidity Adequacy Requirements Guideline in draft form that reflects the aforementioned BCBS liquidity standards and monitoring tools and formalized the use of the Net Cumulative Cash Flow (NCCF) supervisory tool. The guideline is to be finalized in 2014. 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.

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

STRUCTURAL INTEREST RATE SENSITIVITY ANALYSIS

In thousands of Canadian dollars (Unaudited)		**AS AT JANUARY 31 2014**		AS AT OCTOBER 31 2013
Effect of a 1% increase in interest rates				
Increase in net interest income before taxes over the next 12 months	**$**	**13,855**	$	9,984
Decrease in the economic value of common shareholders' equity (Net of income taxes)	**$**	**(15,277)**	$	(22,746)

As shown in the table above, the Bank increased its short-term ALM sensitivity compared to October 31, 2013 while decreasing its long term sensitivity in the context of an expected steepening of the longer end of the yield curve. 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 three following business segments: Personal & Commercial, B2B Bank, and Laurentian Bank Securities & Capital Markets. The Bank's other activities are grouped into the Other sector.

Realignment of reportable segments

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

Personal & Commercial [1]

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED **JANUARY 31 2014**	OCTOBER 31 2013	JANUARY 31 2013
Net interest income	**$ 98,054**	$ 97,318	$ 98,101
Other income	**48,630**	49,131	43,529
Total revenue	**146,684**	146,449	141,630
Provision for loan losses	**10,254**	4,517	4,602
Non-interest expenses	**99,809**	110,131	102,880
Income before income taxes	**36,621**	31,801	34,148
Income taxes	**8,343**	7,392	7,612
Net income	**$ 28,278**	$ 24,409	$ 26,536
Efficiency ratio [2]	**68.0 %**	75.2 %	72.6 %

[1] Comparative figures have been prepared in accordance with current IFRS and reflect the realignment of reportable segments. Refer to Notes 2 and 11 in the unaudited condensed interim consolidated financial statements.

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

The Personal & Commercial business segment's contribution to net income was $28.3 million in the first quarter of 2014 compared with $26.5 million in the first quarter of 2013.

Total revenue increased by $5.1 million from $141.6 million in the first quarter of 2013 to $146.7 million in the first quarter of 2014, mainly driven by growth in other income. Net interest income was essentially unchanged, as lower residential mortgage loan prepayment penalties were offset by good volume growth in the commercial loan portfolios. Other income increased by 12% from $43.5 million in the first quarter of 2013 to $48.6 million in the first quarter of 2014, including $1.5 million from loan prepayment penalties in the commercial portfolios. Continued solid income from sales of mutual funds as well as higher insurance income and card service revenues also contributed to the increase year-over-year.

Loan losses increased by $5.7 million from $4.6 million in the first quarter of 2013 to $10.3 million in the first quarter of 2014, mainly reflecting more normalized overall loan losses. Non-interest expenses decreased by $3.1 million, from $102.9 million in the first quarter of 2013 to $99.8 million in the first quarter of 2014, mainly due to lower headcount from the optimization of certain activities in the fourth quarter of 2013 and disciplined control over discretionary expenses, partly offset by higher premises and technology costs. The efficiency ratio was 68.0% in the first quarter of 2014, compared with 72.6% in the first quarter of 2013. The segment generated 6.6% positive operating leverage year-over-year, mainly due to higher other income and continued rigorous cost control and efforts to streamline its operations.

Compared with the fourth quarter of 2013, net income increased by $3.9 million from $24.4 million to $28.3 million in the first quarter of 2014, mainly due to the restructuring charges of $5.3 million ($3.9 million after income taxes) incurred in the fourth quarter of 2013 related to the optimization of certain activities. Higher provisions due to the relatively higher level of impaired loans and continued growth in the commercial loan portfolios were partly offset by a 5% sequential decrease in non-interest expenses excluding the restructuring charges mentioned above, as the segment benefitted from lower expenses once optimized, while continuing to carefully control costs.

