LAURENTIAN BANK

Laurentian Bank reports 2016 results

Dec 6, 2016

The financial information reported herein is based on the unaudited condensed interim consolidated information for the three-month period ended October 31, 2016, and on the audited annual consolidated financial statements for the year ended October 31, 2016, and has been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). All amounts are denominated in Canadian dollars. The Bank's 2016 Annual Report (which includes the Audited Annual Consolidated Financial Statements and accompanying Management's Discussion & Analysis) will be available today on the Laurentian Bank's website at www.laurentianbank.ca and on SEDAR at www.sedar.com.

Highlights of year ended October 31, 2016

- Solid results for the year, showing good progress on several fronts:
  - Adjusted net income of $187.0 million or $5.70 per share, up 9% and 1% year-over-year, respectively. Adjusted return on common shareholders' equity of 12.0%.
  - Reported net income of $151.9 million or $4.55 per share, including impairment and restructuring charges of $38.3 million ($28.1 million after income taxes), or $0.92 diluted per share related to retail services. Return on common shareholders' equity of 9.6%.
- Good credit quality with credit losses of $33.4 million, down 4% year-over-year
- Strong improvement in the efficiency ratio
- Strong loan growth:
  - Loans to business customers up 25% year-over-year
  - Residential mortgage loans through independent brokers and advisors up 23% year-over-year

Highlights of fourth quarter 2016

- Solid results for the quarter:
  - Adjusted net income of $50.5 million or $1.47 per share, up 15% and 2% year-over-year, respectively. Adjusted return on common shareholders' equity of 12.1%.
  - Reported net income of $18.4 million or $0.45 per share, including impairment and restructuring charges of $38.3 million ($28.1 million after income taxes), or $0.89 diluted per share related to retail services. Return on common shareholders' equity of 3.7%.
- Common Equity Tier 1 capital ratio at 8.0%
- One-time net revenues related to the termination of an agreement for the administration of investment accounts for an amount of $3.1 million ($2.3 million after income taxes) or $0.07 per share.
- Completed the acquisition of CIT Canada and concurrent common share issuance
- Quarterly common share dividend raised by $0.01 to

Acquisition of CIT Canada $0.61 per share

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In millions of Canadian dollars, except per share and percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED OCTOBER 31 2016	OCTOBER 31 2015	VARIANCE	FOR THE YEAR ENDED OCTOBER 31 2016	OCTOBER 31 2015	VARIANCE
Reported basis						
Net income (loss)	**$ 18.4**	$ (18.7)	n. m.	**$ 151.9**	$ 102.5	48 %
Diluted earnings (loss) per share	**$ 0.45**	$ (0.73)	n. m.	**$ 4.55**	$ 3.21	42 %
Return on common shareholders' equity	**3.7 %**	(6.1) %		**9.6 %**	6.8 %	
Efficiency ratio	**85.5 %**	104.6 %		**74.2 %**	80.6 %	
Common Equity Tier I capital ratio – All-in basis	**8.0 %**	7.6 %				
Adjusted basis (1)						
Adjusted net income	**$ 50.5**	$ 44.1	15 %	**$ 187.0**	$ 172.2	9 %
Adjusted diluted earnings per share	**$ 1.47**	$ 1.44	2 %	**$ 5.70**	$ 5.62	1 %
Adjusted return	**12.1 %**	12.1 %		**12.0 %**	12.0 %	

on common shareholders' equity									
Adjusted efficiency ratio	**67.4**	**%**	70.8	%		**69.6**	**%**	71.3	%

(1) Certain analyses presented throughout this document are based on the Bank's core activities and therefore exclude charges designated as adjusting items. Refer to the Adjusted Financial Measures section for further details.

MONTREAL, Dec. 6, 2016 /CNW Telbec/ - Laurentian Bank of Canada (the "Bank") reported net income of $50.5 million on an adjusted basis or $1.47 diluted per share for the fourth quarter of 2016, up 15% and 2% respectively, compared with $44.1 million or $1.44 diluted per share for the same period in 2015. Adjusted return on common shareholders' equity was maintained at 12.1% for the fourth quarter of 2016, compared with the fourth quarter of 2015. On a reported basis, net income totalled $18.4 million or $0.45 diluted per share for the fourth quarter of 2016, compared with a net loss of $18.7 million or a loss of $0.73 diluted per share for the same period last year. On a reported basis, return on common shareholders' equity was 3.7% for the fourth quarter of 2016, compared with negative 6.1% for the fourth quarter of 2015. Reported results for the fourth quarter of 2016 and for the fourth quarter of 2015 included adjusting items, including impairment and restructuring charges, as detailed in the Adjusted Financial Measures section.

For the year ended October 31, 2016, adjusted net income totalled $187.0 million or $5.70 diluted per share, respectively up 9% and 1%, compared with adjusted net income of $172.2 million or $5.62 diluted per share for the year ended October 31, 2015. Adjusted return on common shareholders' equity was maintained at 12.0% for the year ended October 31, 2016, compared with 2015. On a reported basis, net income was $151.9 million or $4.55 diluted per share for the year ended October 31, 2016, compared with $102.5 million or $3.21 diluted per share in 2015. On the same basis, return on common shareholders' equity was 9.6% for the year ended October 31, 2016, compared with 6.8% in 2015. Reported results for 2016 and 2015 took into account adjusting items, including impairment and restructuring charges in 2016 and 2015 related to the Retail activities. Refer to the Adjusted Financial Measures section for further details.

