

# 2015

ANNUAL REPORT

# 2015 PERFORMANCE

As at or for the years ended October 31  
(in thousands of Canadian dollars, except per share and percentage amounts)

	2015	2014	2013
<b>ADJUSTED FINANCIAL MEASURES <sup>(1)</sup></b>			
Adjusted net income	\$172,199	\$163,582	\$155,436
Adjusted diluted earnings per share	\$5.62	\$5.31	\$5.07
Adjusted return on common shareholders' equity	12.0 %	11.9 %	12.1 %
Adjusted efficiency ratio	71.3 %	71.0 %	72.8 %
Adjusted operating leverage <sup>(2)</sup>	(0.4) %	2.4 %	n.m.
Adjusted dividend payout ratio	39.2 %	38.7 %	39.0 %
<b>FINANCIAL MEASURES</b>			
Total revenue	\$897,126	\$874,065	\$865,337
Net income	\$102,470	\$140,365	\$119,477
Diluted earnings per share	\$3.21	\$4.50	\$3.80
Return on common shareholders' equity <sup>(1)</sup>	6.8 %	10.1 %	9.1 %
Efficiency ratio <sup>(1)</sup>	80.6 %	73.4 %	77.9 %
Operating leverage <sup>(1)(2)</sup>	(10.1) %	5.9 %	n.m.
Dividend payout ratio	68.6 %	45.7 %	52.0 %
<b>PER COMMON SHARE</b>			
Share price - Close	\$52.97	\$49.58	\$46.55
Book value	\$46.33	\$45.89	\$43.19
Dividends declared	\$2.20	\$2.06	\$1.98
Dividend yield	4.2 %	4.2 %	4.3 %
<b>FINANCIAL POSITION</b>			
Balance sheet assets <sup>(3)</sup>	\$39,659,504	\$36,482,785	\$33,911,026
Loans and acceptances	\$30,092,545	\$27,429,579	\$27,228,697
Deposits	\$26,604,304	\$24,523,026	\$23,927,350
Common shareholders' equity	\$1,341,637	\$1,328,187	\$1,232,379
<b>QUALITY OF ASSETS</b>			
Provision for loan losses as a % of average loans and acceptances	0.12 %	0.15 %	0.13 %
<b>Basel III regulatory capital ratio - All-in basis</b>			
Common Equity Tier 1 (under standardized methodology)	7.6 %	7.9 %	7.6 %

(1) Refer to the non-GAAP financial measures section.

(2) Operating leverage for 2013 is not meaningful as 2012 results were not restated to reflect the adoption of amendments to IAS 19, *Employee Benefits*.

(3) Comparative figures for 2013 were not restated to reflect the adoption of the amendments to IAS 32, *Financial Instruments: Presentation*.

## Contents

2	Message from the Chair of the Board	10	Social Responsibility	118	Corporate Governance
3	Board of Directors	11	MANAGEMENT'S DISCUSSION AND ANALYSIS	120	Branches
4	Message from the President and Chief Executive Officer	59	CONSOLIDATED FINANCIAL STATEMENTS	121	Offices and Subsidiaries
5	Executive Team	115	Five-Year Statistical Review	122	Glossary of Financial terms
6	Our Transformation	117	Quarterly Highlights	124	Shareholder Information

# HIGHLIGHTS



## NET INCOME

(in millions of dollars)

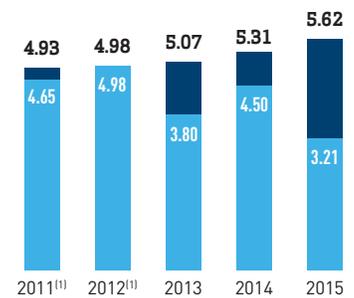
- Net income
- Adjusted net income



## DILUTED EARNINGS PER SHARE

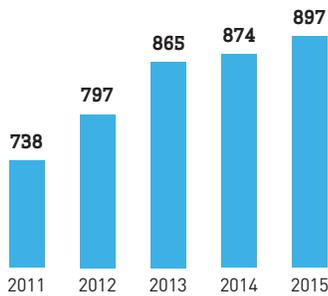
(in dollars)

