Laurentian Bank reports solid third quarter results

Sep 2, 2015

Highlights of the third quarter of 2015

- Adjusted diluted earnings per share up 10% year-over-year
- Strong organic growth:
  - B2B Bank mortgages up 23% year-over-year
  - Loans to businesses up 16% year-over-year
- Continued strong credit performance with loan losses of $7.0 million, 33% lower than last year

	FOR THE THREE MONTHS ENDED		
	JULY 31 2015	JULY 31 2014	VARIANCE
Reported basis			
Net income	**$44.2**	$40.1	10%
Diluted earnings per share	**$1.44**	$1.27	13%
Return on common shareholders' equity	**12.1%**	11.2%	0.9%
Adjusted basis[1]			
Adjusted net income	**$45.3**	$42.4	7%
Adjusted diluted earnings per share	**$1.48**	$1.35	10%
Adjusted return on common shareholders' equity	**12.4%**	11.9%	0.5%

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

MONTRÉAL, Sept. 2, 2015 /CNW Telbec/ - Laurentian Bank of Canada reported adjusted net income of $45.3 million or $1.48 diluted per share for the third quarter of 2015, up 7% and 10% respectively, compared with $42.4 million or $1.35 diluted per share for the same period in 2014. Adjusted return on common shareholders' equity was 12.4% for the third quarter of 2015, compared with 11.9% a year ago. On a reported basis, net income totalled $44.2 million or $1.44 diluted per share for the third quarter of 2015, compared with $40.1 million or $1.27 diluted per share for the same period last year. Also on a reported basis, return on common shareholders' equity was 12.1% for the third quarter of 2015, compared with 11.2% for the third quarter of 2014.

For the nine months ended July 31, 2015, adjusted net income totalled $128.1 million or $4.17 diluted per share, both up 6%, compared with adjusted net income of $121.0 million or $3.92 diluted per share for the nine months ended July 31, 2014. Adjusted return on common shareholders' equity was 12.0% for the nine months ended July 31, 2015, compared with 11.8% in 2014. On a reported basis, net income was $121.2 million or $3.94 diluted per share for the nine months ended July 31, 2015, compared with $106.6 million or $3.42 diluted per share in 2014. Also on a reported basis, return on common shareholders' equity was 11.3% for the nine months ended July 31, 2015, compared with 10.3% for the same period in 2014.

Commenting on the Bank's financial results for the third quarter of 2015, Réjean Robitaille, President and Chief Executive Officer, mentioned: "Our strategy to focus on our leading growth engines continued to pay off during the quarter as B2B Bank mortgage loan portfolio increased by 23% and our loans to businesses increased by 16%. This led to the robust growth in revenue year-over-year. In addition, we have no loan exposure to the oil and gas industry and the credit quality of our portfolios remained excellent, which contributed to our low loan losses and solid financial performance. Furthermore, we remain firmly committed on achieving better operational efficiency and maximizing operating leverage through process improvement and better execution."

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: 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, developments in the technological environment, the ability to realize the anticipated benefits from the purchase of an investment loan portfolio, to promptly and effectively integrate the portfolio and the reaction of the seller's customers to the transaction. 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 in the Management's Discussion and Analysis under the title "Risk Appetite and Risk Management Framework" and 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.

Highlights

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	FOR THE THREE MONTHS ENDED					FOR THE NINE MONTHS ENDED		
In thousands	**JULY 31**	APRIL 30	VARIANC	JULY 31	VARIANC	**JULY 31**	JULY 31	VARIANC

LAURENTIAN BANK

of Canadian dollars, except per share and percentage amounts (Unaudited)	**2015**	2015	E	2014	E	**2015**	2014	E
Profitability								
Total revenue	**$ 226,638**	$ 220,679	3 %	$ 219,645	3 %	**$ 665,477**	$ 652,644	2 %
Net income	**$ 44,166**	$ 41,188	7 %	$ 40,097	10 %	**$ 121,189**	$ 106,611	14 %
Diluted earnings per share	**$ 1.44**	$ 1.34	7 %	$ 1.27	13 %	**$ 3.94**	$ 3.42	15 %
Return on common shareholders' equity [1]	**12.1 %**	11.8 %		11.2 %		**11.3 %**	10.3 %	
Net interest margin (on average earning assets) - updated measure [1] [2]	**1.85 %**	1.84 %		1.89 %		**1.84 %**	1.89 %	
Efficiency ratio [1]	**71.1 %**	71.9 %		71.0 %		**72.2 %**	72.8 %	
Operating	**1.3 %**	2.4 %		3.7 %		**0.8 %**	5.7 %	

leverage [1]								
Per common share								
Share price - Close	**$ 49.48**	$ 48.29	2 %	$ 51.55	(4) %	**$ 49.48**	$ 51.55	(4) %
Price / earnings ratio (trailing four quarters)	**9.8 x**	9.9 x		12.2 x		**9.8 x**	12.2 x	
Book value [1]	**$ 47.45**	$ 47.10	1 %	$ 45.10	5 %	**$ 47.45**	$ 45.10	5 %
Market to book value [1]	**104 %**	103 %		114 %		**104 %**	114 %	
Dividends declared	**$ 0.56**	$ 0.54	4 %	$ 0.52	8 %	**$ 1.64**	$ 1.54	6 %
Dividend yield [1]	**4.5 %**	4.5 %		4.0 %		**4.4 %**	4.0 %	
Dividend payout ratio [1]	**38.8 %**	40.3 %		40.9 %		**41.6 %**	45.0 %	
Adjusted financial measures								
Adjusted net income [1]	**$ 45,291**	$ 42,313	7 %	$ 42,355	7 %	**$ 128,072**	$ 120,991	6 %
Adjusted diluted earni	**$ 1.48**	$ 1.38	7 %	$ 1.35	10 %	**$ 4.17**	$ 3.92	6 %

ngs per share [1]								
Adjusted return on common shareholders' equity [1]	**12.4 %**	12.1 %		11.9 %		**12.0 %**	11.8 %	
Adjusted efficiency ratio [1]	**71.1 %**	71.9 %		70.3 %		**71.5 %**	71.3 %	
Adjusted operating leverage [1]	**1.3 %**	(0.7) %		2.0 %		**(0.3) %**	2.1 %	
Adjusted dividend payout ratio [1]	**37.8 %**	39.2 %		38.6 %		**39.3 %**	39.2 %	
Financial position (in millions of Canadian dollars)								
Balance sheet assets [3]	**$ 39,558**	$ 37,656	5 %	$ 36,289	9 %			
Loans and acceptances	**$ 28,655**	$ 28,111	2 %	$ 27,275	5 %			
Deposits	**$ 25,800**	$ 24,960	3 %	$ 24,213	7 %			
Avera	**$ 31**	$ 30	3 %	$ 29	6 %	**$ 30**	$ 29	4 %

ge earning assets	**,5 56**		,6 31		,7 17		**,8 04**	,7 46
Basel III regulatory capital ratios — All-in basis								
Common Equity Tier I	**7.7**	**%**	7.8	%	7.7	%		
Total	**11.7**	**%**	11.9	%	12.4	%		
Leverage ratio	**3.6**	**%**	3.7	%	n.a			
Other information								
Number of full-time equivalent employees	**3,761**		3,746		3,740			
Number of branches	**150**		151		152			
Number of automated banking machines	**408**		415		420			

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

[2] Calculated as net interest income divided by average earning assets. Refer to the External Reporting Changes - Offsetting of Financial Instruments and Impact on Net Interest Margin section below and the Non-GAAP Financial Measures section for further details.

[3] Comparative figures for 2014 reflect the adoption of amendments to IAS 32, *Financial Instruments: Presentation*. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

Quarterly Highlights

Personal & Commercial

- Good performance with growth in net income of 21% over the third quarter of 2014.

Business Services

Seventh consecutive period of double digit loan growth.
Total loans to businesses increased by 16% from the third quarter of 2014, with both commercial loans and commercial mortgages increasing by approximately the same rate.
The Leasing team is developing new relationships for the Bank, building a solid pipeline and expanding its geographic footprint with account managers now located in Nova Scotia, Quebec, Ontario and Alberta.
The Real Estate Financing team continues to generate high quality loans as it works closely with well-established developers who are launching the right kind of projects to meet the demands of evolving markets.
Maintaining its focus on commercial excellence to improve the productivity of the sales organization and on operational excellence to improve its processes for their customers.

Retail Services

The good performance from our co-branded LBC-Mackenzie mutual funds offering contributed to 35% growth in income from the sales of mutual funds compared to last year.
Working towards being compliant with the new CRM2 (Client Relationship Model - Phase 2) regulatory requirements.

B2B Bank

Record quarter of mortgage loan originations with growth of 23% compared to the third quarter of 2014.
A comprehensive product offering, combined with a diligent underwriting process, continues to serve a growing number of professional mortgage brokers and their clients well.
In August, B2B Bank acquired an investment loan portfolio from TD Bank Group, adding 5,000 new end-clients and $0.6 billion of new loans. B2B Bank's investment loan portfolio now exceeds $4.5 billion. This strategic transaction solidifies B2B Bank's leadership in the investment lending space and confirms its commitment to the advisor community.

Laurentian Bank Securities (LBS)

Gradually building out its Retail brokerage platform contributed to 11% growth in LBS' clients' assets under administration over the year. Client assets now exceed $3.1 billion.
The institutional equity division is broadening its reach - conducting business with more institutional investors and more small-cap companies.

Bank Appointments

During the quarter, François Laurin was appointed Executive Vice President and Chief Financial Officer. In addition, Deborah Rose was appointed President and Chief Executive Officer of B2B Bank and Stéphane Therrien was given the additional responsibility for Retail Services, as Executive Vice President, Personal & Commercial Banking. With their respective expertise, they will make significant contributions to the Bank.

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) is a narrative explanation, through the eyes of management, of the Bank's financial condition as at July 31, 2015, and of how it performed during the three-month and nine-month periods then ended. This MD&A, dated September 2, 2015, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended July 31, 2015, 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 2014 Annual Report.