François Desjardins, President and Chief Executive Officer, commented on the Bank's results and financial condition: "With respect to our objective to achieve an ROE that is comparable to the average of the Canadian banking industry, our growth, expense reductions and low loan losses in 2016 allowed us to maintain our adjusted return on equity at 12.0%. This was quite an achievement, not only because we did this as we strengthened our capital position but also during a period when the average ROE of Canadian banks is in decline. As stated last year, closing the gap on ROE is how we will measure our performance objective. Furthermore, I am pleased to announce that the Board has approved an increase in our quarterly common share dividend of $0.01 to $0.61 per share."

Impairment and restructuring charges for the quarter and year ended October 31, 2016

In the fourth quarter of 2016, the Bank announced that it will optimize its retail activities by merging fifty branches over the next eighteen months as part of its transformation plan. As a result, the value of the assets related to the Retail unit was reviewed and impairment charges of $22.1 million were recorded in non-interest expenses for the year ended October 31, 2016. These charges were related to the impairment of software for $16.7 million and of premises and equipment for $5.4 million.

These impairment charges are the result of a combination of factors, including the continued pressure on net interest margins stemming from the persistent low interest rates and competitive landscape, the change in customers' behaviour driven by significant changes in technology and lifestyle, the emergence of new competitors, as well as the additional administrative burden associated with regulatory measures.

These impairment charges do not affect the Bank's operations or its liquidity. The impact of these impairment charges on the Common Equity Tier 1 capital ratio was limited to 2 basis points, as software is already deducted from regulatory capital. At 8.0% as at October 31, 2016, the Common Equity Tier 1 capital ratio remained well above minimum requirements.

As part of the planned restructuring, provisions related to lease contracts amounting to $11.9 million and severance charges of $4.4 million were also recorded in non-interest expenses.

Impairment of software and premises and equipment as well as restructuring charges are designated as adjusting items. Reported results for 2015 also included similar impairment and restructuring charges. Refer to the Adjusted financial measures section for further details.

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Highlights

	FOR THE THREE MONTHS ENDED					FOR THE YEAR ENDED		
In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	**OCTOBER 31 2016**	JULY 31 2016	VARIANCE	OCTOBER 31 2015	VARIANCE	**OCTOBER 31 2016**	OCTOBER 31 2015	VARIANCE
Profitability								
Total revenue	**$ 236,369**	$ 229,077	3 %	$ 231,649	2 %	**$ 915,451**	$ 897,126	2 %
Net inc	**$ 18,3**	$ 45,	(59) %	$ (18,71	n. m.	**$ 151,**	$ 102,	48 %

ome (loss)	**83**	137		9)		**910**	470	
Diluted earnings (loss) per share	**$ 0.45**	$ 1.34	(66) %	$ (0.73)	n. m.	**$ 4.55**	$ 3.21	42 %
Return on common shareholders' equity (1)	**3.7 %**	11.2 %		(6.1) %		**9.6 %**	6.8 %	
Net interest margin (as a percentage of av	**1.67 %**	1.69 %		1.84 %		**1.71 %**	1.84 %	

erage earning assets)[1]								
Efficiency ratio[1]	**85.5 %**	70.1 %		104.6 %		**74.2 %**	80.6 %	
Operating leverage[1]	**(22.7) %**	0.7 %		(48.3) %		**8.0 %**	(10.1) %	
Per common share								
Share price – Close	**$ 49.57**	$ 48.41	2 %	$ 52.97	(6) %	**$ 49.57**	$ 52.97	(6) %
Price / earnings ratio (trailing four qu	**10.9 x**	14.2 x		16.5 x		**10.9 x**	16.5 x	

arters)								
Book value (1)	**$ 47.92**	$ 48.23	(1) %	$ 46.33	3 %	**$ 47.92**	$ 46.33	3 %
Market to book value (1)	**103 %**	100 %		114 %		**103 %**	114 %	
Dividends declared	**$ 0.60**	$ 0.60	— %	$ 0.56	7 %	**$ 2.36**	$ 2.20	7 %
Dividend yield (1)	**4.8 %**	5.0 %		4.2 %		**4.8 %**	4.2 %	
Dividend payout ratio (1)	**143.5 %**	44.6 %		n.m.		**53.1 %**	68.6 %	
Adjusted financial measures								
Adjusted net	**$ 50,542**	$ 46,067	10 %	$ 44,127	15 %	**$ 187,013**	$ 172,199	9 %

income (1)								
Adjusted diluted earnings per share (1)	**$ 1.47**	$ 1.37	7 %	$ 1.44	2 %	**$ 5.70**	$ 5.62	1 %
Adjusted return on common shareholders' equity (1)	**12.1 %**	11.4 %		12.1 %		**12.0 %**	12.0 %	
Adjusted efficiency ratio	**67.4 %**	70.1 %		70.8 %		**69.6 %**	71.3 %	

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[1]														
Adjusted operating leverage [1]	**3.9**	**%**	0.7	%			0.4	%			**2.5**	**%**	(0.4)%	
Adjusted dividend payout ratio [1]	**43.8**	**%**	43.6	%			38.9	%			**42.4**	**%**	39.2	%
Financial position (in millions of Canadian dollars)														
Balance sheet assets	**$ 43,006**		$ 40,298		7	%	$ 39,660		8	%				
Loans and accept	**$ 33,379**		$ 32,043		4	%	$ 30,093		11	%				

ances								
Deposits	**$ 27,573**	$ 26,903	2 %	$ 26,604	4 %			
Average earning assets (1)	**$ 35,473**	$ 34,818	2 %	$ 32,563	9 %	**$ 34,458**	$ 31,248	10 %
Key growth drivers (in millions of Canadian dollars)								
Loans to business customers	**$ 10,016**	$ 8,922	12 %	$ 8,030	25 %			
Residential mortgage loans	**$ 7,046**	$ 6,915	2 %	$ 5,710	23 %			

through independent brokers and advisors Mutual funds to retail clients	**$**	**3,422**	$	3,395	1	%	$ 3,300	4 %
Assets under management at Laurentian Bank Securities	**$**	**3,458**	$	3,330	4	%	$ 3,122	11 %

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es						
Basel III regulatory capital ratios — All-in basis						
Common Equity Tier I	**8.0**	**%**	7.9	%	7.6	%
Total	**11.5**	**%**	11.6	%	10.8	%
Leverage ratio	**4.1**	**%**	4.0	%	3.5	%
Other information						
Number of full-time equivalent employees	**3,687**		3,631		3,656	
Numbe	**145**		148		150	

r of branches			
Number of automated banking machines	**398**	399	405

(1) Refer to the Non-GAAP Financial Measures section.