B2B Bank [1]

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED **JANUARY 31 2014**	OCTOBER 31 2013	JANUARY 31 2013
Net interest income	**$ 46,197**	$ 46,072	$ 49,412
Other income	**9,102**	9,406	9,056
Total revenue	**55,299**	55,478	58,468
Amortization of net premium on purchased financial instruments	**1,136**	1,006	1,056
Provision for loan losses	**246**	5,483	3,398
Non-interest expenses [2]	**31,576**	32,869	33,985
Costs related to business combinations [3]	**3,949**	9,951	7,557
Income before income taxes	**18,392**	6,169	12,472
Income taxes	**4,959**	1,760	3,281
Net income	**$ 13,433**	$ 4,409	$ 9,191
Efficiency ratio [4]	**64.2 %**	77.2 %	71.1 %
Adjusted net income [4]	**$ 17,169**	$ 12,462	$ 15,519
Adjusted efficiency ratio [4]	**57.1 %**	59.2 %	58.1 %

[1] Comparative figures have been prepared in accordance with current IFRS. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

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

[3] Integration costs related to the integration of the MRS Companies and AGF Trust.

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

The B2B Bank business segment's contribution to adjusted net income was $17.2 million in the first quarter of 2014, up $1.7 million from $15.5 million in the first quarter of 2013. Reported net income for the first quarter of 2014 was $13.4 million compared with $9.2 million a year ago.

Total revenue decreased to $55.3 million in the first quarter of 2014 from $58.5 million in the first quarter of 2013. Net interest income decreased by $3.2 million compared with last year to $46.2 million in the first quarter of 2014. This decrease resulted from the reduced level of investment loans as investors continue to deleverage, as well as margin compression on mortgage loans, which more than offset the higher spread earned on deposits year-over-year. Other income amounted to $9.1 million in the first quarter of 2014, unchanged from the first quarter of 2013.

As shown above, the charge related to amortization of net premium on purchased financial instruments amounted to $1.1 million in the first quarter of 2014, unchanged from the first quarter of 2013. Refer to Note 12 to the unaudited condensed interim consolidated financial statements for additional information on this item.

Loan losses decreased by $3.2 million compared with the first quarter of 2013 and amounted to $0.2 million in the first quarter of 2014. This decrease is mainly driven by lower provisions in the investment loan portfolios.

Non-interest expenses, as shown in the table above, decreased by $2.4 million or 7% to $31.6 million in the first quarter of 2014, compared with $34.0 million in the first quarter of 2013, mainly as a result of lower salary and other expenses from integration synergies, partly offset by higher leasing costs. As integration activities are in their winding down phase, T&I Costs for the first quarter of 2014 decreased to $3.9 million and mainly related to IT systems conversion costs, employee relocation costs, salaries, professional fees and other expenses mostly for the integration of AGF Trust.

Compared with the fourth quarter of 2013, adjusted net income increased by $4.7 million, essentially as a result of lower loan loss provisions.

Laurentian Bank Securities & Capital Markets [1]

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED **JANUARY 31 2014**	OCTOBER 31 2013	JANUARY 31 2013
Total revenue	**$ 16,165**	$ 17,741	$ 17,083
Non-interest expenses	**13,087**	13,919	13,474
Income before income taxes	**3,078**	3,822	3,609
Income taxes	**826**	913	928
Net income	**$ 2,252**	$ 2,909	$ 2,681
Efficiency ratio [2]	**81.0 %**	78.5 %	78.9 %

[1] Comparative figures have been prepared in accordance with current IFRS. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

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

Laurentian Bank Securities & Capital Markets business segment's contribution to net income decreased to $2.3 million in the first quarter of 2014, compared with $2.7 million in the first quarter of 2013.

Total revenue decreased by $0.9 million to $16.2 million in the first quarter of 2014 compared with $17.1 million for the first quarter of 2013, mainly as a result of lower underwriting fees in the fixed income market compared to a particularly strong quarter a year ago, as well as lower Immigrant Investor Program fees. Non-interest expenses decreased by $0.4 million to $13.1 million in the first quarter of 2014, mainly due to lower performance-based compensation, commissions and transaction fees, in-line with lower market-driven income.

Other sector [1]

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED **JANUARY 31 2014**	OCTOBER 31 2013	JANUARY 31 2013
Net interest income	**$ (4,078)**	$ (3,611)	$ (5,850)
Other income	**2,039**	(526)	2,583
Total revenue	**(2,039)**	(4,137)	(3,267)
Non-interest expenses [2]	**10,712**	5,781	5,197
Loss before income taxes	**(12,751)**	(9,918)	(8,464)
Income taxes recovery	**(4,313)**	(4,057)	(2,844)
Net loss	**$ (8,438)**	$ (5,861)	$ (5,620)

[1] Comparative figures have been prepared in accordance with current IFRS and reflect the realignment of reportable segments. Refer to Notes 2 and 11 in the unaudited condensed interim consolidated financial statements.