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

Economic Outlook

In Canada, the economy experienced a mild contraction during the first half of 2015. This mostly reflects the immediate impact of the decline in crude oil prices on business investment, a temporary slowdown in non-energy exports and, to a lesser extent, cooling demand for non-energy commodities. Nevertheless, export-oriented industries located in Central Canada have recently showed renewed signs of strengthening, which has helped to support the Canadian labour market, with the unemployment rate remaining stable at 6.8% over the last six months. Furthermore, this, combined with the anticipated increase in capital spending by export-oriented companies, should contribute to a moderate rebound in Canadian real GDP for the second half of 2015 and in 2016. In sum, the Canadian economy is forecast to grow by 1.2% in 2015 and 2.0% in 2016, after growing by 2.4% in 2014.

The recent pullback in crude oil prices has also led to a decline in inflation expectations around the world, and consequently in global interest rates. This enabled the Bank of Canada to reduce its overnight rate target by 25 basis points in July 2015, following the 25 basis points rate cut in January 2015. With the foreseeable divergence between monetary policies in the US and Canada and the decline in oil prices, the Canadian dollar trades at close to US$0.76, which should further stimulate the export segment of the Canadian economy.

Overall, the persistently low-interest rate environment poses challenges to interest margins for the Bank. However, the stable unemployment and expected stronger economic growth in Central Canada should positively contribute to the Bank's growth, despite the concern over the resource-rich areas of the Canadian economy.

2015 Financial Performance

The following table presents management's financial objectives and the Bank's performance for 2015. These financial objectives were based on the assumptions noted on page 23 of the Bank's 2014 Annual Report under the title "Key assumptions supporting the Bank's objectives" and excluded adjusting items.

2015 FINANCIAL OBJECTIVES [1]	2015 OBJECTIVES	**FOR THE NINE MONTHS ENDED JULY 31, 2015**
Adjusted diluted earnings per share	5% to 8% growth	**6%**
Adjusted efficiency ratio	< 71.0%	**71.5%**
Adjusted operational leverage [2]	Positive	**(0.3)%**
Adjusted return on	≥ 12.0%	**12.0%**

common shareholders' equity Common Equity Tier I capital ratio — All-in basis	> 7.0%	**7.7%**

[1]	Refer to the Non-GAAP Financial Measures section.
[2]	For the purpose of calculating 2015 financial objectives, year-to-date growth rates are calculated year-over-year (i.e. current period versus the corresponding prior year period).

Management believes that the profitability and capital objectives set at the beginning of the fiscal year are achievable. Good growth in higher-margin products and continued strong credit quality were the key drivers of the Bank's financial performance since the beginning of the year. However, planned expenses in the fourth quarter to improve branch-level account administration systems in light of the new Client Relationship Model - Phase 2 (CRM2) regulatory requirements could contribute to the Bank slightly missing its annual efficiency ratio and operating leverage objectives. The Bank, nonetheless, maintains its focus on realizing revenue opportunities and containing core expense growth to improve efficiency.

Analysis of Consolidated Results

CONDENSED CONSOLIDATED RESULTS

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
In thousands of Canadian dollars, except per share amounts (Unaudited)	**JULY 31 2015**	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	JULY 31 2014
Net interest income	**$ 147,229**	$ 137,691	$ 141,249	**$ 424,416**	$ 420,831
Other income	**79,409**	82,988	78,396	**241,061**	231,813
Total revenue	**226,638**	220,679	219,645	**665,477**	652,644
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration	**1,531**	1,531	1,511	**4,534**	8,145
Provision for loan losses	**7,000**	8,000	10,500	**25,500**	31,500
Non-interest expenses	**161,037**	158,750	155,973	**480,484**	475,010
Income before income taxes	**57,070**	52,398	51,661	**154,959**	137,989
Income taxes	**12,904**	11,210	11,564	**33,770**	31,378
Net income	**$ 44,166**	$ 41,188	$ 40,097	**$ 121,189**	$ 106,611
Preferred share dividends, including	**2,399**	2,398	3,588	**7,196**	8,590

applicable taxes					
Net income available to common shareholders	**$ 41,767**	$ 38,790	$ 36,509	**$ 113,993**	$ 98,021
Diluted earnings per share	**$ 1.44**	$ 1.34	$ 1.27	**$ 3.94**	$ 3.42

Adjusting items

The Bank has designated certain amounts as adjusting items and presents adjusted results to facilitate understanding of its underlying business performance and related trends. The Bank assesses performance on a 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.

Adjusting items are related to business combinations which are included in the B2B Bank business segment's reported results. In addition, a compensation charge related to the Bank's President and Chief Executive Officer's announced retirement, which is reported in the Other sector's reported results, was classified as an adjusting item in the first quarter of 2015.

Adjusted results and measures are non-GAAP measures. Comments on the uses and limitations of such measures are disclosed in the Non-GAAP Financial Measures section hereafter.

IMPACT OF ADJUSTING ITEMS [1]

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
In thousands of Canadian dollars, except per share amounts (Unaudited)	**JULY 31 2015**	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	JULY 31 2014
Impact on net income					
Reported net income	**$ 44,166**	$ 41,188	$ 40,097	**$ 121,189**	$ 106,611
Adjusting items					
Items related to business combinations, net of income taxes					
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration					
Amortization of net	**1,125**	1,125	1,109	**3,333**	2,971

premium on purchased financial instruments Revaluation of contingent consideration	**—**	—	—	**—**	4,100
Costs related to business combinations (T&I Costs)	**—**	—	1,149	**—**	7,309
	1,125	1,125	2,258	**3,333**	14,380
Retirement compensation charge, net of income taxes [2]	**—**	—	—	**3,550**	—
	1,125	1,125	2,258	**6,883**	14,380
Adjusted net income	**$ 45,291**	$ 42,313	$ 42,355	**$ 128,072**	$ 120,991
Impact on diluted earnings per share					
Reported diluted earnings per share	**$ 1.44**	$ 1.34	$ 1.27	**$ 3.94**	$ 3.42
Adjusting items					
Items related to business combinations	**0.04**	0.04	0.08	**0.12**	0.50
Retirement compensation charge	**—**	—	—	**0.12**	—
	0.04	0.04	0.08	**0.24**	0.50
Adjusted diluted earnings per share [3]	**$ 1.48**	$ 1.38	$ 1.35	**$ 4.17**	$ 3.92

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

[2] The retirement compensation charge is included in the line item Salaries and benefits in the consolidated statement of income.

[3] The impact of adjusting items on a per share basis does not add due to rounding for the nine months ended July 31, 2015.

Three months ended July 31, 2015 compared with the three months ended July 31, 2014

Net income was $44.2 million or $1.44 diluted per share for the third quarter of 2015, compared with $40.1 million or $1.27 diluted per share for the third quarter of 2014. Adjusted net income was $45.3 million for the third quarter ended July 31, 2015, up from $42.4 million for the same quarter of 2014, while adjusted diluted earnings per share were $1.48, up 10% compared with $1.35 diluted per share in 2014. The calculation of diluted earnings per share in the third quarter of 2014 reflected higher preferred share dividends ($0.04 per share) compared with the same quarter in 2015.

Total revenue

Total revenue increased by $7.0 million or 3% to $226.6 million for the third quarter of 2015, compared with $219.6 million for the third quarter of 2014, essentially as a result of growth in net interest income year-over-year.

Net interest income increased by $6.0 million or 4% to $147.2 million for the third quarter of 2015, from $141.2 million for the third quarter of 2014. The increase was mainly generated by strong commercial and residential mortgage loan growth and higher loan prepayment penalties, partly offset by a relatively higher level of liquid assets compared to a year ago. Net interest margin (as a percentage of average earning assets) decreased to 1.85% for the third quarter of 2015 from 1.89% for the third quarter of 2014, mainly as a result of the higher level of low-yielding liquid assets held to finance the purchase of an investment loan portfolio in early August and to support expected organic loan growth, partly offset by the higher prepayment penalties on residential mortgage loans.

Other income increased by $1.0 million or 1% and amounted to $79.4 million for the third quarter of 2015, compared with $78.4 million for the third quarter of 2014. Mutual fund commissions increased by $2.6 million or 35% compared with the third quarter of 2014, partly driven by new sales, as well as additional fee-based revenues earned on the co-branded LBC-Mackenzie mutual fund assets under administration. This was offset by a decrease in insurance income, mainly due to higher claims, as well as lower revenues from brokerage and treasury operations.

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

For the third quarter of 2015, the amortization of net premium on purchased financial instruments amounted to $1.5 million for the third quarter of 2015, unchanged compared with the third quarter of 2014. Refer to Note 12 to the unaudited condensed interim consolidated financial statements.

Provision for loan losses

The provision for loan losses decreased by 33% to $7.0 million for the third quarter of 2015 from $10.5 million for the third quarter of 2014. During the quarter, various improvements and repayments, mainly in the commercial portfolios, triggered net favourable adjustments to provisions. This low level of loan losses is also consistent with the overall underlying quality of the loan portfolios. Management continues to expect that loan losses could remain slightly lower than historical levels for the rest of the year. Refer to the Risk Management section below for further details on the credit condition of the loan portfolio.

Non-interest expenses

Non-interest expenses increased by $5.1 million to $161.0 million for the third quarter of 2015, compared with $156.0 million for the third quarter of 2014, essentially as a result of higher premises and technology costs, as detailed below. Expenses for the third quarter of 2014 also included costs of $1.6 million related to the integration work at B2B Bank, which was subsequently completed at the end of last year.

Salaries and employee benefits increased by $1.8 million or 2% to $84.8 million for the third quarter of 2015, compared with the third quarter of 2014, mainly due to higher payroll taxes introduced in December 2014, higher staffing levels in business services and regular annual salary increases. Lower headcount from the optimization of certain retail and corporate activities in the fourth quarter of 2014 partly offset this increase year-over-year.