2016 Performance and Medium-Term Financial Objectives

The Bank's cost control efforts resulted in significant progress in 2016 towards its adjusted efficiency ratio and operating leverage objectives. Growth in key business areas also remained strong throughout the year, as loans to business customers were up 25% and residential mortgage loans through independent brokers and advisors were up 23% year-over-year.

Adjusted diluted earnings per share growth was 1%, while net income rose by 9%. Adjusted return on common shareholders' equity was maintained at 12.0% compared with fiscal 2015 notwithstanding tighter margins stemming from the very low interest rate environment, difficult market conditions early in the year and heightened regulatory requirements. Furthermore, two common share issuances during the year contributing to the stronger capital position impacted these profitability metrics.

With regards to the distribution of mutual funds to retail clients, growth was hindered by the lower demand resulting from more volatile markets at the beginning of 2016. As market and economic conditions improve, demand should resume and provide additional opportunities to increase volumes.

As outlined in the 2015 Annual Report, management will continue to focus on meeting the Bank's strategic objectives to double its size by 2022 and achieve a return on common shareholders' equity that is comparable to the Canadian banking industry while building a solid strategic foundation. Given the persisting slow economic growth and competitive environment for Canadian banks, the return on common shareholders' equity of Canadian financial institutions has declined over the last 18 months. On a relative basis, the Bank has therefore already narrowed the gap with the industry as it maintained its 12.0% adjusted return on common shareholders' equity ratio compared to a year ago while strengthening its capital. To better reflect this goal to achieve a return that is comparable to the Canadian banking industry, it will now be presented as a gap versus an absolute target ratio. The ultimate objective remains to entirely close the difference by 2022, including the adoption of the Advanced Internal Ratings-Based approach to credit risk (AIRB approach) in fiscal 2020.

Consolidated Results

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 due to their nature or significance. The Bank presents adjusted results to facilitate understanding of its underlying business performance and related trends.

The Bank assesses performance on a generally accepted accounting principles (GAAP) basis and non-GAAP basis and considers both measures 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 adjusted measures are non-GAAP measures. Comments on the uses and limitations of such measures are disclosed in the Non-GAAP Financial Measures section in the Annual Report.

IMPACT OF ADJUSTING ITEMS ON REPORTED RESULTS

	FOR THE THREE MONTHS ENDED			FOR THE YEAR ENDED	
In thousands of Canadian dollars, except per share amounts (Unaudited)	**OCTOBER 31 2016**	JULY 31 2016	OCTOBER 31 2015	**OCTOBER 31 2016**	OCTOBER 31 2015
Impact on net income					
Reported net income (loss)	**$ 18,383**	$ 45,137	$ (18,719)	**$ 151,910**	$ 102,470
Adjusting items, net of income taxes					
Impairment and restructuring charges [1]					
Impairment of goodwill, software and intangible assets, and premises and equipment	**16,178**	—	57,245	**16,178**	57,245
Provisions related to lease contracts	**8,675**	—	358	**8,675**	358
Severance charges	**3,200**	—	3,014	**3,200**	3,014
Other impairment charges related to IT projects	**—**	—	1,153	**—**	1,153
	28,053	—	61,770	**28,053**	61,770

Retirement compensation charge [2]	**—**	—	—	**—**	3,550
Items related to business combinations [3]					
Amortization of net premium on purchased financial instruments	**868**	930	1,076	**3,812**	4,409
Costs related to business combinations	**3,238**	—	—	**3,238**	—
	4,106	930	1,076	**7,050**	4,409
	32,159	930	62,846	**35,103**	69,729
Adjusted net income	**$ 50,542**	$ 46,067	$ 44,127	**$ 187,013**	$ 172,199
Impact on diluted earnings per share					
Reported diluted earnings (loss) per share	**$ 0.45**	$ 1.34	$ (0.73)	**$ 4.55**	$ 3.21
Adjusting items					
Impairment and restructuring charges	**0.89**	—	2.13	**0.92**	2.13
Retirement compensation charge	**—**	—	—	**—**	0.12
Items related to business combinations	**0.13**	0.03	0.04	**0.23**	0.15
	1.02	0.03	2.17	**1.15**	2.41
Adjusted diluted earnings per share [4]	**$ 1.47**	$ 1.37	$ 1.44	**$ 5.70**	$ 5.62

(1) Impairment and restructuring charges result from the realignment of strategic priorities of the Bank's retail activities. They are comprised of impairment of goodwill, software and intangible assets, and premises and equipment, as well as provisions related to lease contracts, severance charges and other impairment charges related to IT projects. These charges have been designated as adjusting items due to their nature and the significance of the amounts.

(2) The retirement compensation charge is related to the adjustment to the employment contract of a former member of senior management. This charge has been designated as an adjusting item due to its nature and the significance of the amount.

(3) Items related to business combinations relate to gains and expenses that arose as a result of acquisitions.The amortization of net premium on purchased financial instruments arose as a result of a one-time gain on acquisition and is considered an adjusting item since it represents, according to management, a significant non-cash and non-recurring adjustment. The costs related to business combinations have been designated as adjusting items due to their nature and the significance of the amounts.