- Diluted earnings per share
- Adjusted diluted earnings per share



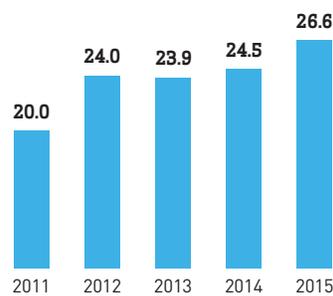
## TOTAL REVENUE

(in millions of dollars)



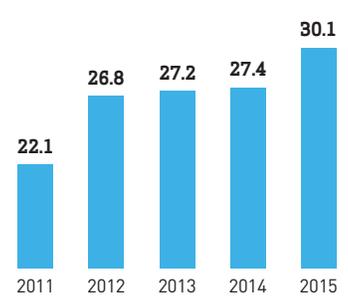
## DEPOSITS

(in billions of dollars)



## LOANS AND ACCEPTANCES

(in billions of dollars)



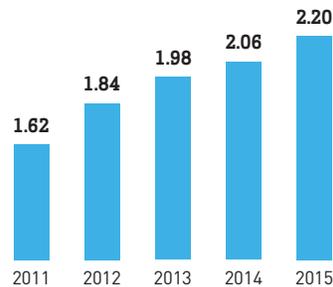
## PROVISION FOR LOAN LOSSES

(as a percentage of average loans and acceptances)



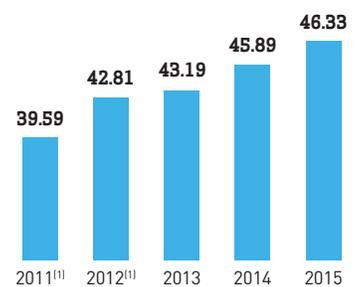
## DIVIDENDS DECLARED PER COMMON SHARE

(in dollars)



## BOOK VALUE PER COMMON SHARE

(in dollars)



(1) Comparative figures prior to 2013 were not restated to reflect the adoption of the amended IFRS accounting standard on employee benefits.

# MESSAGE FROM THE CHAIR OF THE BOARD



**Isabelle Courville**  
Corporate Director

Has served on the Board of Directors since March 2007. She is Chair of the Board, a member of the Audit Committee and a member of the Human Resources and Corporate Governance Committee.

## **2015 HAS BEEN A YEAR OF HARMONIOUS TRANSITION FOR LAURENTIAN BANK.**

After serving as President and CEO over the past nine years, Réjean Robitaille retired on October 31, 2015. On behalf of the Board and all of the Bank's stakeholders, I would like to sincerely thank Réjean for his significant contribution. Under his leadership, Laurentian Bank has had remarkable growth and positioned itself as an important niche player in Canada. Réjean leaves us an important legacy - a solid Bank and a talented team. I would also like to thank the other members of the senior management group who played an important role in advancing the Bank's development over this period.

The Board of Directors has had a busy year. The selection process of our new CEO was of paramount importance. After an extensive search, which was conducted internally and externally in accordance with the Bank's succession plan, François Desjardins proved to be the best candidate. During the course of his successful 24-year career with the organization, he has demonstrated exceptional leadership. François has always been at the cutting edge of change, having built the Bank's telebanking center in the nineties and more recently, having been the driving force behind B2B Bank becoming a leader in serving financial advisors and brokers across Canada.

The Board was also actively engaged in the oversight of a new strategic plan which will guide the Bank's long-term development. Careful consideration was given to the ever-evolving operating context, with the result being a sound and transformational plan which meshes traditional Bank values with modern technology.

The Board and I are very happy about François Desjardins' appointment. We have every confidence that François, accompanied by a strong Executive Committee, will successfully execute the new strategic plan which will propel Laurentian Bank's development over the coming years.

In conclusion, I would like to express my gratitude to our shareholders and clients for their trust, as well as to our Board, our management team and our employees for their ongoing commitment to create value and participate in the long-term growth of our business.

A handwritten signature in black ink, appearing to read 'Isabelle Courville', with a stylized flourish at the end.