Premises and technologycosts increased by $4.7 million to $50.1 million compared with the third quarter of 2014. The increase mostly stems from higher project expenses, in part as the Bank incurred additional costs in order to improve branch-level account administration systems in light of the new CRM2 standards prescribed by the Canadian Securities Administrators.

Other non-interest expenses stood at $26.1 million for the third quarter of 2015, essentially unchanged compared with the third quarter of 2014. The Bank continues to manage expenses through tight cost control and process reviews.

The adjusted efficiency ratio was 71.1% for the third quarter of 2015, compared with 70.3% for the third quarter of 2014. The increase mainly reflects the higher technology costs described above.

Income taxes

For the quarter ended July 31, 2015, the income tax expense was $12.9 million and the effective tax rate was 22.6%. 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 July 31, 2014, the income tax expense was $11.6 million and the effective tax rate was 22.4%.

Nine months ended July 31, 2015 compared with the nine months ended July 31, 2014

Net income was $121.2 million or $3.94 diluted per share for the nine months ended July 31, 2015, compared with $106.6 million or $3.42 diluted per share for the nine months ended July 31, 2014. Adjusted net income was $128.1 million for the nine months ended July 31, 2015, up 6% compared with $121.0 million in 2014, while adjusted diluted earnings per share was $4.17, compared with $3.92 diluted per share in 2014.

Total revenue

Total revenue increased by $12.8 million to $665.5 million for the nine months ended July 31, 2015, compared with $652.6 million for the nine months ended July 31, 2014.

Net interest income increased by $3.6 million or 1% to $424.4 million for the nine months ended July 31, 2015, from $420.8 million for the nine months ended July 31, 2014. The impact of good loan growth over the last twelve months has positively contributed to earnings, while margins remained under pressure. Furthermore, interest income in 2014 had benefited from interest recoveries upon the settlement of impaired loans. When compared with the nine months ended July 31, 2014, net interest margin (as a percentage of average earning assets) decreased by 5 basis points to 1.84% for the nine months ended July 31, 2015, mainly due to the higher level of liquid assets held to finance the purchase of an investment loan portfolio in early August and to support expected organic loan growth.

Other income increased by $9.2 million or 4% and amounted to $241.1 million for the nine months ended July 31, 2015, compared with $231.8 million for the nine months ended July 31, 2014. Solid mutual fund commissions, up $7.3 million or 34%, significantly contributed to the year-over-year increase, partly driven by new sales, as well as additional fee-based revenues earned on the co-branded LBC-Mackenzie mutual fund assets under administration. Income from treasury and financial market operations also increased by $5.7 million due to a better contribution from trading activities and higher foreign-exchange revenues. Furthermore, fees and commissions on loans and deposits were up $2.6 million compared with the nine months ended July 31, 2014 mainly as a result of a higher level of underwriting activities. Of note, other income in the nine months ended July 31, 2014 included a one-time $3.7 million gain on the sale, in February 2014, of a $102.4 million commercial mortgage loan portfolio.

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

For the nine months ended July 31, 2015, the line item "Amortization of net premium on purchased financial instruments and revaluation of contingent consideration" amounted to $4.5 million, compared with $8.1 million for the nine months ended July 31, 2014. The higher charge in 2014 essentially resulted from a $4.1 million non tax-deductible charge recorded in the second quarter to settle the contingent consideration related to the AGF Trust acquisition. The amortization of net premium on purchased financial instruments amounted to $4.5 million for the nine months ended July 31, 2015, compared with $4.0 million for the nine months ended July 31, 2014. Refer to Note 12 to the unaudited condensed interim consolidated financial statements.

Provision for loan losses

The provision for loan losses decreased by $6.0 million to $25.5 million for the nine months ended July 31, 2015 from $31.5 million for the nine months ended July 31, 2014. The overall level of losses, expressed as a percentage of average loans, stood at a very low 10 basis points reflecting the excellent condition of the loan portfolio as noted above. Refer to the Risk Management section below for further details on the credit condition of the loan portfolio.

Non-interest expenses

Non-interest expenses increased by $5.5 million and totalled $480.5 million for the nine months ended July 31, 2015, compared with $475.0 million for the nine months ended July 31, 2014. Adjusting items had a favourable net effect of $5.1 million compared with the nine months ended July 31, 2014, as $10.0 million lower costs related to business combinations were only partly offset by the retirement compensation charge of $4.9 million referred to previously. Adjusted non-interest expenses increased by $10.6 million, or 2%, mainly as a result of higher ongoing technology costs, as detailed below.

Salaries and employee benefits increased by $3.7 million or 1% to $256.6 million for the nine months ended July 31, 2015, compared with the nine months ended July 31, 2014. As mentioned above, salaries for the first quarter of 2015 included a retirement compensation charge of $4.9 million related to the adjustment to the employment contract of the Bank's CEO, Mr. Robitaille. On an adjusted basis, despite the higher payroll taxes introduced in December 2014, salaries and employee benefits declined by $1.2 million, mainly due to the good performance in group insurance programs and lower headcount from restructuring initiatives at the end of 2014.

Premises and technologycosts increased by $10.3 million to $147.3 million compared with the nine months ended July 31, 2014. The increase mostly stems from expensed project management costs as described above.

Other non-interest expenses slightly increased by $1.4 million to $76.6 million for the nine months ended July 31, 2015, from $75.1 million for the nine months ended July 31, 2014, essentially as a result of increased business development activities.

The adjusted efficiency ratio was 71.5% for the nine months ended July 31, 2015, compared with 71.3% for the nine months ended July 31, 2014. The adjusted operating leverage was slightly negative year-over-year.

Income taxes

For the nine months ended July 31, 2015, the income tax expense was $33.8 million and the effective tax rate was 21.8%. The lower tax rate, compared to the statutory rate, resulted mainly from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income and the lower taxation level on revenues from foreign insurance operations. For the nine months ended July 31, 2014, the income tax expense was $31.4 million and the effective tax rate was 22.7%. Year-over-year, the lower effective tax rate for the nine months ended July 31, 2015 resulted from a $4.1 million non tax-deductible charge recorded in the second quarter of 2014 as a result of the final settlement of the contingent consideration related to the AGF Trust acquisition.

Three months ended July 31, 2015 compared with the three months ended April 30, 2015

Net income was $44.2 million or $1.44 diluted per share for the third quarter of 2015 compared with $41.2 million or $1.34 diluted per share for the second quarter of 2015. Adjusted net income was $45.3 million or $1.48 diluted per share, compared with $42.3 million or $1.38 diluted per share for the second quarter of 2015.

Total revenue increased to $226.6 million for the third quarter of 2015, compared with $220.7 million for the previous quarter. Net interest income increased by $9.5 million sequentially to $147.2 million for the third quarter of 2015, mainly as a result of the positive impact of three more days in the third quarter and the seasonally higher level of prepayment penalties on residential mortgage loans. The Bank's net interest margin (as a percentage of average earning assets) slightly increased sequentially by 1 basis point to 1.85% for the third quarter of 2015, compared with 1.84% for the second quarter of 2015, mainly as a result of the seasonally higher prepayment penalties, partly offset by a higher level of liquid assets compared with the previous quarter as mentioned above.

Other income decreased by $3.6 million sequentially to $79.4 million for the third quarter of 2015, mainly due to a $3.4 million decrease in income from treasury and financial market operations resulting from the recognition of net losses on securities in the third quarter and lower income from trading activities, which were partly offset by higher foreign-exchange revenues.

The line-item "Amortization of net premium on purchased financial instruments" amounted to $1.5 million for the third quarter of 2015, unchanged compared with the second quarter of 2015. Refer to Note 12 to the unaudited condensed interim consolidated financial statements for additional information.

Provision for loan losses totalled $7.0 million for the third quarter of 2015, a $1.0 million decrease compared with $8.0 million for the second quarter of 2015, reflecting the strong quality of the portfolio and the favourable credit underwriting environment as noted above.

Non-interest expenses amounted to $161.0 million for the third quarter of 2015, compared with $158.8 million for the second quarter of 2015. Non-interest expenses slightly increased by 1% sequentially due to higher project expenses. Adjusted operating leverage was positive at 1.3% and mainly reflected three more days in the third quarter.

Financial condition

CONDENSED BALANCE SHEET [1]

In thousands of Canadian dollars (Unaudited)		**AS AT JULY 31 2015**	AS AT OCTOBER 31 2014	AS AT JULY 31 2014
ASSETS				
	Cash and deposits with	**$ 160,387**	$ 248,855	$ 155,281

	other banks			
Securities	**5,219,987**	4,880,460	4,424,262
Securities purchased under reverse repurchase agreements	**4,701,479**	3,196,781	3,765,543
Loans and acceptances, net	**28,543,006**	27,310,208	27,153,104
Other assets	**932,866**	846,481	791,087
	$ 39,557,725	$ 36,482,785	$ 36,289,277
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits	**$ 25,800,044**	$ 24,523,026	$ 24,212,545
Other liabilities	**6,433,021**	5,103,778	5,288,872
Debt related to securitization activities	**5,245,340**	4,863,848	4,824,777
Subordinated debt	**449,084**	447,523	446,995
Shareholders' equity	**1,630,236**	1,544,610	1,516,088
	$ 39,557,725	$ 36,482,785	$ 36,289,277

[1] Comparative figures for 2014 reflect the adoption of amendments to IAS 32, *Financial Instruments: Presentation*. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

Balance sheet assets amounted to $39.6 billion as at July 31, 2015, up $3.1 billion or 8% from $36.5 billion as at October 31, 2014. This increase mainly reflects loan growth and higher liquid assets as explained below.