(4) The impact of adjusting items on a per share basis does not add due to rounding for the year ended October 31, 2015.

Three months ended October 31, 2016 compared with three months ended October 31, 2015

Net income was $18.4 million or $0.45 diluted per share for the fourth quarter of 2016, compared with a loss of $18.7 million or a loss of $0.73 diluted per share for the fourth quarter of 2015. As detailed below, results for the fourth quarter of 2016 were adversely impacted by impairment and restructuring charges of $38.3 million ($28.1 million after income taxes) or $0.89 diluted per share and results for the fourth quarter of 2015 included impairment and restructuring charges of $78.4 million ($61.8 million after income taxes) or $2.13 diluted per share. Adjusted net income was $50.5 million for the fourth quarter of 2016, up 15% from $44.1 million for the fourth quarter of 2015, while adjusted diluted earnings per share were $1.47, up 2% compared with $1.44 for the fourth quarter of 2015.

Total revenue

Total revenue increased by $4.7 million or 2% to $236.4 million for the fourth quarter of 2016 from $231.6 million for the fourth quarter of 2015, driven by growth in other income.

Net interest income decreased by $1.9 million or 1% to $148.7 million for the fourth quarter of 2016, from $150.7 million for the fourth quarter of 2015. The decrease was mainly due to tighter margins stemming from the very low interest rate environment and higher liquidity levels, partly offset by strong volume growth in the loan portfolios. Net interest margin (as a percentage of average earning assets) stood at 1.67% for the fourth quarter of 2016, a decrease of 17 basis points compared with the fourth quarter of 2015, due to the persistent pressure on lending rates, the tightening of the Prime-BA spread, the higher proportion of lower-yielding residential mortgage loans and higher liquid assets held throughout the quarter.

Other income increased by $6.7 million, amounting to $87.6 million for the fourth quarter of 2016, compared with $81.0 million for the fourth quarter of 2015. Income from investment accounts in the fourth quarter of 2016 included one-time net revenues of $3.1 million related to the termination of an agreement for the administration of investment accounts, as detailed below. Furthermore, the increase of $3.3 million in income from brokerage operations and the increase of $2.2 million in fees and commissions on loans and deposits were partly offset by a decrease of $2.4 million in income from treasury and financial markets.

In November 2016, an important client of the Bank internalized the administration of its clients' accounts and ended its carrying agreement with B2B Bank Dealer Services[1]. As a result, the Bank recognized in the fourth quarter of 2016 one-time revenues of $3.1 million in other income, net of impairment charges on related intangible assets and associated costs.

1: B2B Bank Dealer Services is comprised of three firms: B2B Bank Financial Services Inc., B2B Bank Securities Services Inc. and B2B Bank Intermediary Services Inc.

Amortization of net premium on purchased financial instruments

For the fourth quarter of 2016, the amortization of net premium on purchased financial instruments amounted to $1.2 million, compared with $1.5 million for the fourth quarter of 2015. Refer to Note 31 in the annual consolidated financial statements for additional information.

Provision for credit losses

The provision for credit losses increased to $10.3 million from $9.4 million for the fourth quarter of 2015. This low level of credit losses continues to reflect the overall underlying good credit quality of the loan portfolios. Over the medium term, the provision for credit losses could trend gradually higher as the loan portfolio mix evolves and volumes increase.

Non-interest expenses

Non-interest expenses amounted to $202.0 million for the fourth quarter of 2016, a decrease of $40.3 million compared with the fourth quarter of 2015. Non-interest expenses for the fourth quarter of 2016 and for the fourth quarter of 2015 were affected by impairment and restructuring charges of $38.3 million and $78.4 million respectively, as noted below. Adjusted non-interest expenses remained well under control, decreasing by $4.7 million or 3% to $159.2 million for the fourth quarter of 2016 from $163.9 million for the fourth quarter of 2015.

Salaries and employee benefits decreased by $3.3 million or 4% to $82.4 million for the fourth quarter of 2016, compared with the fourth quarter of 2015, in part due to lower headcount from the restructuring of certain activities in the fourth quarter of 2015, lower performance-based compensation and higher capitalized salaries as the Bank is actively working on rebuilding its account management platform. This was partly offset by regular annual salary increases.

Premises and technology costs decreased by $4.2 million to $46.2 million compared with the fourth quarter of 2015. The decrease mostly stems from the lower amortization expense resulting from impairment charges on assets recorded in the fourth quarter of 2015 and lower technology costs, as the Bank is optimizing its technology architecture.

Other non-interest expenses increased by $2.9 million to $30.7 million compared with the fourth quarter of 2015, mainly due to the annual increase in CDIC premiums, as well as higher professional fees incurred to support the Bank's transformation.

Impairment and restructuring charges amounted to $38.3 million for the fourth quarter of 2016 compared with $78.4 million for the fourth quarter of 2015. As mentioned above, the value of the assets related to the Retail unit was reviewed and impairment charges of $22.1 million were recorded for the fourth quarter of 2016. Provisions related to lease contracts amounting to $11.9 million and severance charges of $4.4 million were also recorded during the quarter as a result of the announcement of branch mergers. In the fourth quarter of 2015, impairment charges of $72.2 million and severance charges, provisions related to lease contracts and other impairment charges related to IT projects for a combined amount of $6.2 million were recorded. Refer to Note 30 to the annual consolidated financial statements for additional information.

Costs related to business combinations amounted to $4.4 million for the fourth quarter of 2016 and included acquisition-related costs as well as salaries, professional fees and other expenses for the integration of CIT Canada operations.

