LAURENTIAN BANK
FINANCIAL GROUP

SECOND QUARTER 2018

Report to Shareholders

For the period ended April 30, 2018

HIGHLIGHTS OF SECOND QUARTER 2018

- Adjusted net income [1] up 25% year-over-year, and reported net income up 33%
- Adjusted return on common shareholders' equity [1] of 11.6% and 10.5% on a reported basis
- Adjusted efficiency ratio of 65.1% and reported efficiency ratio of 67.6%
- Common Equity Tier 1 (CET1) ratio at 8.6%
- Sale of the agricultural commercial loan portfolio resulting in a net gain of $5.3 million ($4.6 million after income taxes) or $0.11 per share
- Loans to business customers up 19% year-over-year, from both organic growth and the acquisition of NCF [2]
- Residential mortgage loans through independent brokers and advisors up 11% year-over-year
- Quarterly common share dividend raised by $0.01 to $0.64 per share
- Significant progress on the mortgage loan portfolio review

In millions of Canadian dollars, except per share and percentage amounts (Unaudited)	For the three months ended			For the six months ended		
	April 30 2018	April 30 2017	Variance	**April 30 2018**	April 30 2017	Variance
Reported basis						
Net income	**$ 59.2**	$ 44.6	33 %	**$ 118.9**	$ 93.0	28 %
Diluted earnings per share	**$ 1.34**	$ 1.19	13 %	**$ 2.74**	$ 2.49	10 %
Return on common shareholders' equity	**10.5%**	9.9%		**10.7%**	10.3%	
Efficiency ratio	**67.6%**	70.7%		**67.0%**	70.1%	
Common Equity Tier 1 capital ratio – All-in basis	**8.6%**	8.1%				
Adjusted basis [1]						
Adjusted net income	**$ 64.6**	$ 51.6	25 %	**$ 127.8**	$ 104.4	23 %
Adjusted diluted earnings per share	**$ 1.47**	$ 1.39	6 %	**$ 2.96**	$ 2.82	5 %
Adjusted return on common shareholders' equity	**11.6%**	11.7%		**11.5%**	11.7%	
Adjusted efficiency ratio	**65.1%**	67.2%		**64.9%**	67.3%	

(1) Certain measures presented throughout this document exclude the effect of certain amounts designated as adjusting items due to their nature or significance. Refer to the Non-GAAP and Key Performance Measures section for further details.
(2) Northpoint Commercial Finance

Laurentian Bank Financial Group reported net income of $59.2 million or $1.34 diluted per share for the second quarter of 2018, compared with net income of $44.6 million or $1.19 diluted per share for the same period last year. Return on common shareholders' equity was 10.5% for the second quarter of 2018, compared with 9.9% for the second quarter of 2017. On an adjusted basis, net income totalled $64.6 million or $1.47 diluted per share for the second quarter of 2018, up 25% and 6% respectively, compared with $51.6 million or $1.39 diluted per share for the same period in 2017. Adjusted return on common shareholders' equity was 11.6% for the second quarter of 2018, compared with 11.7% a year ago. Reported results included adjusting items, such as costs related to the reorganization of the branch network, as well as acquisition and integration costs related to CIT Canada and NCF, as detailed in the Non-GAAP and Key Performance Measures section.

For the six months ended April 30, 2018, net income was $118.9 million or $2.74 diluted per share, compared with $93.0 million or $2.49 diluted per share for the six months ended April 30, 2017. Return on common shareholders' equity was 10.7% for the six months ended April 30, 2018, compared with 10.3% for the six months ended April 30, 2017. On an adjusted basis, net income totalled $127.8 million or $2.96 diluted per share for the six months ended April 30, 2018, up 23% and 5% respectively, compared with $104.4 million or $2.82 diluted per share for the six months ended April 30, 2017. Adjusted return on common shareholders' equity was 11.5% for the six months ended April 30, 2018, compared with 11.7% for the same period a year ago. Reported results for the six months ended April 30, 2018 and for the six months ended April 30, 2017 included adjusting items, as detailed in the Non-GAAP and Key Performance Measures section.

François Desjardins, President and Chief Executive Officer, commented on the Bank's results and financial condition: "During this quarter, we posted good results while we continued to make significant progress in establishing a strong foundation, which will lay the groundwork for a fully digital offering to serve the changing needs of our customers."

Mr. Desjardins added: "We have made important headway in addressing the mortgage loan review, which has no impact on our clients, and are confident that it will be completely resolved by the end of the fiscal year. Throughout its 172-year history, the Bank has always been prudent and conservative in managing its affairs. Our track record of credit, in particular, has always been excellent. With a high level of liquidity and capital, we are well positioned to transform the Bank for the long-term, to build the Bank of tomorrow."