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

The Other sector posted a negative contribution to net income of $8.4 million in the first quarter of 2014 compared with a negative contribution of $5.6 million in the first quarter of 2013.

Net interest income improved to negative $4.1 million in the first quarter of 2014, compared with negative $5.9 million in the first quarter of 2013, mainly as a result of the maturing of high-cost debt related to securitization activities and a lower level of liquid assets compared to a year ago. Other income in the first quarter of 2014 decreased to $2.0 million, compared with $2.6 million in the first quarter of 2013, mainly from lower net realized security gains in the first quarter of 2014. Non-interest expenses increased to $10.7 million in the first quarter of 2014 compared with $5.2 million in the first quarter of 2013, mainly due to higher technology expenses related to IT regulatory developments. Premises and technology costs in the first quarter of 2013 had also been favourably impacted by adjustments related to the resolution of contractual IT exposures.

On a sequential basis, net income declined by $2.6 million from the previous quarter as other income improved by $2.6 million to $2.0 million from negative $0.5 million in the fourth quarter of 2013, offset by higher non-interest expenses, mainly related to stock-based compensation.

Additional Financial Information - Quarterly Results [1]

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In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	**JANUARY 31 2014**	OCTOBER 31 2013	JULY 31 2013	APRIL 30 2013	JANUARY 31 2013	OCTOBER 31 2012	JULY 31 2012	APRIL 30 2012
Net interest income	**$ 140,856**	$ 141,437	$ 144,549	$ 140,430	$ 142,344	$ 142,411	$ 129,664	$ 128,324
Other income	**75,253**	74,094	76,493	74,420	71,570	67,985	64,169	70,346
Total revenue	**216,109**	215,531	221,042	214,850	213,914	210,396	193,833	198,670
Gain on acquisition and amortization of net premium on purchased financial instruments	**1,136**	1,006	1,140	1,224	1,056	(23,795)	—	—
Provision for loan losses	**10,500**	10,000	9,000	9,000	8,000	8,000	7,500	7,500
Non-interest expenses	**159,133**	172,651	176,705	161,630	163,093	165,377	148,955	147,111
Income before income taxes	**45,340**	31,874	34,197	42,996	41,765	60,814	37,378	44,059
Income taxes	**9,815**	6,008	7,213	9,157	8,977	15,129	7,380	10,196
Net income	**$ 35,525**	$ 25,866	$ 26,984	$ 33,839	$ 32,788	$ 45,685	$ 29,998	$ 33,863
Earnings per share								
Basic	**$ 1.16**	$ 0.82	$ 0.86	$ 1.05	$ 1.07	$ 1.51	$ 1.06	$ 1.22
Diluted	**$ 1.16**	$ 0.82	$ 0.86	$ 1.05	$ 1.07	$ 1.51	$ 1.06	$ 1.22
Return on common shareholders' equity [2]	**10.5 %**	7.6 %	8.1 %	10.4 %	10.3 %	14.2 %	10.1 %	12.0 %
Balance sheet assets (in millions of Canadian dollars)	**$ 33,631**	$ 33,911	$ 33,758	$ 34,480	$ 34,252	$ 34,937	$ 31,416	$ 30,708
Adjusted measures								
Adjusted net income [2]	**$ 39,261**	$ 33,919	$ 38,547	$ 39,247	$ 39,116	$ 36,186	$ 35,253	$ 36,302

Adjusted diluted earnings per share [2]	**$ 1.29**	$ 1.10	$ 1.27	$ 1.24	$ 1.30	$ 1.17	$ 1.27	$ 1.31
Adjusted return on common shareholders' equity [2]	**11.7 %**	10.2 %	12.0 %	12.2 %	12.5 %	10.9 %	12.1 %	13.0 %

[1] Comparative figures for 2013 have been prepared in accordance with current IFRS. 2012 results have not been restated. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

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

Accounting Policies

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

Accounting changes

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

Future accounting changes

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

Corporate Governance and Changes in Internal Control over Financial Reporting

During the first quarter ended January 31, 2014, there have been no changes in the Bank's policies or procedures and other processes that comprise its internal control over financial reporting which have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