The adjusted efficiency ratio was 67.4% for the fourth quarter of 2016, compared with 70.8% for the fourth quarter of 2015. The adjusted operating leverage was positive year-over-year, driven by both revenue growth and expense control.

Income taxes

For the quarter ended October 31, 2016, the income tax expense was $4.5 million and the effective tax rate was 19.7%. 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, as well as the lower taxation level on revenues from insurance operations, and reflects the lower level of Canadian income given the impairment and restructuring charges. For the quarter ended October 31, 2015, the income tax recovery was $2.8 million and the effective tax rate was 13.2%. The lower tax rate, compared to the statutory rate, was impacted by the same factors as noted above for the fourth quarter of 2016.

Three months ended October 31, 2016 compared with three months ended July 31, 2016

Net income was $18.4 million or $0.45 diluted per share for the fourth quarter of 2016 compared with net income of $45.1 million or $1.34 diluted per share for the third quarter of 2016. As noted above, results for the fourth quarter of 2016 were adversely impacted by impairment and restructuring charges of $38.3 million ($28.1 million after income taxes) or $0.89 diluted per share. Adjusted net income was $50.5 million or $1.47 diluted per share for the fourth quarter of 2016, compared with $46.1 million or $1.37 diluted per share for the third quarter of 2016.

Total revenue increased by $7.3 million or 3% to $236.4 million for the fourth quarter of 2016, compared with $229.1 million for the previous quarter, mainly driven by growth in other income. Net interest income increased by $0.7 million sequentially to $148.7 million, mainly due to the one-month contribution of CIT Canada's commercial loan portfolios, partly offset by seasonally lower level of prepayment penalties on residential mortgage loans. The Bank's net interest margin (as a percentage of average earning assets) decreased by 2 basis points to 1.67% for the fourth quarter of 2016, compared with 1.69% for the third quarter of 2016. This decrease was mainly driven by the lower level of prepayment penalties mentioned above.

Other income increased by $6.6 million sequentially to $87.6 million for the fourth quarter of 2016. As mentioned above, income from investment accounts in the fourth quarter of 2016 included one-time net revenues of $3.1 million related to the termination of an agreement for the administration of investment accounts. Furthermore, income from treasury and financial market operations increased by $1.3 million due to higher net securities gains realized during the fourth quarter of 2016. Fees and commissions on loans and deposits increased by $1.0 million, mainly driven by higher lending fees due to increased activity in the commercial portfolios.

The line-item "Amortization of net premium on purchased financial instruments" amounted to $1.2 million for the fourth quarter of 2016, down marginally compared with the third quarter of 2016. Refer to Note 31 in the annual consolidated financial statements for additional information.

Provision for credit losses totalled $10.3 million for the fourth quarter of 2016, a $2.1 million increase compared with $8.2 million for the third quarter of 2016. This low level of credit losses reflects the overall underlying good credit quality of the loan portfolios. Over the medium term, the provision for credit losses could trend gradually higher as the loan portfolio mix evolves and volumes increase.

Non-interest expenses increased to $202.0 million for the fourth quarter of 2016 from $160.5 million in the third quarter of 2016, mainly due to the $38.3 million impairment and restructuring charges recorded in the fourth quarter of 2016 and the $4.4 million of costs related to business combinations incurred for the acquisition and integration of CIT Canada. Adjusted non-interest expenses amounted to $159.2 million and decreased by 1% compared with the third quarter of 2016, as the $3.1 million charge for the strategic decision to terminate a technology agreement recorded in the third quarter of 2016 was partly offset by higher other expenses.

Financial Condition

As at October 31, 2016, the Bank's total assets amounted to $43.0 billion, an 8% increase compared with $39.7 billion as at October 31, 2015. The increase mainly reflects loan growth of $3.3 billion as explained below.

Liquid assets

Liquid assets consist of cash, deposits with other banks, securities and securities purchased under reverse repurchase agreements. As at October 31, 2016, these assets totalled $8.7 billion, an increase of $0.1 billion compared with $8.6 billion as at October 31, 2015.

Over the year, the Bank has increased its securitization activities to improve its funding mix and raised broker-sourced deposits to meet additional liquidity needs, including in part to fund the acquisition of CIT Canada that closed on October 1, 2016. Overall, the Bank continues to prudently manage the level of liquid assets and to hold sufficient cash resources from various sources in order to meet its current and future financial obligations, under both normal and stressed conditions.

Loans

Loans and bankers' acceptances, net of allowances, stood at $33.3 billion as at October 31, 2016, up 11% from October 31, 2015. This increase reflects the acquisition of CIT Canada's $0.9 billion net commercial loan portfolios as well as the Bank's continued strong organic growth.

Personal loans amounted to $6.6 billion and decreased by $0.4 billion since October 31, 2015, mainly due to net repayments in the investment loan portfolio, reflecting expected attrition.

Residential mortgage loans stood at $16.7 billion as at October 31, 2016, an increase of $1.8 billion or 12% year-over-year. This mainly reflected continued growth in residential mortgage loans distributed through independent brokers and advisors.

Commercial loans, including acceptances, increased by $1.6 billion or 42% since October 31, 2015, mainly due to CIT Canada's $0.9 billion net commercial loan portfolios, as well as by increased volumes from syndication activities. Commercial mortgage loans increased by $0.4 billion or 10% over the same period. When combined, these loans to business customers amounted to $10.0 billion as at October 31, 2016, up 25% year-over-year.