HIGHLIGHTS

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	For the three months ended					For the six months ended		
	April 30 2018	January 31 2018	Variance	April 30 2017	Variance	**April 30 2018**	April 30 2017	Variance
Profitability								
Total revenue	**$ 259,887**	$ 267,002	(3%)	$ 238,807	9%	**$ 526,889**	$ 480,440	10 %
Net income	**$ 59,195**	$ 59,747	(1%)	$ 44,572	33%	**$ 118,942**	$ 93,028	28 %
Diluted earnings per share	**$ 1.34**	$ 1.41	(5)%	$ 1.19	13%	**$ 2.74**	$ 2.49	10 %
Return on common shareholders' equity [1]	**10.5%**	10.8%		9.9%		**10.7 %**	10.3%	
Net interest margin	**1.82%**	1.77%		1.67%		**1.79 %**	1.66%	
Efficiency ratio	**67.6%**	66.5%		70.7%		**67.0 %**	70.1%	
Operating leverage	**(1.5%)**	3.3 %		(1.9)%		**4.8 %**	0.6%	
Per common share								
Share price – Close	**$ 49.31**	$ 53.20	(7)%	$ 55.84	(12)%	**$ 49.31**	$ 55.84	(12)%
Price / earnings ratio (trailing four quarters)	**8.7x**	9.7x		13.0x		**8.7x**	13.0x	
Book value	**$ 52.67**	$ 52.08	1%	$ 49.56	6%	**$ 52.67**	$ 49.56	6 %
Market to book value	**94%**	102%		113%		**94 %**	113%	
Dividends declared	**$ 0.63**	$ 0.63	—%	$ 0.61	3%	**$ 1.26**	$ 1.22	3 %
Dividend yield	**5.1%**	4.7%		4.4 %		**5.1 %**	4.4%	
Dividend payout ratio	**47.0%**	44.3%		51.4 %		**45.6 %**	48.9%	
Adjusted financial measures [1]								
Adjusted net income	**$ 64,625**	$ 63,217	2 %	$ 51,618	25%	**$ 127,842**	$ 104,359	23 %
Adjusted diluted earnings per share	**$ 1.47**	$ 1.49	(1)%	$ 1.39	6%	**$ 2.96**	$ 2.82	5 %
Adjusted return on common shareholders' equity	**11.6%**	11.5%		11.7%		**11.5 %**	11.7%	
Adjusted efficiency ratio	**65.1%**	64.8%		67.2%		**64.9 %**	67.3%	
Adjusted operating leverage	**(0.4)%**	(0.8%)		0.2%		**3.9 %**	4.7%	
Adjusted dividend payout ratio	**42.8%**	41.7%		43.7%		**42.3 %**	43.2%	
Financial position (in millions of Canadian dollars)								
Balance sheet assets	**$ 47,565**	$ 47,424	—%	$ 45,396	5%			
Loans and acceptances	**$ 36,339**	$ 36,754	(1%)	$ 34,180	6%			
Deposits	**$ 29,479**	$ 29,435	—%	$ 27,445	7%			
Average earning assets	**$ 39,983**	$ 40,109	—%	$ 36,940	8%	**$ 40,047**	$ 36,853	9 %
Key growth drivers (in millions of Canadian dollars)								
Loans to business customers	**$ 12,362**	$ 12,329	—%	$ 10,348	19%			
Residential mortgage loans through independent brokers and advisors	**$ 8,453**	$ 8,664	(2%)	$ 7,648	11%			
Assets under management at Laurentian Bank Securities	**$ 3,982**	$ 3,995	—%	$ 3,825	4%			
Assets under management from Retail Services clients [2]	**$ 10,885**	$ 10,986	(1)%	$ 11,299	(4)%			
Total deposits from clients [3]	**$ 25,570**	$ 25,622	—%	$ 24,574	4%			
Basel III regulatory capital ratios — All-in basis								
Common Equity Tier 1	**8.6%**	8.6%		8.1 %				
Total	**11.8%**	11.7%		11.4 %				
Leverage ratio	**4.3%**	4.3%		4.1 %				
Other information								
Number of full-time equivalent employees	**3,834**	3,771		3,663				
Number of branches	**103**	104		111				
Number of automated banking machines	**308**	318		350				

(1) Refer to the Non-GAAP and Key Performance Measures section.
(2) Including deposits and mutual funds from Retail clients.
(3) Including deposits through branches, independent brokers and advisors and commercial clients.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) is a narrative explanation, through the eyes of management, of our financial condition as at April 30, 2018 and performance during the three-month period then ended. This MD&A, dated June 1, 2018, should be read in conjunction with the condensed interim consolidated financial statements (unaudited) for the period ended April 30, 2018, prepared in accordance with IAS 34 *Interim financial reporting*, as issued by the International Accounting Standards Board (IASB) and set out in the CPA Canada Handbook. Supplemental information on risk management, critical accounting policies and estimates, and off-balance sheet arrangements is also provided in our 2017 Annual Report.

Additional information about us, including the Annual Information Form, is available on our website at www.lbcfg.ca and on SEDAR at www.sedar.com.

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ABOUT LAURENTIAN BANK FINANCIAL GROUP

The Laurentian Bank Financial Group means the Laurentian Bank of Canada and its subsidiaries (collectively referred as "Laurentian Bank Financial Group", "LBCFG", the "Group" or the "Bank"). Founded in 1846, Laurentian Bank Financial Group is a diversified financial services provider whose mission is to help its customers improve their financial health.