Liquid assets

Liquid assets, including cash, deposits with other banks, securities and securities purchased under reverse repurchase agreements, totalled $10.1 billion as at July 31, 2015, an increase of $1.8 billion compared with October 31, 2014 and an increase of $1.7 billion compared with July 31, 2014. This higher level of liquid assets was partly held to support a $0.6 billion loan purchase in early August as well as the Bank's expected organic loan growth, particularly in the residential mortgage and commercial loan portfolios. The increase also reflects deposit gathering from multiple sources. Overall, the Bank continues to prudently manage the level of liquidity and 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 $28.5 billion as at July 31, 2015, up $1.2 billion from October 31, 2014, as continued strong growth in the Bank's higher-margin business portfolios and B2B Bank's residential mortgage loan portfolio was slightly offset by continued net repayments in the investment loan portfolio. Commercial loans, including acceptances, increased by $422.8 million or 13% since October 31, 2014, while commercial mortgage loans increased by $319.5 million or 12% over the same period. The Bank continues to focus on growing its commercial activities. Personal loans decreased by $272.1 million or 4% since October 31, 2014, mainly reflecting continued attrition in the investment loan portfolio, albeit at a relatively slower pace than in previous periods. Residential mortgage loans were up by $755.0 million from October 31, 2014, mostly driven by B2B Bank's enhanced mortgage solutions.

Liabilities

Personal deposits stood at $19.0 billion as at July 31, 2015, up $0.3 billion compared with October 31, 2014, while business and other deposits increased by $1.0 billion since October 31, 2014 to $6.8 billion as at July 31, 2015. The Bank continues to optimize its current funding strategy by focusing on client deposits either through its retail branch network or B2B Bank's advisor relationships, while also increasing usage of institutional funding sources. Personal deposits represented 74% of total deposits as at July 31, 2015, a decrease compared with 76% as at October 31, 2014, and contributed to the Bank's solid liquidity position.

Debt related to securitization activities totalling $5.2 billion remains a preferred source of fixed-rate funding and increased by $381.5 million or 8% compared with October 31, 2014, as a result of the Bank's participation in both the Canada Mortgage Bond program and multi-seller mortgage securitization facilities. Subordinated debt remained relatively unchanged compared with October 31, 2014 and stood at $0.4 billion as at July 31, 2015.

Shareholders' equity

Shareholders' equity stood at $1,630.2 million as at July 31, 2015, compared with $1,544.6 million as at October 31, 2014. This $85.6 million increase is mainly explained by the net income contribution for the nine-month period, net of declared dividends, as well as the net change in accumulated other comprehensive income. The Bank's book value per common share appreciated to $47.45 as at July 31, 2015 from $45.89 as at October 31, 2014. There were 28,956,619 common shares and 8,000 share purchase options outstanding as at August 27, 2015.

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. 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 4.5%, 6.0% and 8.0% respectively for 2015, which, for the Bank, will be fully phased-in to 7.0%, 8.5% and 10.5% by 2019, including capital conservation buffers.

In its CAR Guideline, OSFI indicated that it expects deposit-taking institutions to attain target capital ratios without transition arrangements equal to or greater than the 2019 minimum capital ratios plus capital 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 the Bank's 2014 Annual Report under the title "Capital Management" for additional information on the Bank's regulatory capital.

As detailed in the table below, on an "all-in" basis, the Common Equity Tier 1, Tier 1 and Total capital ratios stood at 7.7%, 9.1% and 11.7%, respectively, as at July 31, 2015. These ratios meet all current requirements.

REGULATORY

CAPITAL [1]

In thousands of Canadian dollars, except percentage amounts (Unaudited)	**AS AT JULY 31 2015**	AS AT OCTOBER 31 2014	AS AT JULY 31 2014
Regulatory capital			
Common Equity Tier 1 capital	**$ 1,153,802**	$ 1,087,224	$ 1,051,085
Tier 1 capital	**$ 1,373,435**	$ 1,306,857	$ 1,270,718
Total capital	**$ 1,758,309**	$ 1,747,526	$ 1,705,687
Total risk-weighted assets [2]	**$ 15,017,481**	$ 13,844,014	$ 13,714,954
Regulatory capital ratios			
Common Equity Tier 1 capital ratio	**7.7 %**	7.9 %	7.7 %
Tier 1 capital ratio	**9.1 %**	9.4 %	9.3 %
Total capital ratio	**11.7 %**	12.6 %	12.4 %

[1] The amounts are presented on an "all-in" basis.
[2] Using the Standardized Approach in determining credit risk and operational risk.

The Common Equity Tier 1 capital ratio decreased to 7.7% as at July 31, 2015, compared with 7.9% as at October 31, 2014, mainly as internal capital generation did not fully offset the impact of higher risk-weighted corporate exposures, as well as the recent decrease in value of available-for-sale securities and pension plan assets.

Regulatory developments concerning capital

In December 2014, the BCBS issued for consultation the *Revisions to the standardised approach for credit risk* document, which forms part of the BCBS' broader work on improving the consistency and comparability of bank capital ratios. This document proposes to reduce reliance on external credit ratings, increase risk sensitivity and enhance comparability across banks. This consultative document was open for comments until March 27, 2015. The Bank is closely monitoring these developments as they could potentially impact capital requirements in the future.

Basel III Leverage ratio

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. Under OSFI's Leverage Requirements Guideline issued in October 2014, the Asset to Capital Multiple (ACM) was replaced with a new leverage ratio as of January 1, 2015. Federally regulated deposit-taking institutions are expected to maintain a Basel III leverage ratio that meets or exceeds 3% at all times. The leverage ratio is currently defined as the Tier 1 capital divided by unweighted on-balance sheet assets and off-balance sheet commitments, derivatives and securities financing transactions, as defined within the requirements. It differs from OSFI's previous ACM requirement in that it includes more off-balance-sheet exposures and a narrower definition of capital (Tier 1 Capital instead of Total Capital).

As detailed in the table below, the leverage ratio stood at 3.6% as at July 31, 2015 and exceeds current requirements.

BASEL III LEVERAGE RATIO

In thousands of Canadian dollars, except percentage amounts (Unaudited)	**AS AT JULY 31 2015**
Tier 1 capital	**$ 1,373,435**
Total unweighted exposures	**$ 38,417,139**
Basel III leverage ratio	**3.6 %**

Dividends

On August 19, 2015, the Board of Directors declared the regular dividend on the Preferred Shares Series 11 and Preferred Shares Series 13 to shareholders of record on September 8, 2015. At its meeting on September 2, 2015, the Board of Directors declared a dividend of $0.56 per common share, payable on November 1, 2015, to shareholders of record on October 1, 2015. Consistent with the previous quarter, the Board of Directors determined that shares attributed under the Bank's Shareholder Dividend Reinvestment and Share Purchase Plan will be purchased in the open market. As such, no discount will be applied to the purchase price of these common shares.

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COMMON SHARE DIVIDENDS AND PAYOUT RATIO

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	FOR THE YEARS ENDED		
In Canadian dollars, except payout ratio (Unaudited)	**JULY 31 2015**	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	OCTOBER 31 2014	OCTOBER 31 2013	OCTOBER 31 2012
Dividends declared per common	**$ 0.56**	$ 0.54	$ 0.52	**$ 1.64**	$ 2.06	$ 1.98	$ 1.84

share							
Dividend payout ratio [1]	**38.8 %**	40.3 %	40.9 %	**41.6 %**	45.7 %	52.0 %	37.0 %
Adjusted dividend payout ratio [1]	**37.8 %**	39.2 %	38.6 %	**39.3 %**	38.7 %	39.0 %	36.9 %

[1] 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 2014 Annual Report for additional information.

Credit risk

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

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PROVISION FOR LOAN LOSSES

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED **JULY 31 2015**	APRIL 30 2015	JULY 31 2014	FOR THE NINE MONTHS ENDED **JULY 31 2015**	JULY 31 2014
Personal loans	**$ 7,968**	$ 7,715	$ 4,976	**$ 21,233**	$ 17,452
Residential mortgage loans	**1,866**	760	1,606	**4,149**	3,176
Commercial	**(1,227)**	(812)	3,759	**(131)**	4,143

mortgage loans					
Commercial and other loans (including acceptances)	**(1,607)**	337	159	**249**	6,729
	$ 7,000	$ 8,000	$ 10,500	**$ 25,500**	$ 31,500
As a % of average loans and acceptances	**0.10 %**	0.12 %	0.15 %	**0.12 %**	0.16 %

The provision for loan losses amounted to $7.0 million in the third quarter of 2015, improving $3.5 million when compared with the same quarter a year ago and $1.0 million sequentially. For the nine months ended July 31, 2015, the provision for loan losses decreased by $6.0 million and amounted to $25.5 million compared with $31.5 million for the same period in 2014. Lower losses during the quarter and nine-month period were due to more favourable settlements and the overall strong credit performance as explained below. The current level of provisions continues to reflect the underlying strong credit quality of the Bank's loan portfolios and prolonged low interest rates in the Canadian market.

Loan losses on personal loans increased by $3.0 million compared with the third quarter of 2014 and stood at $8.0 million in the third quarter of 2015. On a sequential basis, loan losses on personal loans only slightly increased by $0.3 million. For the nine months ended July 31, 2015, loan losses on personal loans increased by $3.8 million, mainly due to a return to a normalized provision level in the B2B Bank's portfolios compared with last year.

At $1.9 million for the third quarter of 2015, loan losses on residential mortgage loans increased by $0.3 million compared with the third quarter of 2014 and by $1.1 million compared with the second quarter of 2015. For the nine months ended July 31, 2015, loan losses on residential mortgage loans increased by $1.0 million. The level of loan losses remains low as a result of the favourable credit conditions and historically strong underwriting criteria.

Loan losses on commercial mortgages and commercial loans cumulatively amounted to negative $2.8 million in the third quarter of 2015, a decrease of $6.8 million compared with the same quarter last year, mainly resulting from favourable settlements and improvements during the third quarter of 2015. On a sequential basis, loan losses in these portfolios decreased by a combined $2.4 million, essentially for the same reason. For the nine months ended July 31, 2015, loan losses on commercial mortgages and commercial loans totalled $0.1 million compared with $10.9 million for the same period in 2014. The year-over-year decrease of $10.8 million was mainly attributable to a higher amount of favourable settlements compared to last year, as well as continued improvements in the underlying portfolios as mentioned above.