Liabilities

Deposits increased by $1.0 billion or 4% to $27.6 billion as at October 31, 2016 compared with $26.6 billion as at October 31, 2015. Personal deposits stood at $21.0 billion as at October 31, 2016, up $1.6 billion compared with October 31, 2015, mainly driven by higher term deposits sourced through independent brokers and advisors. Business and other deposits decreased by $0.7 billion to $6.6 billion over the same period, mainly reflecting lower institutional deposits. Personal deposits represented 76% of total deposits as at October 31, 2016, compared with 73% as at October 31, 2015, and contributed to the Bank's good liquidity position.

Debt related to securitization activities increased by $1.8 billion or 32% compared with October 31, 2015 and stood at $7.2 billion as at October 31, 2016. During the year, the Bank continued to optimize this preferred source of term funding for residential mortgages, in light of strong growth in this portfolio. The Bank also obtained funding of $0.4 billion by securitizing LBC Capital's finance lease receivables through a multi-seller conduit during the fourth quarter of 2016.

Subordinated debt stood at $199.8 million as at October 31, 2016, compared with $449.6 million as at October 31, 2015. During the first quarter of 2016, the Bank redeemed all of its Series 2010-1 subordinated Medium Term Notes maturing in 2020, with an aggregate notional amount of $250.0 million. The subordinated debt is an integral part of the Bank's regulatory capital and affords its depositors additional protection.

Shareholders' equity and regulatory capital

Shareholders' equity stood at $1,974.8 million as at October 31, 2016, compared with $1,587.0 million as at October 31, 2015. This $387.8 million increase is mainly explained by the $155.4 million common share issuance in the fourth quarter of 2016 to support the CIT Canada transaction, the $125.0 million preferred share issuance completed in the second quarter of 2016 and the $67.5 million common share offering completed during the first quarter of 2016. The remaining increase is explained by the net income contribution for the year, net of declared dividends. For additional information, please refer to the annual consolidated statement of changes in shareholders' equity.

The Bank's book value per common share appreciated to $47.92 as at October 31, 2016 from $46.33 as at October 31, 2015.

The Common Equity Tier 1 capital ratio stood at 8.0% as at October 31, 2016, compared with 7.6% as at October 31, 2015. The increase compared with October 31, 2015 was mainly driven by the $155.4 million common share issuance that closed in October 2016, the $67.5 million common share issuance that closed in December 2015 and internal capital generation. This was partly offset by growth in risk-weighted exposures, including the CIT Canada acquisition, as well as by actuarial losses on pension benefit plans stemming from the decline of the discount rate and additional deductions to capital for goodwill and intangible assets resulting from the CIT Canada acquisition.

Overall, the acquisition of CIT Canada, including the effect of the related share issuance completed in October 2016, contributed to improve the Common Equity Tier 1 capital ratio by 23 basis points.

The impact of impairment charges of $22.1 million ($16.2 million after income taxes) recorded in 2016 on the Common Equity Tier 1 capital ratio was limited to 2 basis points, as a significant portion of the charge was related to software which was already deducted from regulatory capital.

Unaudited Condensed Interim Consolidated Information

Consolidated Balance Sheet

In thousands of Canadian dollars (Unaudited)	**AS AT OCTOBER 31 2016**	AS AT OCTOBER 31 2015
ASSETS		
Cash and non-interest-bearing deposits with other banks	**$ 123,716**	$ 109,055
Interest-bearing deposits with other banks	**63,383**	91,809
Securities		
Available-for-sale	**2,723,693**	2,368,757
Held-to-maturity	**502,232**	393,222
Held-for-trading	**2,434,507**	1,725,378
	5,660,432	4,487,357
Securities purchased under reverse repurchase agreements	**2,879,986**	3,911,439
Loans		
Personal	**6,613,392**	7,063,229
Residential mortgage	**16,749,387**	14,998,867
Commercial mortgage	**4,658,734**	4,248,761
Commercial and other	**4,727,385**	3,308,144
Customers' liabilities under acceptances	**629,825**	473,544
	33,378,723	30,092,545
Allowances for loan losses	**(105,009)**	(111,153)

	33,273,714	29,981,392
Other		
Derivatives	**232,791**	276,601
Premises and equipment	**32,989**	45,562
Software and other intangible assets	**150,490**	147,135
Goodwill	**55,812**	34,853
Deferred tax assets	**36,495**	17,450
Other assets	**496,532**	556,851
	1,005,109	1,078,452
	$ 43,006,340	$ 39,659,504
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Personal	**$ 21,001,578**	$ 19,377,716
Business, banks and other	**6,571,767**	7,226,588
	27,573,345	26,604,304
Other		
Obligations related to securities sold short	**1,707,293**	1,839,837
Obligations related to securities sold under repurchase agreements	**2,525,441**	2,296,890
Acceptances	**629,825**	473,544
Derivatives	**150,499**	125,683
Deferred tax liabilities	**32,755**	8,294
Other liabilities	**968,077**	780,682
	6,013,890	5,524,930
Debt related to securitization activities	**7,244,454**	5,493,602
Subordinated debt	**199,824**	449,641
Shareholders' equity		
Preferred shares	**341,600**	219,633
Common shares	**696,493**	466,336
Retained earnings	**924,861**	886,656
Accumulated other comprehensive income	**11,873**	14,366
Share-based payment reserve	**—**	36
	1,974,827	1,587,027
	$ 43,006,340	$ 39,659,504

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Consolidated Statement of Income