With more than 3,800 employees guided by the values of proximity, simplicity and honesty, we provide a broad range of advice-based solutions and services to our retail, commercial and institutional customers. With pan-Canadian activities and a presence in the U.S., we are an important player in numerous market segments.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

In this document and in other documents filed with Canadian regulatory authorities or in other communications, we may from time to time make written or oral forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements include our estimate of the total amount of CMHC portfolio insured mortgage loans to be repurchased and statements regarding our business plan and financial objectives including statements contained in our 2017 Annual Report under the headings "Outlook" and "Off-Balance Sheet Arrangements - Securitization Activities". The forward-looking statements contained in this document are used to assist readers in obtaining a better understanding of our financial position and the results of operations as at and for the periods ended on the dates presented and may not be appropriate for other purposes. Forward-looking statements typically use the conditional, as well as words such as prospect, believe, estimate, forecast, project, expect, anticipate, plan, may, should, could and would, or the negative of these terms, variations thereof or similar terminology.

By their very nature, forward-looking statements are based on assumptions and involve inherent risks and uncertainties, both general and specific in nature. It is therefore possible that the forecasts, projections and other forward-looking statements will not be achieved or will prove to be inaccurate. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurances that these expectations will prove to be correct. Certain important assumptions by us in making forward-looking statements include, but are not limited to, our assumption that the in-depth review of CMHC portfolio insured mortgage loans will reveal a level of inadvertently portfolio insured and sold mortgage loans in line with those discovered through the normal course audit and our estimates and statements regarding our business plan and financial objectives including statements contained in our 2017 Annual Report under the headings "Outlook" and "Off-Balance Sheet Arrangements - Securitization Activities".

We caution 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, assumptions pertaining to the conduit requirements, scarcity of human resources, developments with respect to labour relations, as well as developments in the technological environment. Furthermore, these factors include the ability to execute our transformation plan and in particular the successful reorganization of retail branches, the modernization of the core banking system and the adoption of the Advanced Internal Ratings-Based Approach to credit risk (the AIRB Approach).

With respect to the anticipated benefits from the acquisition of Northpoint Commercial Finance ("NCF") and statements with regards to this transaction being accretive to earnings, such factors also include, but are not limited to: the ability to promptly and effectively integrate the businesses, reputational risks and the reaction of our and NCF's customers to the transaction; the failure to realize, in the timeframe anticipated or at all, the anticipated benefits and synergies of the acquisition of NCF; our limited experience in the U.S. market and in inventory financing; and diversion of management time on acquisition-related issues.

With respect to the anticipated benefits from the acquisition of CIT Canada and statements with regards to this transaction being accretive to earnings, such factors also include, but are not limited to: the ability to realize synergies in the anticipated time frame, the ability to promptly and effectively integrate the businesses, and diversion of management time on integration-related issues.

We further caution that the foregoing list of factors is not exhaustive. For more information on the risks, uncertainties and assumptions that would cause our actual results to differ from current expectations, please also refer to the "Risk Appetite and Risk Management Framework" on page 44 of our Management's Discussion and Analysis as contained in our 2017 Annual Report, as well as to other public filings available at www.sedar.com.

We do not undertake to update any forward-looking statements, whether oral or written, made by us or on our behalf, except to the extent required by securities regulations.

NON-GAAP AND KEY PERFORMANCE MEASURES

NON-GAAP MEASURES

Management uses both generally accepted accounting principles (GAAP) and certain non-GAAP measures to assess performance. Non-GAAP measures presented throughout this document exclude the effect of certain amounts designated as adjusting items due to their nature or significance. These non-GAAP measures are considered useful to readers in obtaining a better understanding of how management analyzes results and in assessing underlying business performance and related trends. 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 issuers.

The following table presents the impact of adjusting items on reported results.

IMPACT OF ADJUSTING ITEMS

In thousands of Canadian dollars, except per share amounts (Unaudited)	For the three months ended			For the six months ended	
	April 30 2018	January 31 2018	April 30 2017	**April 30 2018**	April 30 2017
Impact on net income					
Reported net income	**$ 59,195**	$ 59,747	$ 44,572	**$ 118,942**	$ 93,028
Adjusting items, net of income taxes					
Restructuring charges [1]					
Other restructuring charges	**1,283**	673	1,248	**1,956**	1,940
	1,283	673	1,248	**1,956**	1,940
Items related to business combinations					
Amortization of net premium on purchased financial instruments [2]	**442**	480	647	**922**	1,405
Amortization of acquisition-related intangible assets [3]	**2,418**	1,878	186	**4,296**	364
Other costs related to business combinations [4]	**1,287**	439	4,965	**1,726**	7,622
	4,147	2,797	5,798	**6,944**	9,391
	5,430	3,470	7,046	**8,900**	11,331
Adjusted net income	**$ 64,625**	$ 63,217	$ 51,618	**$ 127,842**	$ 104,359
Impact on diluted earnings per share					
Reported diluted earnings per share	**$ 1.34**	$ 1.41	$ 1.19	**$ 2.74**	$ 2.49
Adjusting items					
Restructuring charges	**0.03**	0.02	0.04	**0.05**	0.06
Items related to business combinations	**0.10**	0.07	0.17	**0.17**	0.27
	0.13	0.09	0.21	**0.22**	0.33
Adjusted diluted earnings per share [5]	**$ 1.47**	$ 1.49	$ 1.39	**$ 2.96**	$ 2.82