IMPAIRED LOANS

In thousands of Canadian dollars, except percentage amounts (Unaudited)	**AS AT JULY 31 2015**	AS AT OCTOBER 31 2014	AS AT JULY 31 2014
Gross impaired loans			

Personal	**$ 15,694**	$ 22,359	$ 24,574
Residential mortgages	**32,562**	32,843	33,110
Commercial mortgages	**43,714**	16,633	12,759
Commercial and other (including acceptances)	**32,469**	30,245	35,546
	124,439	102,080	105,989
Allowances for loan losses against impaired loans			
Individual allowances	**(13,344)**	(21,951)	(27,563)
Collective allowances	**(26,831)**	(17,238)	(16,414)
	(40,175)	(39,189)	(43,977)
Net impaired loans	**$ 84,264**	$ 62,891	$ 62,012
Collective allowances against other loans	**$ (71,528)**	$ (80,182)	$ (78,245)
Impaired loans as a % of loans and acceptances			
Gross	**0.43 %**	0.37 %	0.39 %
Net	**0.29 %**	0.23 %	0.23 %

Gross impaired loans amounted to $124.4 million as at July 31, 2015, down $7.4 million compared with April 30, 2015, and up $22.4 million from $102.1 million as at October 31, 2014. This increase was mainly due to higher impaired commercial mortgage loans, essentially as a result of a well-secured single exposure, as well as, to a lesser extent, from the impact of higher loan volumes. This increase was partially offset by the continued improvement in the personal loan portfolio since the beginning of the year. Despite the overall increase, gross impaired loans remain at low levels and borrowers continue to benefit from the favourable low interest rate environment and business conditions in Canada.

Since the beginning of the year, individual allowances decreased by $8.6 million to $13.3 million mainly explained by settlements of impaired commercial loans and commercial mortgage loans. Collective allowances against impaired loans increased by $9.6 million over the same period. At 0.43% of loans and acceptances as at July 31, 2015, 0.37% as at October 31, 2014 and 0.39% a year ago, gross impaired loans continue to compare favourably to the Canadian banking industry.

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. Other than changes related to enhanced regulatory requirements described below, there have been no material changes to the Bank's liquidity and funding risk management framework from year-end 2014. 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 *Basel III: International framework for liquidity risk measurement, standards and monitoring* (the Basel III liquidity framework), which outlines two new liquidity requirements in addition to other supplemental reporting metrics. This document prescribes the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as minimum regulatory standards. Further updates regarding the LCR, the NSFR and liquidity risk monitoring tools were published in 2013 and 2014.

In May 2014, OSFI issued a comprehensive domestic *Liquidity Adequacy Requirements* (LAR) Guideline that reflects the aforementioned BCBS liquidity standards (LCR and NSFR). These requirements are supplemented by additional monitoring metrics including the liquidity and intraday liquidity monitoring tools as considered in the Basel III liquidity framework and the OSFI-designated Net Cumulative Cash Flow (NCCF) supervisory tool. The LAR Guideline was subsequently updated in November 2014 to clarify interpretation and applicability of certain guidance. The implementation date of the LCR standard was January 1, 2015. Throughout the quarter, the Bank filed with OSFI the monthly LCR reports, comfortably meeting the minimum requirement. The Bank also reported the NCCF supervisory tool.

On July 16, 2014, OSFI issued its LCR disclosure requirements for Domestic Systemically Important Banks (D-SIBs) in Guideline D-11 – *Public Disclosure Requirements for Domestic Systemically Important Banks on Liquidity Coverage Ratio,* which must be applied as of the second quarter of 2015. As the Bank is not a D-SIB, it is not subject to these disclosure requirements.

On June 22, 2015, the BCBS issued the NSFR disclosure standards, following the publication of the NSFR standard in October 2014. This consultative document was open for comments until March 2015. The Bank will monitor these developments as they unfold.

Market risk

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

The purpose of ALM activities is to manage structural interest rate risk, which corresponds to the potential negative impact of interest rate movements on the Bank's revenues and economic value. Dynamic management of structural risk is intended to maximize the Bank's profitability while protecting the economic value of common shareholders' equity from sharp interest rate movements. As at July 31, 2015, the effect on the economic value of common shareholders' equity and on net interest income before taxes of a sudden and sustained 1% increase in interest rates across the yield curve was as follows.

STRUCTURAL INTEREST RATE SENSITIVITY ANALYSIS

In thousands of Canadian dollars (Unaudited)	**AS AT JULY 31 2015**	AS AT OCTOBER 31 2014
Effect of a 1% increase in interest rates		
Increase in net interest income before taxes over the next 12 months	**$ 15,493**	$ 10,297
Decrease in the economic value of common shareholders' equity (net of income taxes)	**$ (35,955)**	$ (21,990)

The table above provides a measure of the sensitivity to changes in interest rates of the Bank as at July 31, 2015. The Bank remains generally insulated from rapid shifts in interest rates over the long term. However, the timing of Bank of Canada overnight rate changes and ensuing variations in the prime rate and short-term bankers' acceptances (BA) rates can temporarily impact margins. As such, quarterly fluctuations in net interest income may occur, but within controlled tolerance margins. Management continues to expect that long term rates will remain within a narrow range for now. As shown above, the Bank's structural interest rate sensitivity has increased as at July 31, 2015 reflecting efforts to take advantage in the movement of short-term and long-term interest rates, while maintaining the sensitivity to these fluctuations within approved risk limits.

Segmented Information

This section outlines the Bank's operations according to its organizational structure. Services to individuals, businesses, financial intermediaries and institutional clients are offered through the following three business segments: Personal & Commercial, which is comprised of Retail Services and Business Services groups, B2B Bank, as well as Laurentian Bank Securities & Capital Markets. The Bank's other activities are grouped into the Other sector.

Personal & Commercial

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	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
In thousands of Canadian dollars, except percentage amounts (Unaudited)	**JULY 31 2015**	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	JULY 31 2014
Net interest income	**$ 104,430**	$ 99,978	$ 99,591	**$ 305,378**	$ 295,237
Other income	**54,291**	51,773	50,854	**156,647**	148,594
Total revenue	**158,721**	151,751	150,445	**462,025**	443,831
Provision for loan losses	**4,295**	5,876	8,759	**19,343**	26,449
Non-interest expenses	**106,297**	103,354	102,355	**312,499**	302,111
Income before income taxes	**48,129**	42,521	39,331	**130,183**	115,271
Income taxes	**11,912**	10,330	9,378	**31,075**	26,758
Net income	**$ 36,217**	$ 32,191	$ 29,953	**$ 99,108**	$ 88,513
Efficiency ratio [1]	**67.0 %**	68.1 %	68.0 %	**67.6 %**	68.1 %

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

Net income for the Personal & Commercial business segment was $36.2 million for the third quarter of 2015, up 21% compared with net income of $30.0 million for the third quarter of 2014.

Total revenue increased by $8.3 million or 6%, from $150.4 million for the third quarter of 2014 to $158.7 million for the third quarter of 2015. Net interest income increased by $4.8 million to $104.4 million, mainly reflecting the 16% volume growth in both commercial loan and commercial mortgage portfolios year-over-year. Other income increased by $3.4 million to $54.3 million in the third quarter of 2015, as higher mutual fund commissions and higher lending fees due to increased underwriting activity in the commercial portfolios more than compensated for lower insurance income related to a higher level of claims.

Loan losses decreased by $4.5 million from $8.8 million for the third quarter of 2014 to $4.3 million for the third quarter of 2015. These lower losses mainly resulted from favourable settlements and improvements in the commercial mortgage and commercial loan portfolios during the third quarter of 2015, as the credit quality of both retail and commercial portfolios remains excellent.

Non-interest expenses increased by $3.9 million or 4%, from $102.4 million for the third quarter of 2014 to $106.3 million for the third quarter of 2015. Higher staffing levels in business services and additional technology expenses to improve branch-level account administration systems in light of the new CRM2 regulatory requirements, as explained above, were partly offset by lower salaries from the optimization of certain retail activities in the fourth quarter of 2014.

Compared with the second quarter of 2015, net income increased by 13% mainly due to the positive impact of three more days in the third quarter, seasonally-higher loan prepayment penalties as well as lower loan losses in the commercial portfolios.

For the nine months ended July 31, 2015, net income increased by 12% to $99.1 million compared with $88.5 million for the same period a year ago. This performance was mainly driven by good growth in the high-margin businesses, a strong increase in other income and lower loan losses, partly offset by higher ongoing technology costs. The efficiency ratio was 67.6% for the nine months ended July 31, 2015, compared with 68.1% for the nine months ended July 31, 2014. The segment generated slightly positive operating leverage year-over-year, reflecting its focus on other income and higher-margin activities, as well as on containing expense growth.

B2B Bank

View News Release Full Screen

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2015	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	JULY 31 2014
Net interest income	**$ 45,896**	$ 41,612	$ 44,402	**$ 129,568**	$ 133,976
Other income	**8,652**	8,540	8,804	**25,908**	27,013
Total revenue	**54,548**	50,152	53,206	**155,476**	160,989
Amortization of	**1,531**	1,531	1,511	**4,534**	8,145

net premium on purchased financial instruments and revaluation of contingent consideration					
Provision for loan losses	**2,705**	2,124	1,741	**6,157**	5,051
Non-interest expenses	**30,615**	32,535	30,553	**94,130**	93,100
Costs related to business combinations [1]	**—**	—	1,564	**—**	9,950
Income before income taxes	**19,697**	13,962	17,837	**50,655**	44,743
Income taxes	**5,386**	3,830	4,802	**13,789**	13,193
Net income	**$ 14,311**	$ 10,132	$ 13,035	**$ 36,866**	$ 31,550
Efficiency ratio [2]	**56.1 %**	64.9 %	60.4 %	**60.5 %**	64.0 %
Adjusted net income [2]	**$ 15,436**	$ 11,257	$ 15,293	**$ 40,199**	$ 45,930
Adjusted efficiency ratio [2]	**56.1 %**	64.9 %	57.4 %	**60.5 %**	57.8 %

[1] Costs related to the integration of AGF Trust (T&I Costs).
[2] Refer to the Non-GAAP Financial Measures section. Adjusted financial measures exclude items related to business combinations designated as adjusting items.