**Isabelle Courville**  
Chair of the Board

# BOARD OF DIRECTORS



**Lise Bastarache**

Economist and Corporate Director  
Has served on the Board of Directors since March 2006. Member of the Audit Committee.



**Jean Bazin, C.R.**

Counsel at Dentons Canada LLP  
Has served on the Board of Directors since September 2002. Chair of the Human Resources and Corporate Governance Committee.



**Richard Bélanger, FCPA, FCA**

President of Toryvel Group Inc.  
Has served on the Board of Directors since March 2003. Chair of the Audit Committee. Member of the Risk Management Committee.



**Michael T. Boychuk, FCPA, FCA**

Corporate Director  
Has served on the Board of Directors since August 2013. Member of the Audit Committee.



**François Desjardins**

President and Chief Executive Officer of the Bank  
Has served on the Board of Directors since November 1, 2015. Mr. Desjardins does not sit on any of the Board's committees.



**Pierre Genest, FCIA, FSA**

Chairman of the Board of SSQ, Life Insurance Company Inc.  
Has served on the Board of Directors since March 2006. Member of the Human Resources and Corporate Governance Committee.



**Michel Labonté**

Corporate Director  
Has served on the Board of Directors since March 2009. Chair of the Risk Management Committee.



**A. Michel Lavigne, FCPA, FCA**

Corporate Director  
Has served on the Board of Directors since March 2013. Member of the Risk Management Committee.



**Jacqueline C. Orange**

Corporate Director  
Has served on the Board of Directors since March 2008. Member of the Audit Committee.



**Michelle R. Savoy**

Corporate Director  
Has served on the Board of Directors since March 2012. Member of the Human Resources and Corporate Governance Committee.



**Jonathan I. Wener, C.M.**

Chairman of the Board and Chief Executive Officer, Canderel Holdings Inc.  
Has served on the Board of Directors since January 1998. Member of the Risk Management Committee.



**Susan Wolburgh Jenah**

Corporate Director  
Has served on the Board of Directors since December 2014. Member of the Risk Management Committee.

# MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



**François Desjardins**  
President and Chief Executive Officer

François Desjardins is a passionate manager who rose through all the ranks at the Bank. In recent years, he served as President and CEO of B2B Bank and Executive Vice President of Laurentian Bank, prior to being named President and Chief Executive Officer of LBC effective November 1, 2015.

## A NEW BEGINNING

I am thrilled to be addressing you as the 27th President and Chief Executive Officer of the Laurentian Bank of Canada. I wish to thank the members of the Board of Directors for the trust they have placed in me to lead our company into the future.

I am truly humbled by the support expressed by team members everywhere and honored to be at the helm of an organization that will celebrate its 170th anniversary in 2016.

My mandate begins with a solid balance sheet and strong core earnings. All of our teams' efforts over the last decade have not only enabled us to weather the financial crisis but have also produced real growth and wealth for shareholders. We should be proud of what has been accomplished so far.

## WHERE WE ARE NOW

As it stands and despite our efforts to date, we have not yet delivered on one measure - a return on equity that is comparable to the Canadian banking industry. Consequently, our price-to-book value ratio stands at just over one. Many consider this to be a great

investment given the attractive dividend yield and moreover, we believe that our shareholders expect this growth story to culminate in great performance. We have been looking at ways to modify our business plan to achieve just that. After a year of review, we concluded that in order to progress, a true transformation is required. We are convinced that it is the right thing to do and the right time to do it.

Increasing performance in itself is key and even more so looking forward. The challenge for all financial institutions is to develop a winning formula in an environment where technology and demographics are changing customer expectations and where the economic context and regulatory framework are constantly evolving.

## AN AMBITIOUS PLAN

We must therefore modify our approach to financial services. By focusing on what customers really need and by being there when it counts, we believe we will better serve our customer base and be a better employer for our team members.

As you will see in the next pages, we have an ambitious plan, but we have done our homework and we have the right ingredients. Our size makes us agile; our team, of which I am proud to be a part of, is talented and dedicated; and our focus is sharp. That is why we will be able to effectively execute our transformation plan.