(1) Restructuring charges result from the optimization of our Retail Services activities and mostly relate to salaries, communication expenses and professional fees. They have been designated as adjusting items due to their nature and the significance of the amounts.
(2) The amortization of net premium on purchased financial instruments arose as a result of a one-time gain on acquisition and is considered an adjusting item since it represents, according to management, a significant non-cash and non-recurring adjustment.
(3) The amortization of intangible assets related to the acquisitions of CIT Canada and NCF is considered as an adjusting item since it represents, according to management, a significant non-cash and non-recurring adjustment. The amortization of acquisition-related intangible assets is included in the line item Other non-interest expenses in the Consolidated Statement of Income.
(4) Costs related to the integration of CIT Canada and transaction costs related to the acquisition of NCF.
(5) The impact of adjusting items on a per share basis does not add due to rounding for the three months ended January 31, 2018 and for the three months ended April 30, 2017.

KEY PERFORMANCE MEASURES

Management also uses a number of financial metrics to assess performance. Detailed information on return on common shareholders' equity is provided below. Other performance measures such as the efficiency ratio and the net interest margin are defined in the "Non-GAAP and Key Performance Measures" section on page 19 of our 2017 Annual Report.

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. Common shareholders' equity is defined as the sum of the value of common shares, retained earnings and accumulated other comprehensive income (AOCI), excluding cash flow hedge reserves. The following table presents additional information about return on common shareholders' equity.

RETURN ON COMMON SHAREHOLDERS' EQUITY

	For the three months ended			For the six months ended	
In thousands of Canadian dollars, except percentage amounts (Unaudited)	**April 30 2018**	January 31 2018	April 30 2017	**April 30 2018**	April 30 2017
Reported net income available to common shareholders	**$ 55,942**	$ 55,468	$ 40,297	**$ 111,410**	$ 84,481
Adjusting items, net of income taxes	**5,430**	3,470	7,046	**8,900**	11,331
Adjusted net income available to common shareholders	**$ 61,372**	$ 58,938	$ 47,343	**$ 120,310**	$ 95,812
Average common shareholders' equity	**$ 2,178,112**	$ 2,034,603	$ 1,666,437	**$ 2,105,168**	$ 1,649,774
Return on common shareholders' equity	**10.5%**	10.8%	9.9%	**10.7%**	10.3%
Adjusted return on common shareholders' equity	**11.6%**	11.5%	11.7%	**11.5%**	11.7%

EXTERNAL REPORTING CHANGES

COMMERCIAL LOANS

As at November 1, 2017, commercial mortgage loans and commercial and other loans previously presented separately on the consolidated balance sheet are presented together under the line item commercial loans. This change in presentation better reflects the nature of our business activities.

OUTLOOK

ECONOMIC OUTLOOK

Global economic growth remains solid despite geopolitical tensions and the return of volatility in financial markets. As the business cycle enters the maturity stage and inflation pressures are firming, central banks continue to gradually withdraw some monetary stimulus, contributing to increases in interest rates globally. In the U.S., the Federal Reserve raised its policy rate by a cumulative 75 basis points in 2017 and 50 basis points so far in 2018. Financial markets expect the gradual pace of increase in the federal funds rate target to continue during the second half of 2018 and in 2019.

The U.S. has announced certain targeted protectionist measures relative to Canadian exports, which combined with the ongoing negotiations relative to the future of the North American Free Trade Agreement, have resulted in increasing uncertainty, particularly relative to business investment decision-making. Nevertheless, new markets are opening for Canada through the Canada-European Union trade agreement and the recently ratified Trans-Pacific Partnership agreement. Moreover, the appreciation of commodity prices, the rebound in Canadian heavy oil prices, solid growth in the U.S. and stimulative fiscal policies from the federal and provincial governments are supportive to the Canadian economy.

Canada's unemployment rate has been stable since the beginning of 2018 at 5.8%, a four-decade low. Tight labour market conditions have led to stronger hours worked and contributed to the acceleration in wage growth. Canadian housing demand has remained dynamic throughout 2017 and the beginning of 2018, despite new regulatory reforms from federal authorities aiming at reducing household vulnerabilities in the insured and uninsured mortgage markets. The pace of residential homebuilding, led by condo and rental units, is at a six-year high, in line with household formation, while resale market conditions are generally balanced in major markets. In addition, supply constraints in the Toronto and Vancouver areas still continue to exist. All these factors are expected to contribute to upward pressures on home prices in the medium-term, once the impact of the new federal mortgage stress test on residential transactions abate, mostly in the Toronto area.

With increasing momentum in both real gross domestic product (GDP) and consumer inflation, the Bank of Canada raised its policy rate by 25 basis points in January 2018, following two similar increases over the last six months of 2017. Notwithstanding, market participants still expect further monetary tightening measures in Canada during the second half of 2018 and in 2019. The target for the overnight rate stands at 1.25%, the highest level since late 2008, and the Canadian dollar is currently trading around US$0.78. Canadian real GDP is expected to grow at a respectable pace of 2.1% in 2018 and 1.8% in 2019, after reaching 2.9% in 2017.