The B2B Bank business segment's contribution to reported net income for the third quarter of 2015 was $14.3 million compared with $13.0 million for the same quarter a year ago. Adjusted net income was $15.4 million for the third quarter of 2015, up marginally from $15.3 million for the third quarter of 2014.

Total revenue increased to $54.5 million for the third quarter of 2015 from $53.2 million for the third quarter of 2014. Net interest income increased by $1.5 million to $45.9 million for the third quarter of 2015 compared with the third quarter of 2014. This increase mainly stems from higher loan prepayment penalties and strong organic growth in mortgages, notably alternative mortgage solutions, which have helped propel residential mortgage loan growth into the double digit range and have supported net interest margin. Margin compression on certain deposits partly offset the increase in net interest income as rates paid to depositors remained elevated in a competitive environment. Other income amounted to $8.7 million in the third quarter of 2015, relatively unchanged compared to the third quarter of 2014.

As shown above, the line item "Amortization of net premium on purchased financial instruments and revaluation of contingent consideration" amounted to $1.5 million in the third quarter of 2015, unchanged compared with the third quarter of 2014. For additional information, refer to Note 12 to the unaudited condensed interim consolidated financial statements.

Loan losses increased by $1.0 million compared with the third quarter of 2014 and amounted to $2.7 million in the third quarter of 2015. This increase mainly results from higher provisions on home equity lines of credit, offset by lower provisions in the investment loan portfolio due to reduced exposure. Despite the modest increase, loan losses remained very low, reflecting the strong credit quality of the portfolio.

Excluding costs related to business combinations, non-interest expenses were essentially unchanged and amounted to $30.6 million for the third quarter of 2015, as the segment exercised tight cost control. Costs related to business combinations for the third quarter of 2015 are nil, as integration activities were completed during the fourth quarter of 2014.

Compared with the second quarter of 2015, reported and adjusted net income increased by $4.2 million, mainly resulting from higher net interest income, which was impacted by the higher number of days in the quarter, the seasonally-higher level of loan prepayment penalties and strong residential mortgage loan growth. Lower staffing and other non-interest expenses associated with the RSP campaign in the previous quarter also contributed to the sequential improvement in adjusted and reported net income.

For the nine months ended July 31, 2015, the B2B Bank business segment's contribution to adjusted net income was $40.2 million, down $5.7 million compared with the same period in 2014. This decrease mainly resulted from lower interest income due to tighter overall margins and the attrition in higher-margin investment loans year-over-year, as well as to higher amortization expenses from completed IT projects and higher allocated costs. With the finalization of integration activities in the fourth quarter of 2014, reported net income for the nine months ended July 31, 2015 increased by $5.3 million to $36.9 million compared with $31.6 million in 2014.

Laurentian Bank Securities & Capital Markets

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	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
In thousands of Canadian dollars, except percentage amounts (Unaudited)	**JULY 31 2015**	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	JULY 31 2014
Total revenue	**$ 17,089**	$ 19,126	$ 18,492	**$ 53,425**	$ 52,247
Non-interest expenses	**13,680**	14,511	14,341	**42,109**	41,487
Income before income taxes	**3,409**	4,615	4,151	**11,316**	10,760
Income taxes	**717**	502	1,114	**2,102**	2,887
Net income	**$ 2,692**	$ 4,113	$ 3,037	**$ 9,214**	$ 7,873
Efficiency ratio [1]	**80.1 %**	75.9 %	77.6 %	**78.8 %**	79.4 %

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

Laurentian Bank Securities & Capital Markets business segment's contribution to net income decreased to $2.7 million for the third quarter of 2015, compared with $3.0 million for the third quarter of 2014. Total revenue decreased by $1.4 million to $17.1 million for the third quarter of 2015 compared with $18.5 million for the third quarter of 2014, mainly due to lower underwriting fees in the small-cap equity market. Non-interest expenses decreased by $0.7 million to $13.7 million for the third quarter of 2015, mainly due to lower performance-based compensation, commissions and transaction fees, in-line with lower market-driven income.

Compared with the second quarter of 2015, net income decreased by $1.4 million, mainly reflecting less favourable market conditions for underwriting activities.

Laurentian Bank Securities & Capital Markets business segment's contribution to net income increased to $9.2 million for the nine months ended July 31, 2015, compared with $7.9 million for the nine months ended July 31, 2014. Total revenue increased by $1.2 million to $53.4 million for the nine months ended July 31, 2015, as higher revenues from growth in underwriting activities in the fixed income market were partly offset by lower trading revenues and lower underwriting fees in the small-cap equity market. Non-interest expenses increased by $0.6 million to $42.1 million for the nine months ended July 31, 2015, mainly due to higher performance-based compensation, commissions and transaction fees.

Other sector

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
In thousands of Canadian dollars (Unaudited)	**JULY 31 2015**	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	JULY 31 2014
Net interest income	**$ (3,916)**	$ (4,614)	$ (3,312)	**$ (12,790)**	$ (10,139)
Other income	**196**	4,264	814	**7,341**	5,716
Total revenue	**(3,720)**	(350)	(2,498)	**(5,449)**	(4,423)
Non-interest expenses	**10,445**	8,350	7,160	**31,746**	28,362
Loss before income taxes	**(14,165)**	(8,700)	(9,658)	**(37,195)**	(32,785)
Income taxes recovery	**(5,111)**	(3,452)	(3,730)	**(13,196)**	(11,460)
Net loss	**$ (9,054)**	$ (5,248)	$ (5,928)	**$ (23,999)**	$ (21,325)
Adjusted net loss [1]	**$ (9,054)**	$ (5,248)	$ (5,928)	**$ (20,449)**	$ (21,325)

[1] Refer to the Non-GAAP Financial Measures section. Adjusted financial measures exclude a retirement compensation charge designated as an adjusting item.

For the three months ended July 31, 2015, the Other sector generated a reported and adjusted net loss of $9.1 million, compared with a net loss and adjusted net loss of $5.9 million for the third quarter of 2014.

Net interest income decreased by $0.6 million to negative $3.9 million for the third quarter of 2015 compared with negative $3.3 million for the third quarter of 2014, mainly as a result of the higher level of low-yielding liquid assets held to finance the purchase of an investment loan portfolio in early August. Other income decreased to $0.2 million for the third quarter of 2015, compared with $0.8 million for the third quarter of 2014, mainly as a result of lower revenues from treasury operations, including the recognition of net losses on securities. Non-interest expenses increased by $3.3 million to $10.4 million for the third quarter of 2015 compared with $7.2 million for the third quarter of 2014, resulting mainly from higher unallocated IT and regulatory project costs.

On a sequential basis, the sector's reported and equivalent adjusted net loss increased by $3.8 million, essentially as a result of a $4.1 million decrease in other income, resulting mainly from the recognition of net losses on securities in the third quarter, which were only partly offset by higher income from trading activities. Other income in the second quarter of 2015 also included a $1.3 million gain on the revaluation of certain derivatives used in hedging activities. Non-interest expenses for the third quarter of 2015 increased by $2.1 million due to higher unallocated project expenses.

For the nine months ended July 31, 2015, the Other sector's contribution to adjusted net income was a negative $20.4 million, compared with a negative $21.3 million for the nine months ended July 31, 2014. The $0.9 million improvement in adjusted net loss mainly resulted from a decrease of $1.5 million in adjusted non-interest expenses, reflecting higher technology cost allocations to the business segments. Including the $4.9 million retirement compensation charge incurred in the first quarter of 2015, reported net income for the nine months ended July 31, 2015 was negative $24.0 million, compared with negative $21.3 million for the nine months ended July 31, 2014.

Additional Financial Information - Quarterly Results

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In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	**JULY 31 2015**	APRIL 30 2015	JANUARY 31 2015	OCTOBER 31 2014	JULY 31 2014	APRIL 30 2014	JANUARY 31 2014	OCTOBER 31 2013
Net interest income	**$ 147,229**	$ 137,691	$ 139,496	$ 140,149	$ 141,249	$ 138,726	$ 140,856	$ 141,437
Other income	**79,409**	82,988	78,664	81,272	78,396	78,164	75,253	74,094
Total revenue	**226,638**	220,679	218,160	221,421	219,645	216,890	216,109	215,531
Amortization of net premium on purchased financial instruments and revaluation of contingent	**1,531**	1,531	1,472	1,508	1,511	5,498	1,136	1,006

consideration								
Provision for loan losses	**7,000**	8,000	10,500	10,500	10,500	10,500	10,500	10,000
Non-interest expenses	**161,037**	158,750	160,697	166,299	155,973	159,904	159,133	172,651
Income before income taxes	**57,070**	52,398	45,491	43,114	51,661	40,988	45,340	31,874
Income taxes	**12,904**	11,210	9,656	9,360	11,564	9,999	9,815	6,008
Net income	**$ 44,166**	$ 41,188	$ 35,835	$ 33,754	$ 40,097	$ 30,989	$ 35,525	$ 25,866
Earnings per share								
Basic	**$ 1.44**	$ 1.34	$ 1.16	$ 1.09	$ 1.27	$ 0.99	$ 1.16	$ 0.82
Diluted	**$ 1.44**	$ 1.34	$ 1.15	$ 1.09	$ 1.27	$ 0.99	$ 1.16	$ 0.82
Return on common shareholders' equity [1]	**12.1 %**	11.8 %	9.9 %	9.5 %	11.2 %	9.2 %	10.5 %	7.6 %
Balance sheet assets [2] (in millions of Canadian dollars)	**$ 39,558**	$ 37,656	$ 37,435	$ 36,483	$ 36,289	$ 35,932	$ 34,273	$ 33,911
Adjusted financial measures								
Adjusted net income [1]	**$ 45,291**	$ 42,313	$ 40,468	$ 42,591	$ 42,355	$ 39,375	$ 39,261	$ 38,526
Adjusted diluted earnings per share [1]	**$ 1.48**	$ 1.38	$ 1.32	$ 1.39	$ 1.35	$ 1.29	$ 1.29	$ 1.26
Adjus	**12.4 %**	12.1 %	11.3 %	12.2 %	11.9 %	11.9 %	11.7 %	11.7 %

ted return on common shareholders' equity [1]

[1] Refer to the non-GAAP financial measures section.
[2] Comparative figures for 2014 reflect the adoption of amendments to IAS 32, *Financial Instruments: Presentation*. Comparative figures for 2013 have not been restated. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

Accounting Policies

A summary of the Bank's significant accounting policies is presented in Notes 2 and 3 of the 2014 audited annual consolidated financial statements. Pages 58 to 60 of the 2014 Annual Report also contain a discussion of critical accounting policies and estimates which refer to material amounts reported in the consolidated financial statements or require management's judgment. The unaudited condensed interim consolidated financial statements for the third quarter of 2015 have been prepared in accordance with these accounting policies, except for accounting changes detailed below.