	FOR THE THREE MONTHS ENDED			FOR THE YEAR ENDED	
In thousands of Canadian dollars, except per share amounts (Unaudited)	**OCTOBER 31 2016**	JULY 31 2016	OCTOBER 31 2015	**OCTOBER 31 2016**	OCTOBER 31 2015
Interest income					
Loans	**$ 270,757**	$ 270,618	$ 260,688	**$ 1,066,245**	$ 1,034,117
Securities	**8,624**	9,272	9,213	**35,265**	40,144
Deposits with other	**356**	466	164	**1,740**	793

banks Other, including derivatives	**16,592**	13,904	20,864	**63,630**	66,104
	296,329	294,260	290,929	**1,166,880**	1,141,158
Interest expense					
Deposits	**116,452**	115,700	107,940	**454,862**	435,533
Debt related to securitization activities	**29,164**	28,571	27,554	**114,346**	113,102
Subordinated debt	**1,623**	1,583	4,086	**6,433**	16,094
Other	**363**	415	682	**1,595**	1,346
	147,602	146,269	140,262	**577,236**	566,075
Net interest income	**148,727**	147,991	150,667	**589,644**	575,083
Other income					
Fees and commissions on loans and deposits	**37,467**	36,504	35,289	**145,690**	141,589
Income from brokerage operations	**18,518**	18,836	15,258	**71,435**	63,294
Income from sales of mutual funds	**10,646**	10,019	10,267	**40,299**	38,811
Income from investment accounts	**9,478**	6,915	7,316	**30,271**	30,202
Insurance income, net	**4,809**	4,167	4,618	**17,527**	16,903
Income from treasury	**4,237**	2,950	6,620	**12,782**	23,365

and financial market operations					
Other	**2,487**	1,695	1,614	**7,803**	7,879
	87,642	81,086	80,982	**325,807**	322,043
Total revenue	**236,369**	229,077	231,649	**915,451**	897,126
Amortization of net premium on purchased financial instruments	**1,181**	1,267	1,465	**5,190**	5,999
Provision for credit losses	**10,300**	8,200	9,400	**33,350**	34,900
Non-interest expenses					
Salaries and employee benefits	**82,356**	82,414	85,679	**334,903**	342,269
Premises and technology	**46,229**	49,329	50,451	**187,696**	197,778
Other	**30,660**	28,731	27,801	**114,197**	104,368
Impairment and restructuring charges	**38,344**	—	78,409	**38,344**	78,409
Costs related to business combinations	**4,409**	—	—	**4,409**	—
	201,998	160,474	242,340	**679,549**	722,824
Income (loss) before income taxes	**22,890**	59,136	(21,556)	**197,362**	133,403
Income taxes	**4,507**	13,999	(2,837)	**45,452**	30,933
Net income (loss)	**$ 18,383**	$ 45,137	$ (18,719)	**$ 151,910**	$ 102,470
Preferred share dividends, including	**4,270**	4,246	2,406	**13,313**	9,602

applicable taxes					
Net income (loss) available to common shareholders	**$ 14,113**	$ 40,891	$ (21,125)	**$ 138,597**	$ 92,868
Average number of common shares outstanding (in thousands)					
Basic	**31,553**	30,428	28,957	**30,488**	28,949
Diluted	**31,553**	30,428	28,960	**30,488**	28,955
Earnings (loss) per share					
Basic	**$ 0.45**	$ 1.34	$ (0.73)	**$ 4.55**	$ 3.21
Diluted	**$ 0.45**	$ 1.34	$ (0.73)	**$ 4.55**	$ 3.21
Dividends declared per share					
Common share	**$ 0.60**	$ 0.60	$ 0.56	**$ 2.36**	$ 2.20
Preferred share - Series 11	**$ 0.25**	$ 0.25	$ 0.25	**$ 1.00**	$ 1.00
Preferred share - Series 13	**$ 0.27**	$ 0.27	$ 0.27	**$ 1.08**	$ 1.08
Preferred share - Series 15	**$ 0.37**	$ 0.36	n.a.	**$ 0.73**	n.a.

Consolidated Statement of Comprehensive Income

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED **OCTOBER 31 2016**	JULY 31 2016	OCTOBER 31 2015	FOR THE YEAR ENDED **OCTOBER 31 2016**	OCTOBER 31 2015
Net income (loss)	**$ 18,383**	$ 45,137	$ (18,719)	**$ 151,910**	$ 102,470
Other comprehensive income (loss), net of income taxes					
Items that may subsequently be reclassified to the					

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statement of income					
Unrealized net gains (losses) on available-for-sale securities	**4,113**	5,626	(9,505)	**9,412**	(21,028)
Reclassification of net (gains) losses on available-for-sale securities to net income	**(996)**	(5)	(1,311)	**2,182**	(3,700)
Net change in value of derivatives designated as cash flow hedges	**(317)**	3,837	(10,920)	**(14,087)**	28,967
	2,800	9,458	(21,736)	**(2,493)**	4,239
Items that may not subsequently be reclassified to the statement of income					
Remeasurement of gains (losses) on employee benefit plans	**(2,161)**	(979)	15,865	**(26,770)**	8,574
Comprehensive income (loss)	**$ 19,022**	$ 53,616	$ (24,590)	**$ 122,647**	$ 115,283

Income Taxes — Other Comprehensive Income

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

	FOR THE THREE MONTHS ENDED			FOR THE YEAR ENDED	
In thousands of Canadian dollars (Unaudited)	**OCTOBER 31 2016**	JULY 31 2016	OCTOBER 31 2015	**OCTOBER 31 2016**	OCTOBER 31 2015
Income tax expense (recovery) on:					
Unrealized net gains (losses) on available-for-sale securities	**$ 1,412**	$ 2,005	$ (3,787)	**$ 3,439**	$ (7,719)
Reclassification of net (gains) losses on available-for-sale securities to net income	**(167)**	(2)	(334)	**831**	(1,433)
Net change in value of derivatives designated as cash flow hedges	**(115)**	1,393	(3,983)	**(5,158)**	10,570
Remeasurement of gains (losses) on employee benefit plans	**(707)**	(359)	5,819	**(9,734)**	3,145
	$ 423	$ 3,037	$ (2,285)	**$ (10,622)**	$ 4,563