TRANFORMATION PLAN

Strengthening our Foundation

2018 is a year of investment in our people, processes and technologies. At the beginning of the year, we initiated the implementation of our new core-banking system. During the remainder of the year, we will continue the migration of B2B Bank products onto the new platform, and begin the migration of Business Services loans. This new platform will provide the necessary tool to improve our product offering and advance our transformation to digital banking. During the transition period we will be running concurrent platforms for our core-banking systems and making significant investments in developing digital banking solutions.

We are also progressing on our project to adopt in late 2020, pending regulatory approval, the Advanced Internal Rating-Based Approach to credit risk used to determine the Bank's regulatory capital ratios. In addition, we continue to improve compliance and regulatory frameworks to better manage risks.

Furthermore, we are strengthening the Bank's financial foundation. We increased our CET1 ratio during the first quarter of 2018 and continue to maintain a strong liquidity position to provide operational flexibility to execute our transformation plan.

Optimization of Retail Services Activities

At the beginning of 2016, we announced our seven-year transformation plan, which included optimizing and simplifying retail operations. This strategy led to the decision, in September 2016, to reorganize the branch network. By the end of 2017, we had merged 46 branches and have converted an additional 23 branches into advice-only branches. During the last quarter, we merged another branch, and by the end of fiscal 2018 we will merge 7 more branches. As we continue to simplify our retail operations, we are progressing toward our goal of becoming a renewed financial institution by 2022.

ANALYSIS OF CONSOLIDATED RESULTS

CONDENSED CONSOLIDATED RESULTS

In thousands of Canadian dollars, except per share amounts (Unaudited)	For the three months ended			For the six months ended	
	April 30 2018	January 31 2018	April 30 2017	**April 30 2018**	April 30 2017
Net interest income	**$ 177,112**	$ 178,635	$ 150,476	**$ 355,747**	$ 304,163
Other income	**82,775**	88,367	88,331	**171,142**	176,277
Total revenue	**259,887**	267,002	238,807	**526,889**	480,440
Amortization of net premium on purchased financial instruments	**601**	653	878	**1,254**	1,910
Provision for credit losses	**9,500**	12,000	10,100	**21,500**	19,100
Non-interest expenses [1]	**175,554**	177,545	168,934	**353,099**	336,630
Income before income taxes	**74,232**	76,804	58,895	**151,036**	122,800
Income taxes	**15,037**	17,057	14,323	**32,094**	29,772
Net income	**$ 59,195**	$ 59,747	$ 44,572	**$ 118,942**	$ 93,028
Preferred share dividends, including applicable taxes	**3,253**	4,279	4,275	**7,532**	8,547
Net income available to common shareholders	**$ 55,942**	$ 55,468	$ 40,297	**$ 111,410**	$ 84,481
Diluted earnings per share	**$ 1.34**	$ 1.41	$ 1.19	**$ 2.74**	$ 2.49
Adjusted net income [2]	**$ 64,625**	$ 63,217	$ 51,618	**$ 127,842**	$ 104,359
Adjusted diluted earnings per share [2]	**$ 1.47**	$ 1.49	$ 1.39	**$ 2.96**	$ 2.82

(1) Non-interest expenses include certain adjusting items, as detailed in the Non-GAAP and Key Performance Measures section.
(2) Refer to the Non-GAAP and Key Performance Measures section.

THREE MONTHS ENDED APRIL 30, 2018 COMPARED WITH THREE MONTHS ENDED APRIL 30, 2017

Net income was $59.2 million or $1.34 diluted per share for the second quarter of 2018, compared with $44.6 million or $1.19 diluted per share for the second quarter of 2017. Adjusted net income was $64.6 million for the second quarter of 2018, up 25% from $51.6 million for the second quarter of 2017, while adjusted diluted earnings per share were $1.47, up 6% compared with $1.39 in the second quarter of 2017. Growth in earnings per share, compared with the second quarter of 2017, reflects the common share issuances carried at the end of fiscal 2017 and at the beginning of the year.

Total revenue

Total revenue increased by $21.1 million or 9% to $259.9 million for the second quarter of 2018 from $238.8 million for the second quarter of 2017. This increase was mainly driven by growth in net interest income stemming from strong volume growth in the commercial loan portfolio.

Net interest income increased by $26.6 million or 18% to $177.1 million for the second quarter of 2018, from $150.5 million for the second quarter of 2017. The increase was mainly due to strong volume growth in the commercial loan portfolio, both organic and from acquisitions, as well as the higher margins earned on these loans. Net interest margin stood at 1.82% for the second quarter of 2018, an increase of 15 basis points compared with the second quarter of 2017, essentially due to the higher proportion of higher-yielding loans to business customers, as well as to recent increases in the prime rate, partly offset by the higher level of liquid assets.

Other income decreased by $5.6 million to $82.8 million for the second quarter of 2018, compared with $88.3 million for the second quarter of 2017. Income from brokerage operations decreased by $4.0 million, mostly as a result of a lower activity level due to market conditions. Income from treasury and financial market operations also decreased by $3.3 million mainly as a result of lower net securities gains compared to the second quarter of 2017. Fees and commissions on loans and deposits decreased by $1.7 million compared with the second quarter of 2017, mainly driven by lower transaction fees and service charges as clients continue to modify their banking behavior and as a result of product simplification. These decreases were partly offset by the sale of the $380.0 million agricultural commercial loan portfolio during the second quarter of 2018, which led to the recognition of a net $5.3 million gain in other income.