Accounting changes

Effective November 1, 2014, the Bank adopted amendments to the existing standard on offsetting of financial instruments as described in the External Reporting Changes section, as well as new standards and amendments on levies and hedge accounting upon novation of derivatives. Additional information on the new standards, amendments to existing standards and new accounting policy can be found in Note 2 to the unaudited condensed interim consolidated financial statements.

Future accounting changes

The IASB has issued new standards and amendments to existing standards on financial instruments, revenue from contracts with customers and presentation of financial statements. These future accounting changes will be applicable for the Bank in various annual periods beginning on November 1, 2016 at the earliest. The Bank is currently assessing the impact of the adoption of these standards on its financial statements. Additional information on the new standards and amendments to existing standards can be found in Note 3 to the unaudited condensed interim consolidated financial statements.

Corporate Governance and Changes in Internal Control over Financial Reporting

During the third quarter ended July 31, 2015, there have been no changes in the Bank's policies or procedures and other processes that comprise its internal control over financial reporting which have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

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

Non-GAAP Financial Measures

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

Common shareholders' equity

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.

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.

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RETURN ON COMMON SHAREHOLDERS' EQUITY					
	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
In thousands of Canadian dollars, except percentage amounts (Unaudited)	**JULY 31 2015**	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	JULY 31 2014
Reported net income available to common shareholders	**$ 41,767**	$ 38,790	$ 36,509	**$ 113,993**	$ 98,021
Adjusting items, net of income taxes	**1,125**	1,125	2,258	**6,883**	14,380
Adjusted net income available to common shareholders	**$ 42,892**	$ 39,915	$ 38,767	**$ 120,876**	$ 112,401
Average common	**$ 1,372,357**	$ 1,348,139	$ 1,293,891	**$ 1,352,020**	$ 1,271,287

shareholders' equity					
Return on common shareholders' equity	**12.1 %**	11.8 %	11.2 %	**11.3 %**	10.3 %
Adjusted return on common shareholders' equity	**12.4 %**	12.1 %	11.9 %	**12.0 %**	11.8 %

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.

Average earning assets

Effective November 1, 2014, the Bank has modified its definition of average earning assets, as further detailed in the External Reporting Changes section hereafter. All financial measures for the quarters and for the year ended in 2014 have been amended accordingly.

Average earning assets include the Bank's loans net of allowances, as well as interest-bearing deposits with other banks, securities, securities purchased under reverse repurchase agreements used in the Bank's treasury operations, but excluding average earning assets of the Laurentian Bank Securities and Capital Markets' business segment. The averages are based on the daily balances for the period.

Net interest margin

Effective November 1, 2014, the Bank has modified its definition of net interest margin, as further detailed in the External Reporting Changes section hereafter. All financial measures for the quarters and for the year ended in 2014 have been amended accordingly.

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

Efficiency ratio and operating leverage

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

Dividend payout ratio

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

Dividend yield

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

Adjusted 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 detailed below and presented in the table in the Adjusting Items section.

Adjusting items

Adjusting items are related to business combinations, as well as to restructuring plans and to a special retirement compensation charge.

Items related to business combinations relate to special gains and expenses that arose as a result of acquisitions. The one-time 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 and non-recurring adjustments. The revaluation of the contingent consideration and costs related to business combinations (T&I Costs) have been designated as adjusting items due to the significance of the amounts and their non-recurrence. Items related to business combinations are included in the B2B Bank business segment's reported results.

Restructuring charges result from a realignment of strategic priorities and are comprised of severance charges and impairment charges related to IT projects. These charges have been designated as adjusting items due to their non-recurring nature and the significance of the amounts. Restructuring charges are included in the Personal & Commercial business segment and Other sector's reported results.

The compensation charge is related to the adjustment to the employment contract of the Bank's CEO, Mr. Robitaille, following his retirement announcement. This charge has been designated as an adjusting item due to its nature and the significance of the amount. The compensation charge is included in the Other sector's reported results.

External Reporting Changes - Offsetting of Financial Instruments and Impact on Net Interest Margin

As of November 1, 2014, the Bank adopted the amendments to IAS 32, *Financial Instruments: Presentation*, which clarified requirements for offsetting financial instruments. As a result, certain securities purchased under reverse repurchase agreements and related obligations that were previously offset on the balance sheet, are now presented on a gross basis. This restatement increased total assets and total liabilities and had no impact on the Bank's comprehensive income, shareholders' equity or cash flows. The following table presents the adjustments.

In thousands of Canadian dollars (Unaudited)	AS AT JULY 31 2014	AS AT OCTOBER 31 2014
Total assets - Previously reported	$ 34,328,155	$ 34,848,681
Impact of IAS 32 on total assets	1,961,122	1,634,104
Total assets	$ 36,289,277	$ 36,482,785

In light of this change, the Bank revised its use of the net interest margin financial measure to provide a more useful indicator and better align with industry practice. Net interest margin is now defined as the ratio of net interest income to average earning assets, excluding average earning assets of the Laurentian

Bank Securities and Capital Markets' (LBS & CM) business segment. This new measure focuses on banking operations and eliminates net interest margin volatility related to variation in assets used in brokerage operations and trading activities. Net interest margin and average earning assets measures for the quarters and for the year ended in 2014 have been amended accordingly and are presented in the following table.

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In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED JULY 31 2015	FOR THE THREE MONTHS ENDED JULY 31 2014	FOR THE NINE MONTHS ENDED JULY 31 2015	FOR THE NINE MONTHS ENDED JULY 31 2014	FOR THE YEAR ENDED OCTOBER 31 2014
Net interest income (A)	**$ 147,229**	$ 141,249	**$ 424,416**	$ 420,831	$ 560,980
Average assets - Previously reported (B)	**n.a.**	34,030,333	**n.a.**	33,818,073	34,023,265
Average earning assets - Previously reported	**n.a.**	32,914,630	**n.a.**	32,800,707	32,974,163
Impact of IAS 32 on average earning assets	**n.a.**	2,209,391	**n.a.**	1,450,801	1,536,926
Average earning assets of LBS & CM	**n.a.**	(5,407,252)	**n.a.**	(4,505,311)	(4,654,654)
Average earning assets - Updated measure ©	**$ 31,555,760**	$ 29,716,769	**$ 30,804,037**	$ 29,746,197	$ 29,856,435
Net interest margin - Previously reported (A/B)	**n.a.**	1.65 %	**n.a.**	1.66 %	1.65 %
Net interest margin - Updated	**1.85 %**	1.89 %	**1.84 %**	1.89 %	1.88 %

measure
(A/C)

About Laurentian Bank

Laurentian Bank of Canada is a banking institution whose activities extend across Canada. The Bank serves one and a half million clients throughout the country and employs more than 3,700 people whose talent and dedication have made it a major player in numerous market segments. The Bank has more than $39 billion in balance sheet assets and $43 billion in assets under administration.

Laurentian Bank distinguishes itself through the excellence and simplicity of its services. The Bank caters to the needs of retail clients via its branch network and virtual offerings. The Bank has also earned a solid reputation among small and medium-sized enterprises and real estate developers thanks to its specialized teams across Canada, namely in Ontario, Québec, Alberta, British Columbia and Nova Scotia. For their part, B2B Bank is a Canadian leader in providing banking and investment products and services to financial advisors and brokers, while the expertise and effectiveness of Laurentian Bank Securities' integrated brokerage services are known nationwide.

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, September 2, 2015. The live, listen-only, toll-free, call-in number is 416 204-9702 or 1 800 524-8850.