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

Non-GAAP Financial Measures

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

Common shareholders' equity

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

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

Return on common shareholders' equity

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

Book value per common share

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

Net interest margin

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

Efficiency ratio and operating leverage

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

Dividend payout ratio

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

Dividend yield

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

Adjusted financial measures

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

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

About Laurentian Bank

Laurentian Bank of Canada is a banking institution whose activities extend across Canada. Recognized for its excellent service, proximity and simplicity, the Bank serves one and a half million clients throughout the country. Founded in 1846, the Bank is among the 2014 edition of the Montréal's Top Employers competition, which showcases the city's top 25 companies offering enviable places to work. It currently employs some 3,800 people whose talent and dedication has made it a major player in numerous market segments.

Laurentian Bank distinguishes itself through the excellence of its execution and its agility. Catering to the needs of retail clients via its extensive branch network and constantly evolving virtual offerings, the Bank has also earned a solid reputation among SMEs, larger businesses and real estate developers thanks to its growing presence across Canada and its specialized teams in Ontario, Québec, Alberta and British Columbia. For its part, the organization's B2B Bank subsidiary is a Canadian leader in providing banking and investment products and services to financial advisors and brokers, while Laurentian Bank Securities is an integrated broker that is also widely known for its expert and effective services nationwide. The institution has more than $33 billion in balance sheet assets and more than $39 billion in assets under administration.

Access to Quarterly Results Materials

Interested investors, the media and others may review this press release, unaudited condensed interim consolidated financial statements, supplementary financial information and our report to shareholders which are posted on our web site at www.laurentianbank.ca.

Conference Call

Laurentian Bank invites media representatives and the public to listen to the conference call with financial analysts to be held at 2:00 p.m. Eastern Time on Wednesday, March 5, 2014. The live, listen-only, toll-free, call-in number is 416 849-3996 or 1 866 323-9095 Code 967272#.

You can listen to the call on a delayed basis at any time from 5:00 p.m. on Wednesday, March 5, 2014 until 5:00 p.m. on April 3, 2014, by dialing the following playback number: 647 436-0148 or 1 888 203-1112 Code 5930058#. The conference call can also be heard through the Investor Relations section of the Bank's Web site at www.laurentianbank.ca. The Bank's Web site also offers additional financial information.

Unaudited Condensed Interim Consolidated Financial Statements

The unaudited condensed interim consolidated financial statements for the quarter ended January 31, 2014, including the notes to consolidated financial statements, are also available on the Bank's Web site at www.laurentianbank.ca.

Consolidated Balance Sheet [1]

In thousands of Canadian dollars (Unaudited)	AS AT JANUARY 31 2014	AS AT OCTOBER 31 2013	AS AT JANUARY 31 2013
ASSETS			
Cash and non-interest-bearing deposits with other banks	**$ 80,826**	$ 82,836	$ 87,821
Interest-bearing deposits with other banks	**95,271**	126,002	282,968
Securities			
Available-for-sale	**2,131,045**	1,679,067	2,280,867
Held-to-maturity	**363,063**	648,874	862,588
Held-for-trading	**2,268,914**	2,152,584	2,130,644
	4,763,022	4,480,525	5,274,099
Securities purchased under reverse repurchase agreements	**923,821**	1,218,255	917,007
Loans			
Personal	**7,110,856**	7,245,474	7,654,648
Residential mortgage	**14,651,545**	14,735,211	14,374,220
Commercial mortgage	**2,531,812**	2,488,826	2,423,742
Commercial and other	**2,503,082**	2,488,137	2,183,805
Customers' liabilities under acceptances	**294,320**	271,049	210,243
	27,091,615	27,228,697	26,846,658
Allowances for loan losses	**(119,056)**	(115,590)	(118,921)
	26,972,559	27,113,107	26,727,737
Other			
Premises and equipment	**75,838**	73,261	72,556
Derivatives	**170,504**	126,617	131,470
Goodwill	**64,077**	64,077	64,077
Software and other intangible assets	**201,067**	197,594	159,307
Deferred tax assets	**11,757**	21,588	40,221
Other assets	**272,541**	407,164	494,522
	795,784	890,301	962,153
	$ 33,631,283	$ 33,911,026	$ 34,251,785
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits			
Personal	**$ 19,366,548**	$ 19,282,042	$ 19,474,971
Business, banks and other	**4,437,390**	4,645,308	4,292,522
	23,803,938	23,927,350	23,767,493
Other			
Obligations related to securities sold short	**1,361,085**	1,464,269	1,714,803
Obligations related to securities sold under repurchase agreements	**482,634**	339,602	291,775
Acceptances	**294,320**	271,049	210,243
Derivatives	**123,369**	102,041	92,926
Deferred tax liabilities	**3,162**	9,845	24,922
Other liabilities	**786,633**	943,112	975,114
	3,051,203	3,129,918	3,309,783
Debt related to securitization activities	**4,865,326**	4,974,714	5,244,311
Subordinated debt	**445,977**	445,473	443,978
Shareholders' equity			
Preferred shares	**205,204**	205,204	303,078
Common shares	**451,415**	446,496	434,312
Share-based payment reserve	**91**	91	136
Retained earnings	**800,362**	776,256	724,851