Amortization of net premium on purchased financial instruments

For the second quarter of 2018, the amortization of net premium on purchased financial instruments amounted to $0.6 million, compared with $0.9 million for the second quarter of 2017. Refer to the Non-GAAP and Key Performance Measures section for additional information.

Provision for credit losses

The provision for credit losses amounted to $9.5 million for the second quarter of 2018 compared with $10.1 million for the second quarter of 2017. Provision for the second quarter of 2018 included reductions in allowances of $2.8 million resulting from updates to risk model parameters, as well as the sale of the agricultural commercial loan portfolio. The continued low level of credit losses reflects the overall underlying good credit quality of the loan portfolios. Refer to the Risk Management section for additional information.

Non-interest expenses

Non-interest expenses amounted to $175.6 million for the second quarter of 2018, an increase of $6.6 million compared with the second quarter of 2017. Adjusted non-interest expenses increased by 5% to $169.1 million for the second quarter of 2018, compared with $160.6 million for the second quarter of 2017, mainly due to the acquisition of NCF, regular salary increases and higher technology costs.

Salaries and employee benefits increased by $3.5 million or 4% to $91.6 million for the second quarter of 2018, compared with the second quarter of 2017, due to regular annual salary increases and the addition of employees from NCF.

Premises and technology costs increased by $2.3 million to $48.0 million for the second quarter of 2018 compared with the second quarter of 2017, mainly as a result of higher technology costs related to ongoing activities to enhance IT service levels and security.

Other non-interest expenses amounted to $32.5 million for the second quarter of 2018, an increase of $5.4 million compared with the second quarter of 2017. This increase was mainly due to the amortization of acquisition-related intangibles, as well as higher professional fees to support our transformation.

Restructuring charges amounted to $1.8 million for the second quarter of 2018 and mainly included severance charges and communication costs in light of the reorganization of the branch operations.

Costs related to business combinations amounted to $1.8 million for the second quarter of 2018 and mainly included technology costs for the integration of CIT Canada's operations. On March 1, 2018, LBC Capital deployed its new financing and leasing system, which provides improved scalability and greater flexibility to address customers' needs. This key milestone substantially completes the integration of CIT Canada.

The adjusted efficiency ratio was 65.1% for the second quarter of 2018, showing good improvement compared with 67.2% for the second quarter of 2017. The adjusted operating leverage was positive year-over-year, driven by both revenue growth and expense control. Sequentially, the adjusted efficiency ratio slightly increased from 64.8% for the first quarter of 2018. As we continue to progress in our transformation plan, we expect that this ratio will continue to trend higher over the next few quarters. Nonetheless, we maintain our objective to achieve a sustainable adjusted efficiency ratio below 65% by 2020.

Income taxes

For the quarter ended April 30, 2018, the income tax expense was $15.0 million and the effective tax rate was 20.3%. The lower tax rate, compared to the statutory rate, mainly resulted from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income, as well as from the lower taxation level on revenues from foreign operations. For the quarter ended April 30, 2017, the income tax expense was $14.3 million and the effective tax rate was 24.3%. The lower tax rate, compared to the statutory rate, resulted mainly from the Canadian securities holdings and the revenues from foreign operations, as mentioned above.

On February 28, 2018, a new Canadian federal budget was tabled in the House of Commons. Based on our preliminary analysis and taking into account that the draft legislation is not yet available, we expect that, as of fiscal 2019, the new measures will impact future income earned on foreign insurance operations. As a result, the Bank's income tax charge could increase by approximately $4.0 million annually.

SIX MONTHS ENDED APRIL 30, 2018 COMPARED WITH SIX MONTHS ENDED APRIL 30, 2017

Net income was $118.9 million or $2.74 diluted per share for the six months ended April 30, 2018, compared with $93.0 million or $2.49 diluted per share for the six months ended April 30, 2017. Adjusted net income was $127.8 million for the six months ended April 30, 2018, up 23% from $104.4 million for the six months ended April 30, 2017, while adjusted diluted earnings per share were $2.96 for the six months ended April 30, 2018, up 5% from $2.82 for the six months ended April 30, 2017. Growth in earnings per share, compared with the six months ended April 30, 2017, reflects the common share issuances carried at the end of fiscal 2017 and at the beginning of the year.

Total revenue

Total revenue increased by $46.4 million or 10% to $526.9 million for the six months ended April 30, 2018 from $480.4 million for the six months ended April 30, 2017, mainly driven by growth in net interest income stemming from strong volume growth in the commercial loan portfolio, in part from acquisitions.

Net interest income increased by $51.6 million or 17% to $355.7 million for the six months ended April 30, 2018, from $304.2 million for the six months ended April 30, 2017. The increase was mainly due to strong volume growth in the commercial loan portfolios, both organic and from acquisitions, as well as the higher margins earned on these loans. Net interest margin stood at 1.79% for the six months ended April 30, 2018, an increase of 13 basis points compared with the six months ended April 30, 2017, essentially due to the higher proportion of higher-yielding loans to business customers.