You can listen to the call on a delayed basis at any time from 5:00 p.m. on Wednesday, September 2, 2015 until 5:00 p.m. on October 1, 2015, by dialing the following playback number: 647 436-0148 or 1 888 203-1112 Code 2687057. 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 period ended July 31, 2015, 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 JULY 31 2015**	AS AT OCTOBER 31 2014	AS AT JULY 31 2014
ASSETS			
Cash and non-interest-bearing deposits with other banks	**$ 101,886**	$ 126,247	$ 86,811

Interest-bearing deposits with other banks		**58,501**	122,608	68,470
Securities				
	Available-for-sale	**2,309,028**	2,577,017	2,096,307
	Held-to-maturity	**536,630**	323,007	97,786
	Held-for-trading	**2,374,329**	1,980,436	2,230,169
		5,219,987	4,880,460	4,424,262
Securities purchased under reverse repurchase agreements		**4,701,479**	3,196,781	3,765,543
Loans				
	Personal	**6,520,944**	6,793,078	6,915,950
	Residential mortgage	**15,580,496**	14,825,541	14,726,535
	Commercial mortgage	**2,970,776**	2,651,271	2,571,309
	Commercial and other	**3,175,314**	2,794,232	2,700,858
	Customers' liabilities under acceptances	**407,179**	365,457	360,674
		28,654,709	27,429,579	27,275,326
	Allowances for loan losses	**(111,703)**	(119,371)	(122,222)
		28,543,006	27,310,208	27,153,104
Other				
	Premises and equipment	**58,267**	68,750	72,250
	Derivatives	**327,763**	132,809	119,810
	Goodwill	**64,077**	64,077	64,077
	Software and other intangible assets	**187,729**	207,188	209,764
	Deferred tax assets	**2,604**	7,936	14,886
	Other assets	**292,426**	365,721	310,300
		932,866	846,481	791,087
		$ 39,557,725	$ 36,482,785	$ 36,289,277
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
	Personal	**$ 19,008,763**	$ 18,741,981	$ 18,782,447
	Business, banks and other	**6,791,281**	5,781,045	5,430,098
		25,800,044	24,523,026	24,212,545
Other				
	Obligations related to securities sold short	**2,428,506**	1,562,477	1,579,354
	Obligations related to securities sold under repurchase	**2,727,938**	2,215,965	2,442,021

agreements			
Acceptances	**407,179**	365,457	360,674
Derivatives	**157,933**	90,840	94,621
Deferred tax liabilities	**4,338**	10	517
Other liabilities	**707,127**	869,029	811,685
	6,433,021	5,103,778	5,288,872
Debt related to securitization activities	**5,245,340**	4,863,848	4,824,777
Subordinated debt	**449,084**	447,523	446,995
Shareholders' equity			
Preferred shares	**219,633**	219,633	219,633
Common shares	**466,334**	465,854	460,757
Retained earnings	**908,131**	848,905	824,925
Accumulated other comprehensive income	**36,102**	10,127	10,682
Share-based payment reserve	**36**	91	91
	1,630,236	1,544,610	1,516,088
	$ 39,557,725	$ 36,482,785	$ 36,289,277

[1] Comparative figures for 2014 reflect the adoption of amendments to IAS 32, *Financial Instruments: Presentation*. Refer to Note 2 in the unaudited condensed interim consolidated financial statements.

Consolidated Statement of Income

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	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
In thousands of Canadian dollars, except per share amounts (Unaudited)	**JULY 31 2015**	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	JULY 31 2014
Interest income					
Loans	**$ 262,692**	$ 251,074	$ 266,872	**$ 777,315**	$ 796,282
Securities	**10,045**	9,749	9,922	**30,931**	30,379
Deposits with other banks	**263**	151	201	**629**	576
Other, including derivatives	**16,273**	14,441	10,403	**41,354**	30,758
	289,273	275,415	287,398	**850,229**	857,995
Interest expense					
Deposits	**108,999**	105,568	112,232	**327,593**	335,063
Debt related to securitization activities	**28,627**	28,068	29,758	**85,548**	89,427
Subordinated debt	**4,033**	3,938	4,038	**12,008**	12,002

Other	**385**	150	121	**664**	672
	142,044	137,724	146,149	**425,813**	437,164
Net interest income	**147,229**	137,691	141,249	**424,416**	420,831
Other income					
Fees and commissions on loans and deposits	**36,450**	34,935	35,983	**106,300**	103,702
Income from brokerage operations	**15,663**	17,373	16,667	**48,036**	48,866
Income from investment accounts	**7,636**	7,731	7,772	**22,886**	24,142
Income from sales of mutual funds	**10,164**	10,226	7,546	**28,544**	21,277
Insurance income, net	**3,649**	3,823	4,670	**12,285**	14,047
Income from treasury and financial market operations	**3,479**	6,837	3,909	**16,745**	11,014
Other	**2,368**	2,063	1,849	**6,265**	8,765
	79,409	82,988	78,396	**241,061**	231,813
Total revenue	**226,638**	220,679	219,645	**665,477**	652,644
Amortization of net premium on purchased financi al instruments and revaluation of contingent consideration	**1,531**	1,531	1,511	**4,534**	8,145
Provision for loan losses	**7,000**	8,000	10,500	**25,500**	31,500
Non-interest expenses					
Salaries and employee benefits	**84,753**	83,543	82,938	**256,590**	252,885
Premises and technology	**50,149**	48,782	45,465	**147,327**	137,047
Other	**26,135**	26,425	26,006	**76,567**	75,128
Costs related to business combinations	**—**	—	1,564	**—**	9,950
	161,037	158,750	155,973	**480,484**	475,010
Income before income taxes	**57,070**	52,398	51,661	**154,959**	137,989
Income taxes	**12,904**	11,210	11,564	**33,770**	31,378
Net income	**$ 44,166**	$ 41,188	$ 40,097	**$ 121,189**	$ 106,611

Preferred share dividends, including applicable taxes	**2,399**	2,398	3,588	**7,196**	8,590
Net income available to common shareholders	**$ 41,767**	$ 38,790	$ 36,509	**$ 113,993**	$ 98,021
Average number of common shares outstanding (in thousands)					
Basic	**28,951**	28,945	28,775	**28,946**	28,674
Diluted	**28,956**	28,952	28,783	**28,953**	28,681
Earnings per share					
Basic	**$ 1.44**	$ 1.34	$ 1.27	**$ 3.94**	$ 3.42
Diluted	**$ 1.44**	$ 1.34	$ 1.27	**$ 3.94**	$ 3.42
Dividends declared per share					
Common share	**$ 0.56**	$ 0.54	$ 0.52	**$ 1.64**	$ 1.54
Preferred share - Series 10	**n.a.**	n.a.	$ 0.33	**n.a.**	$ 0.98
Preferred share - Series 11	**$ 0.25**	$ 0.25	$ 0.25	**$ 0.75**	$ 0.75
Preferred share - Series 13	**$ 0.27**	$ 0.27	$ 0.22	**$ 0.81**	$ 0.22

Consolidated Statement of Comprehensive Income

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2015	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	JULY 31 2014
Net income	**$ 44,166**	$ 41,188	$ 40,097	**$ 121,189**	$ 106,611
Other comprehensive income, net of income taxes					
Items that may subsequently be reclassified to the statement of income					
Unrealized net gains (losses) on available-for-sale securities	**(10,301)**	(1,565)	2,453	**(11,523)**	9,152

Reclassification of net (gains) losses on available-for-sale securities to net income	**1,031**	(798)	(1,532)	**(2,389)**	(3,829)
Net change in value of derivatives designated as cash flow hedges	**23,893**	(24,071)	2,254	**39,887**	(165)
	14,623	(26,434)	3,175	**25,975**	5,158
Items that may not be subsequently reclassified to the statement of income					
Actuarial gains (losses) on employee benefit plans	**(6,138)**	1,271	(6,508)	**(7,291)**	(2,886)
Comprehensive income	**$ 52,651**	$ 16,025	$ 36,764	**$ 139,873**	$ 108,883

Income Taxes — Other Comprehensive Income

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

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In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2015	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	JULY 31 2014
Income tax expense (recovery) on:					
Unrealized net gains (losses) on available-for-sale securities	**$ (3,358)**	$ (665)	$ 831	**$ (3,932)**	$ 3,177
Reclassification of net (gains) losses on available-for-sale securities to net income	**311**	(370)	(558)	**(1,099)**	(1,397)
Net change in value of derivatives designated as cash flow hedges	**8,702**	(8,773)	829	**14,553**	(54)

Actuarial gains (losses) on employee benefit plans	**(2,251)**	466	(2,386)	**(2,674)**	(1,058)
	$ 3,404	$ (9,342)	$ (1,284)	**$ 6,848**	$ 668

Consolidated Statement of Changes in Shareholders' Equity

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				FOR THE NINE MONTHS ENDED JULY 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			**121,189**					**121,189**
Other comprehensive income (net of income taxes)								
Unrealized net losses on available-for-sale secu				**(11,523)**		**(11,523)**		**(11,523)**

rities							
Reclassification of net gains on available-for-sale securities to net income			(2,389)		(2,389)		(2,389)
Net change in value of derivatives designated as cash flow hedges				39,887	39,887		39,887
Actuarial losses on employee benefit plans		(7,291)					(7,291)
Comprehensive income		113,898	(13,912)	39,887	25,975		139,873
Issuance of share capital	480					(55)	425

Dividends								
Preferred shares, including applicable taxes			**(7,196)**					**(7,196)**
Common shares			**(47,476)**					**(47,476)**
Balance as at July 31, 2015	**$ 219,633**	**$ 466,334**	**$ 908,131**	**$ (575)**	**$ 36,677**	**$ 36,102**	**$ 36**	**$ 1,630,236**

In thousands of Canadian dollars (Unaudited)	FOR THE NINE MONTHS ENDED JULY 31, 2014							
				ACCUMULATED OTHER COMPREHENSIVE INCOME				
	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, 2013	$ 205,204	$ 446,496	$ 776,256	$ 9,536	$ (4,012)	$ 5,524	$ 91	$ 1,433,571
Net income			106,611					106,611
Other comprehensive income(net of income taxes)								
Unrealize				9,152		9,152		9,152

d net gains on available-for-sale securities					
Reclassification of net gains on available-for-sale securities to net income		(3,829)		(3,829)	(3,829)
Net change in value of derivatives designated as cash flow hedges			(165)	(165)	(165)
Actuarial losses on employee benefit plan	(2,886)				(2,886)

s								
Comprehensive income			103,725	5,323	(165)	5,158		108,883
Issuance of share capital	122,071	14,261						136,332
Repurchase of share capital	(107,642)		(2,358)					(110,000)
Dividends								
Preferred shares, including applicable taxes			(8,590)					(8,590)
Common shares			(44,108)					(44,108)
Balance as at July 31, 2014	$ 219,633	$ 460,757	$ 824,925	$ 14,859	$ (4,177)	$ 10,682	$ 91	$ 1,516,088

SOURCE Laurentian Bank of Canada

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