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Consolidated Statement of Changes in Shareholders' Equity

FOR THE YEAR ENDED OCTOBER 31, 2016

In thousands of Canadian dollars (Unaudited)	PREFERRED SHARES	COMMON SHARES	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME AVAILABLE-FOR-SALE SECURITIES	CASH FLOW HEDGES	TOTAL	SHARE-BASED PAYMENT RESERVE	TOTAL SHARE-HOLDERS' EQUITY
Balance as at October 31, 2015	$ 219,633	$ 466,336	$ 886,656	$ (11,391)	$ 25,757	$ 14,366	$ 36	$ 1,587,027
Net income			151,910					151,910
Other comprehensive income (net of income taxes)								
Unrealized net gains on available-for-sale securities				9,412		9,412		9,412
Reclassification of net losses on available-for-sale securities to net income				2,182		2,182		2,182
Net change in value of derivatives designated as cash flow hedges					(14,087)	(14,087)		(14,087)
Remeasurement of gains (losses) on employee benefit plans			(26,770)					(26,770)

Comprehensive income			**125,140**	**11,594**	**(14,087)**	**(2,493)**		**122,647**
Issuance of share capital	**121,967**	**230,157**					**(36)**	**352,088**
Dividends								
Preferred shares, including applicable taxes			**(13,313)**					**(13,313)**
Common shares			**(73,622)**					**(73,622)**
Balance as at October 31, 2016	**$ 341,600**	**$ 696,493**	**$ 924,861**	**$ 203**	**$ 11,670**	**$ 11,873**	**$ —**	**$ 1,974,827**
	FOR THE YEAR ENDED OCTOBER 31, 2015							
				ACCUMULATED OTHER COMPREHENSIVE INCOME				
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 SHAREHOLDERS' EQUITY
Balance as at October 31, 2014	$ 219,633	$ 465,854	$ 848,905	$ 13,337	$ (3,210)	$ 10,127	$ 91	$ 1,544,610
Net income			102,470					102,470
Other comprehensive income (net of income taxes)								
Unrealized net losses on available-for-sale securities				(21,028)		(21,028)		(21,028)
Reclassification of net gains on available-for-sale securities to net income				(3,700)		(3,700)		(3,700)
Net					28,967	28,967		28,967

change in value of derivatives designated as cash flow hedges								
Remeasurement of gains (losses) on employee benefit plans			8,574					8,574
Comprehensive income			111,044	(24,728)	28,967	4,239		115,283
Issuance of share capital		482					(55)	427
Dividends								
Preferred shares, including applicable taxes			(9,602)					(9,602)
Common shares			(63,691)					(63,691)
Balance as at October 31, 2015	$ 219,633	$ 466,336	$ 886,656	$ (11,391)	$ 25,757	$ 14,366	$ 36	$ 1,587,027

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 readers 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 prospect, 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 be 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: changes in capital market conditions, changes in government monetary, fiscal and economic policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, changes in competition, modifications to credit ratings, scarcity of human resources, as well as developments in the technological environment. Furthermore, these factors include the ability to execute the Bank's transformation plan and in particular the successful reorganization of retail branches, the modernization of the core banking system and adoption of the AIRB approach.

With respect to the anticipated benefits from the acquisition of the Canadian equipment financing and corporate financing activities of CIT Group Inc. ("CIT Canada") and statements with regards to this transaction being accretive to earnings, such factors also include, but are not limited to: the ability to realize synergies in the anticipated time frame, the ability to promptly and effectively integrate the businesses, reputational risks and the reaction of the Bank's and CIT Canada's customers to the transaction, and diversion of management time on acquisition-related issues.

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 "Risk Appetite and Risk Management Framework" on page 37 of the Bank's Management's Discussion and Analysis as contained in the Bank's 2016 Annual Report, as well as to other public filings available at www.sedar.com.

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.

Access to Quarterly and Annual Results Materials

Interested investors, the media and others may review this press release, the Bank's Annual Report, presentation to investors and supplementary financial information on the Bank's website at www.laurentianbank.ca, under the Laurentian Bank tab, Investors, Quarterly Results and Annual Results.

Conference Call

Laurentian Bank invites media representatives and the public to listen to the conference call to be held at 3:30 p.m. Eastern Time on December 6, 2016. The live, listen-only, toll-free, call-in number is 1-800-274-0251, code 1331735. A live webcast will also be available on the Bank's website under the Laurentian Bank tab, Investors, Quarterly Results.

The conference call playback will be available on a delayed basis at any time from 6:30 p.m. on December 6, 2016 until 6:30 p.m. on January 5, 2017, on the Bank's website under the Laurentian Bank tab, Investors, Quarterly Results.

The presentation material referenced during the call will be available on the Bank's website under the Laurentian Bank tab, Investors, Quarterly Results and Annual Results.

About Laurentian Bank

Laurentian Bank of Canada is a financial institution whose activities extend across Canada. Founded in 1846, its mission is to help customers improve their financial health and it is guided by values of proximity, simplicity and honesty.

The Bank serves one and a half million clients throughout the country and employs more than 3,600 individuals, which makes it a major player in numerous market segments. The Bank caters to the needs of retail clients via its branch network based in Quebec. The Bank also stands out for its know-how among small and medium-sized enterprises and real estate developers owing to its specialized teams across Canada. Its subsidiary B2B Bank is, for its part, one of the major Canadian leaders in providing banking products and services and investment accounts through financial advisors and brokers. Laurentian Bank Securities offers integrated brokerage services to a clientele of institutional and retail investors.

The Bank has more than $43 billion in balance sheet assets and more than $43 billion in assets under administration.

SOURCE Laurentian Bank of Canada

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