Other income decreased by $5.1 million to $171.1 million for the six months ended April 30, 2018, compared with $176.3 million for the six months ended April 30, 2017. Income from brokerage operations decreased by $5.1 million compared with the six months ended April 30, 2017, mostly related to fixed income activities. Income from treasury and financial market operations also decreased by $2.8 million, mainly as a result of lower net securities gains compared to the six months ended April 30, 2017. Fees and commissions on loans and deposits decreased by $1.0 million compared with the six months ended April 30, 2017, mainly driven by lower transaction fees and service charges as clients continue to modify their banking behavior and as a result of product simplification. These decreases were partly offset by the $5.3 million net gain on the sale of the agricultural commercial loan portfolio during the second quarter of 2018.

Amortization of net premium on purchased financial instruments

For the six months ended April 30, 2018, the amortization of net premium on purchased financial instruments amounted to $1.3 million, compared with $1.9 million for the six months ended April 30, 2017. Refer to the Non-GAAP and Key Performance Measures section for additional information.

Provision for credit losses

The provision for credit losses amounted to $21.5 million for the six months ended April 30, 2018 compared with $19.1 million for the six months ended April 30, 2017. The increase reflects the evolution of the mix and overall growth in the loan portfolio. Notwithstanding, the continued low level of credit losses reflects the overall underlying good credit quality of the loan portfolios. Refer to the Risk Management section for additional information.

Non-interest expenses

Non-interest expenses increased by $16.5 million to $353.1 million for the six months ended April 30, 2018, compared with $336.6 million for the six months ended April 30, 2017. Adjusted non-interest expenses increased by $18.6 million or 6% to $342.1 million for the six months ended April 30, 2018, compared with $323.5 million for the six months ended April 30, 2017, mainly as a result of the acquisition of NCF, regular salary increases and higher professional fees to support our transformation.

Salaries and employee benefits increased by $7.6 million or 4% to $185.2 million for the six months ended April 30, 2018, compared with the six months ended April 30, 2017, due to regular annual salary increases, and the addition of employees from NCF.

Premises and technology costs increased by $3.3 million to $95.3 million for the six months ended April 30, 2018, compared with the six months ended April 30, 2017 mainly as a result of higher technology costs related to newly outsourced operations, as well as ongoing activities to enhanced IT service levels and security.

Other non-interest expenses increased by $13.2 million to $67.6 million for the six months ended April 30, 2018, compared with the six months ended April 30, 2017. This increase is mainly due to the amortization of acquisition-related intangibles, as well as higher professional fees.

Restructuring charges amounted to $2.7 million for the six months ended April 30, 2018 and, as mentioned above, mainly included severance charges and communication costs in light of the reorganization of the branch operations.

Costs related to business combinations amounted to $2.4 million for the six months ended April 30, 2018 and mainly included technology costs for the integration of CIT Canada's operations.

The adjusted efficiency ratio was 64.9% for the six months ended April 30, 2018, compared with 67.3% for the six months ended April 30, 2017. The adjusted operating leverage was positive year-over-year, driven by both revenue growth and expense control.

Income taxes

For the six months ended April 30, 2018, the income tax expense was $32.1 million and the effective tax rate was 21.2%. 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 operations. For the six months ended April 30, 2017, the income tax expense was $29.8 million and the effective tax rate was 24.2%. The lower tax rate, compared to the statutory rate, resulted mainly from aforementioned factors.

On December 22, 2017, the U.S. government enacted new comprehensive tax legislation, which made significant changes to the U.S. tax code. The enacted reduction of the U.S. corporate tax rate has resulted in a decrease of $0.5 million of the Bank's U.S. net deferred tax assets during the first quarter of 2018 and an equivalent one-time charge to the income statement. This charge is gradually being offset, as of the beginning of 2018, by the positive effect on earnings of the lower U.S. corporate tax rate. The Bank is pursuing its analysis of the newly enacted changes.

THREE MONTHS ENDED APRIL 30, 2018 COMPARED WITH THREE MONTHS ENDED JANUARY 31, 2018

Net income was $59.2 million or $1.34 diluted per share for the second quarter of 2018 compared with $59.7 million or $1.41 diluted per share for the first quarter of 2018. Adjusted net income was $64.6 million or $1.47 diluted per share for the second quarter of 2018, compared with $63.2 million or $1.49 diluted per share for the first quarter of 2018. Diluted earnings per share compared with the first quarter of 2018 was impacted by the common share issuance of January 2018.

Total revenue decreased by $7.1 million to $259.9 million for the second quarter of 2018, compared with $267.0 million for the previous quarter. Net interest income decreased by $1.5 million sequentially to $177.1 million, essentially as a result of the negative impact of three fewer days in the second quarter. Net interest margin stood at 1.82% for the second quarter of 2018, an increase of 5 basis points compared with 1.77% for the first quarter of 2018, essentially due to the recent increases in rates and the higher proportion of higher-yielding loans to business customers.

Other income decreased by $5.6 million sequentially to $82.8 million for the second quarter of 2018. Income from brokerage operations decreased by $4.2 million, mostly related to fixed income activities. Income from treasury and financial markets decreased by $4.1 million mainly due to lower net securities gains. These decreases were partly offset by the sale of the $380.0 million agricultural commercial loan portfolio during the second quarter of 2018, which led to the recognition of a net $5.3 million gain in other income.