## THANK YOU

Many have contributed to building our strong foundations and I appreciate all of their efforts. In particular, I would like to extend a special thank you to our awesome employees whose hard work and dedication inspire our clients to entrust our Bank with their financial health.

A handwritten signature in black ink, appearing to read 'F. Desjardins', written in a cursive style.

**François Desjardins**  
President and Chief Executive Officer

# A STRONG EXECUTIVE TEAM



**SUSAN KUDZMAN**  
Executive Vice President,  
Chief Risk Officer and Corporate Affairs

Susan Kudzman was named Executive Vice-President and Chief Risk and Corporate Affairs Officer of Laurentian Bank in October 2015. She is responsible for Risk Management, Credit Management, Legal Affairs and Corporate Human Resources.

A specialist in the fields of risk management and human resources, Ms. Kudzman, Actuary, previously served as Laurentian Bank's Senior Vice-President, Human Resources. She has also occupied the position of Senior Vice-President and Chief Risk Officer at the Caisse de dépôt et de placement du Québec, prior to which she held a number of management positions at prominent organizations and at a consulting firm.



**FRANÇOIS LAURIN**  
Executive Vice President,  
Chief Financial Officer

François Laurin was appointed Executive Vice-President and Chief Financial Officer of Laurentian Bank in August 2015. He is responsible for the Bank's activities in the areas of finance, accounting, treasury, taxation, investor relations, mergers and acquisitions, and internal audit.

With over 30 years of experience in corporate financing and financial accounting, Mr. Laurin has extensive knowledge of the technologies, capital markets and corporate financing fields. He has worked at a number of large organizations operating within the finance, mining and telecommunications sectors.



**DEBORAH ROSE**  
President and Chief Executive Officer of B2B Bank  
Executive Vice President, Intermediary Banking  
and Chief Information Officer, Laurentian Bank

Deborah Rose is President and Chief Executive Officer of B2B Bank, a leading provider of banking products to financial advisors and mortgage brokers across Canada, since the summer of 2015. In October, 2015, Ms. Rose was appointed Chief Information Officer for Laurentian Bank.

Ms. Rose joined B2B Bank in 2011 as Senior Vice President, Operations and Business Solutions. In this role, she was responsible for overseeing all aspects of the business line's operations, technology and projects, including the integrations of the MRS Group of Companies and of AGF Trust Company.

Prior to joining B2B Bank, she was a financial services consultant and held the position of Senior Vice President, Business Operations at International Financial Data Services (IFDS). Her career in financial services spans over 20 years.



**STÉPHANE THERRIEN**  
Executive Vice President, Personal  
& Commercial Banking and President  
& CEO of LBC Financial Services

Stéphane Therrien is Executive Vice President, Personal & Commercial Banking and President & CEO of LBC Financial Services since the summer of 2015.

Mr. Therrien joined the Bank in January 2012 as Executive Vice-President of Real Estate and Commercial Financing. With almost 30 years of experience in the commercial financing sector, he is a seasoned manager.

For 18 years, Stéphane Therrien occupied various different positions at GE Capital, including Senior Vice-President for Eastern Canada, prior to being named Senior Vice-President and Chief of Commercial Affairs for Canada. Under his leadership, his sector posted positive growth in recent years. Previously, he held various management positions in the banking industry.



**MICHEL C. TRUDEAU**  
President and Chief Executive Officer,  
Laurentian Bank Securities and Executive  
Vice President, Capital Markets, Laurentian Bank

Michel C. Trudeau was named President and Chief Executive Officer of Laurentian Bank Securities (LBS) in June 2003. Since November 2009, he has also been responsible for Laurentian Bank's activities related to capital markets.

He joined LBS in 1999 as Executive Vice-President of Fixed Income and was appointed Chief Operating Officer of the Institutional group in 2002. Well known within the brokerage sector, he rapidly rose through the ranks at firms in both Toronto and Montréal, having worked for more than 15 years within the institutional and fixed income sectors, including 10 years at Merrill Lynch where he successively occupied various senior management positions.