Accumulated other comprehensive income	**7,767**	5,524	23,843
	1,464,839	1,433,571	1,486,220
	$ 33,631,283	$ 33,911,026	$ 34,251,785

[1] Comparative figures have been prepared in accordance with current IFRS. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

Consolidated Statement of Income [1]

In thousands of Canadian dollars, except per share amounts (Unaudited)	FOR THE THREE MONTHS ENDED JANUARY 31 2014	OCTOBER 31 2013	JANUARY 31 2013
Interest income			
Loans	**$ 269,084**	$ 269,927	$ 276,870
Securities	**10,321**	10,845	17,128
Deposits with other banks	**181**	601	914
Other, including derivatives	**10,188**	9,475	13,453
	289,774	290,848	308,365
Interest expense			
Deposits	**114,020**	114,094	121,423
Debt related to securitization activities	**30,529**	31,115	40,225
Subordinated debt	**4,031**	4,088	4,024
Other	**338**	114	349
	148,918	149,411	166,021
Net interest income	**140,856**	141,437	142,344
Other income			
Fees and commissions on loans and deposits	**34,755**	35,704	31,330
Income from brokerage operations	**15,207**	15,113	16,522
Income from investment accounts	**8,027**	8,693	7,858
Income from sales of mutual funds	**6,580**	6,098	5,140
Income from treasury and financial market operations	**4,339**	2,095	5,341
Insurance income	**4,633**	4,278	3,395
Other income	**1,712**	2,113	1,984
	75,253	74,094	71,570
Total revenue	**216,109**	215,531	213,914
Amortization of net premium on purchased financial instruments	**1,136**	1,006	1,056
Provision for loan losses	**10,500**	10,000	8,000
Non-interest expenses			
Salaries and employee benefits	**85,540**	90,899	91,159
Premises and technology	**45,940**	45,277	38,881
Other	**23,704**	26,524	25,496
Costs related to business combinations	**3,949**	9,951	7,557
	159,133	172,651	163,093
Income before income taxes	**45,340**	31,874	41,765
Income taxes	**9,815**	6,008	8,977
Net income	**$ 35,525**	$ 25,866	$ 32,788
Preferred share dividends, including applicable taxes	**2,501**	2,637	2,533
Net income available to common shareholders	**$ 33,024**	$ 23,229	$ 30,255
Average number of common shares outstanding (in thousands)			
Basic	**28,570**	28,474	28,169
Diluted	**28,577**	28,481	28,182
Earnings per share			
Basic	**$ 1.16**	$ 0.82	$ 1.07
Diluted	**$ 1.16**	$ 0.82	$ 1.07

Dividends declared per share			
Common share	$ **0.51**	$ 0.50	$ 0.49
Preferred share - Series 9	**n.a.**	n.a.	$ 0.38
Preferred share - Series 10	$ **0.33**	$ 0.33	$ 0.33
Preferred share - Series 11	$ **0.25**	$ 0.25	$ 0.16

[1] Comparative figures have been prepared in accordance with current IFRS. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

Consolidated Statement of Comprehensive Income [1]