# OUR TRANSFORMATION

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## NEW MISSION, CORPORATE VALUES, STRATEGIC GOAL AND OUR MINDSET



### OUR MISSION

We help customers improve their financial health.

### OUR VALUES

Simplicity, Proximity and Honesty will guide our decisions moving forward.

### OUR STRATEGIC GOAL

Our goal is to double the size of our company by 2022 and achieve an ROE that is comparable to the Canadian banking industry while building a solid strategic foundation.

### OUR MINDSET

We think smart, dream big, act small, stay simple, execute with success.

In order to fully engage all team members, we will rally teams around a renewed mission and promote a culture set on achieving common goals with a new mindset. We are proud to announce that we are modifying our mission statement, corporate values and strategic goal.

#### Inspiration came from three sources:

- our rich history and original mandate of helping customers improve their financial health;
- our future, particularly as it pertains to the benefits and opportunities that technology brings;
- and finally, our current team members who give us confidence in what our company is capable of accomplishing.

In crafting our new mission statement and corporate values, we are combining the wholesome ways of the past with service delivery of the future.

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# A WELL-ORCHESTRATED TRANSFORMATION PLAN

## Our Challenge:

**REBUILD A SOLID, RELEVANT, PROFITABLE AND SUSTAINABLE FINANCIAL INSTITUTION WITHOUT COMPROMISING CURRENT PROFITABILITY LEVELS.**



**OUR TRANSFORMATION PLAN, TO BE IMPLEMENTED OVER THE NEXT 7 YEARS, WILL BE STRUCTURED IN MANAGEABLE PHASES AND WILL BE PROGRESSIVE. AS SUCH, WE WILL IMPLEMENT KEY INITIATIVES THAT HAVE A COMMON OBJECTIVE.**

## Our Objective:

**TO BECOME A SIMPLER, MORE EFFICIENT AND MODERN ORGANIZATION WITH A SOLID FOUNDATION FOR SUSTAINABLE GROWTH.**

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# TRANSFORM THE BANK TO IMPROVE PROFITABILITY

## REBUILD ACCOUNT MANAGEMENT PLATFORM

Which will allow us to adopt the Advanced Internal Ratings-Based approach (AIRB) to credit risk – and enable rapid development of online and mobile services as well as a more robust credit framework.

## MODERNIZE OUR RETAIL DISTRIBUTION NETWORK,

revamp our branch offerings and review the functions of branch personnel, focusing on effectiveness and client-centricity.

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# MOVE TOWARDS A SIMPLER AND LESS EXPENSIVE OPERATING MODE

## SIMPLIFY

Simplify the retail product offering to make products and services easy to understand and value oriented; retool and retrain staff in order to prioritize advice delivery in our Retail distribution network.

## OPTIMIZE

Optimize by reducing the costs of corporate functions and increasing our efforts relating to compliance and oversight.

## FOCUS

Focus team members' efforts on customer-facing and revenue generating activities and reduce administrative tasks.

## HARMONIZE

Harmonize our branding to position the financial health of our clients at the forefront and renew our marketing efforts to promote who we are.

## PROMOTE

Promote a culture based on achieving common goals, articulated around our new mission.

## 4 YEAR GROWTH TARGETS\*

CONTINUE TO LEVERAGE OUR STRENGTHS TO ACHIEVE BY 2019:

**\$13** BILLION OF LOANS TO BUSINESS CUSTOMERS MORE THAN **60%** GROWTH

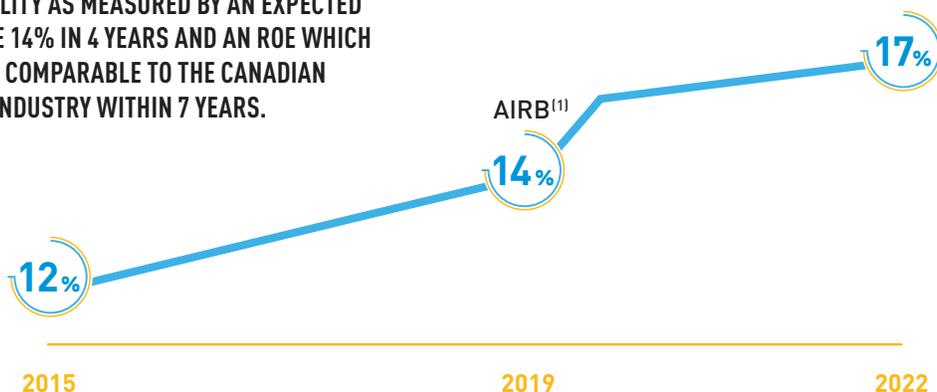
**\$9** BILLION OF MORTGAGE LOANS THROUGH INDEPENDENT BROKERS AND ADVISORS MORE THAN **50%** GROWTH

**\$6** BILLION OF MUTUAL FUNDS TO RETAIL CUSTOMERS MORE THAN **80%** GROWTH

**\$4** BILLION OF ASSETS UNDER MANAGEMENT AT LAURENTIAN BANK SECURITIES MORE THAN **25%** GROWTH

## 4 AND 7 YEAR PERFORMANCE TARGETS\*

GIVEN OUR CURRENT ASSUMPTIONS, WE BELIEVE THAT THIS PLAN WILL IMPROVE PROFITABILITY AS MEASURED BY AN EXPECTED ROE ABOVE 14% IN 4 YEARS AND AN ROE WHICH WOULD BE COMPARABLE TO THE CANADIAN BANKING INDUSTRY WITHIN 7 YEARS.



(1) Based on the Bank's assessment of current regulatory requirements

**EXPANDED FOOTPRINT** ACROSS CANADA THROUGH ORGANIC GROWTH AND ACQUISITIONS

\* Forward-looking statements are based on assumptions and involve inherent risks and uncertainties. It is therefore possible that the forecasts, projections and other forward-looking statements will not be achieved or will prove to be inaccurate.

# SOCIAL RESPONSIBILITY

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**FOUNDED IN 1846 WITH A MISSION OF PROMOTING THE MERITS OF SAVING TO ITS CUSTOMERS, LAURENTIAN BANK REMAINS LOYAL TO ITS HERITAGE BY FOSTERING A RENEWED MISSION OF HELPING CLIENTS IMPROVE THEIR FINANCIAL HEALTH.**

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## GOVERNANCE

We attach utmost importance to the governance of our organization. Our values of simplicity, honesty and proximity guide our actions and decisions daily. We were the first institution to separate the functions of Chairman and President and CEO. In addition, all committees of the Board are composed of independent directors and the representation of women is equivalent to 32% of senior executives within our organization, which is above the industry average. In 2016, we also will join the Canadian chapter of the 30% Club, an organization that aims to promote a greater presence of women in senior management and on corporate boards.

## COMMUNITIES

In recent years, the focus of our social involvement has been in supporting causes affecting education, health and community action either through donations or through the volunteerism of our employees. In 2015, we supported close to 200 organizations and causes. We will continue our involvement in causes that support improving the financial health of the community.

## EMPLOYEES

All of our employees have the opportunity to engage and contribute to the development and growth of our organization. In the coming years, advisory services will be at the heart of the training offered to our employees so that they are well equipped to serve our mission of helping our customers improve their financial health. We also promote inclusion and diversity initiatives, which are integral to our activities. We created a Diversity Committee whose mandate is to continuously develop our approach in diversity management. This Committee includes employer and union representatives, employees from different business sectors as well as individuals representative of four diversity groups. Every year, we hold a career event aimed at recruiting individuals from various groups: First Nations, persons with disabilities and people from various cultural communities. We also work closely with diversified workforce outreach partners in order to network with potential candidates.

## ENVIRONMENT

Over the years, we have implemented practices aimed at reducing our environmental footprint. We have adopted business practices that allow us to reduce our consumption of paper and developed a specialty in financing renewable energy projects. In 2015, 62% of these specialized loans were funded for solar energy projects. We also finance projects in public-private partnership for water treatment stations, sports, social and hospital infrastructures in various Canadian provinces.





**LAURENTIAN  
BANK**