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED **JANUARY 31 2014**	 OCTOBER 31 2013	 JANUARY 31 2013
Net income	$ **35,525**	$ 25,866	$ 32,788
Other comprehensive income, net of income taxes			
Items that may subsequently be reclassified to the statement of income			
Unrealized net gains (losses) on available-for-sale securities	**758**	2,764	1,116
Reclassification of net (gains) losses on available-for-sale securities to net income	**(1,061)**	(182)	(1,458)
Net change in value of derivatives designated as cash flow hedges	**2,546**	559	(10,043)
	2,243	3,141	(10,385)
Items that may not be subsequently reclassified to the statement of income			
Actuarial gains and losses on employee benefit plans	$ **5,634**	$ 5,103	$ 2,348
Comprehensive income	$ **43,402**	$ 34,110	$ 24,751

Income Taxes - Other Comprehensive Income

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

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED **JANUARY 31 2014**	 OCTOBER 31 2013	 JANUARY 31 2013
Income tax expense (recovery) on:			
Unrealized net gains (losses) on available-for-sale securities	$ **243**	$ 927	$ 433
Reclassification of net (gains) losses on available-for-sale securities to net income	**(390)**	(75)	(536)
Net change in value of derivatives designated as cash flow hedges	**925**	242	(3,670)
Actuarial gains and losses on employee benefit plans	**2,066**	1,871	861
	$ **2,844**	$ 2,965	$ (2,912)

[1] Comparative figures have been prepared in accordance with current IFRS. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity [1]

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	FOR THE THREE MONTHS ENDED JANUARY 31, 2014							
				AOCI RESERVES				
In thousands of Canadian	**PREFERRE**	**COMMO**	**RETAINE**	**AVAILABL**	**CASH**	**TOTAL**	**SHARE-**	**TOTAL**

dollars (Unaudited)	D SHARES	N SHARES	D EARNINGS	E-FOR-SALE SECURITIES	FLOW HEDGES		BASED PAYMENT RESERVE	SHARE-HOLDERS' EQUITY
Balance as at October 31, 2013	$ 205,204	$ 446,496	$ 776,256	$ 9,536	$ (4,012)	$ 5,524	$ 91	$ 1,433,571
Net income			35,525					35,525
Other comprehensive income (net of income taxes)								
Unrealized net gains (losses) on available-for-sale securities				758		758		758
Reclassification of net (gains) losses on available-for-sale securities to net income				(1,061)		(1,061)		(1,061)
Net change in value of derivatives designated as cash flow hedges					2,546	2,546		2,546
Actuarial gains and losses on employee benefit plans			5,634					5,634
Comprehensive income			41,159	(303)	2,546	2,243		43,402
Issuance of share capital		4,919						4,919
Dividends								
Preferred shares, including applicable taxes			(2,501)					(2,501)
Common shares			(14,552)					(14,552)
Balance as at January 31, 2014	$ 205,204	$ 451,415	$ 800,362	$ 9,233	$ (1,466)	$ 7,767	$ 91	$ 1,464,839

	FOR THE THREE MONTHS ENDED JANUARY 31, 2013							
				AOCI RESERVES				
In thousands of Canadian dollars (Unaudited)	PREFERRED SHARES	COMMON SHARES	RETAINED EARNINGS	AVAILABLE-FOR-SALE SECURITIES	CASH FLOW HEDGES	TOTAL	SHARE-BASED PAYMENT RESERVE	TOTAL SHARE-HOLDERS' EQUITY

Balance as at November 1, 2012	$ 303,249	$ 428,526	$ 706,035	$ 12,201	$ 22,027	$ 34,228	$ 227	$ 1,472,265
Net income			32,788					32,788
Other comprehensive income (net of income taxes)								
Unrealized net gains (losses) on available-for-sale securities				1,116		1,116		1,116
Reclassification of net (gains) losses on available-for-sale securities to net income				(1,458)		(1,458)		(1,458)
Net change in value of derivatives designated as cash flow hedges					(10,043)	(10,043)		(10,043)
Actuarial gains and losses on employee benefit plans			2,348					2,348
Comprehensive income			35,136	(342)	(10,043)	(10,385)		24,751
Issuance of share capital	(171)	5,786					(91)	5,524
Dividends								
Preferred shares, including applicable taxes			(2,533)					(2,533)
Common shares			(13,787)					(13,787)
Balance as at January 31, 2013	$ 303,078	$ 434,312	$ 724,851	$ 11,859	$ 11,984	$ 23,843	$ 136	$ 1,486,220

[1] Comparative figures have been prepared in accordance with current IFRS. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

SOURCE Laurentian Bank of Canada

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