The line-item "Amortization of net premium on purchased financial instruments" amounted to $0.6 million for the second quarter of 2018, essentially unchanged from the first quarter of 2018. Refer to the Non-GAAP and Key Performance Measures section for additional information.

Provision for credit losses totalled $9.5 million for the second quarter of 2018, a $2.5 million decrease compared with $12.0 million for the first quarter of 2018. Provision for the second quarter of 2018 included reductions in allowances of $2.8 million resulting from updates to risk model parameters, as well as the sale of the agricultural commercial loan portfolio. The continued low level of credit losses reflects the overall underlying good credit quality of the loan portfolios. Refer to the Risk Management section for additional information.

Non-interest expenses decreased by $2.0 million to $175.6 million for the second quarter of 2018 from $177.5 million in the first quarter of 2018. Adjusted non-interest expenses decreased by $4.0 million and amounted to $169.1 million in the current quarter, compared with $173.0 million in the first quarter of 2018. The decrease is mainly due to lower salaries given the fewer number of days in the second quarter and sequentially lower advertising and business development expenses.

FINANCIAL CONDITION

CONDENSED BALANCE SHEET

In thousands of Canadian dollars (Unaudited)		**As at April 30 2018**		As at October 31 2017		As at April 30 2017
ASSETS						
Cash and deposits with other banks	**$**	**374,646**	$	327,362	$	304,034
Securities		**5,542,400**		5,586,014		5,545,070
Securities purchased under reverse repurchase agreements		**4,230,719**		3,107,841		4,649,721
Loans and acceptances, net		**36,242,544**		36,596,971		34,074,653
Other assets		**1,175,055**		1,064,470		822,469
	$	**47,565,364**	$	46,682,658	$	45,395,947
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits	**$**	**29,478,813**	$	28,930,360	$	27,444,926
Other liabilities		**6,843,526**		6,842,540		7,984,950
Debt related to securitization activities		**8,450,867**		8,230,921		7,729,744
Subordinated debt		**348,591**		348,427		199,911
Shareholders' equity		**2,443,567**		2,330,410		2,036,416
	$	**47,565,364**	$	46,682,658	$	45,395,947

As at April 30, 2018, total assets amounted to $47.6 billion, an increase of $0.9 billion compared with $46.7 billion as at October 31, 2017. This mainly reflects an increase in liquid assets of $1.1 billion as well as an increase in other assets of $110.6 million, partly offset by a decrease in loans of $354.4 million, as explained below.

LIQUID ASSETS

Liquid assets consist of cash, deposits with other banks, securities and securities purchased under reverse repurchase agreements. As at April 30, 2018, these assets totalled $10.1 billion, an increase of $1.1 billion compared with October 31, 2017. Overall, we continue to prudently manage the level of liquid assets and hold sufficient cash resources from diversified sources in order to meet current and future financial obligations, under both normal and stressed conditions.

LOANS

Loans and bankers' acceptances, net of allowances, stood at $36.2 billion as at April 30, 2018, a decrease of $354.4 million from October 31, 2017.

Personal loans amounted to $5.7 billion and decreased by $290.3 million since October 31, 2017, mainly due to net repayments in the investment loan portfolio, reflecting consumer behaviour to accelerate repayment following strong capital market performance.

Residential mortgage loans stood at $18.2 billion as at April 30, 2018, a decrease of $257.4 million since October 31, 2017. This mostly reflects a gradual decrease in origination as we focus on higher yielding commercial loans in order to optimize product mix, as well as the decision of Retail Services to solely originate residential mortgages through the branch network and no longer through the mortgage broker channel in Quebec as of November 1, 2017. Furthermore, as expected, since January 1, 2018 growth was slowed by the newly applicable OSFI's B-20 mortgage underwriting regulation. The decrease was partly offset by the acquisition of mortgage loans originated by third-parties as part of our program initiated in 2016 to optimize the usage of National Housing Act mortgage-backed securities (NHA MBS) allocations.

Commercial loans amounted to $12.4 billion as at April 30, 2018, up 2% since October 31, 2017. This increase is mainly due to strong growth in inventory financing loans stemming from our recently acquired NCF business, as well as from real estate financing, partly offset by the $380.0 million agricultural commercial loan portfolio sale during the second quarter of 2018.

OTHER ASSETS

Other assets increased by $110.6 million as at April 30, 2018, compared with October 31, 2017, primarily reflecting the increase in cash reserve deposits related to securitization activities, as detailed below, as well as additions to internally developed intangibles as we continue to progress on the development of our new core banking system and project to adopt the AIRB Approach to credit risk.

LIABILITIES

Deposits increased by $0.5 billion to $29.5 billion as at April 30, 2018, compared with October 31, 2017. Personal deposits stood at $22.1 billion as at April 30, 2018, up $0.9 billion compared with October 31, 2017. The increase was mainly driven by higher term

deposits sourced through independent brokers and advisors, partly offset by lower demand deposits sourced through independent brokers and advisors. Since the beginning of the year, retail deposits sourced through the branch network have slightly decreased by 1%, while they were marginally up over the last three months. Business and other deposits decreased by $330.2 million to $7.4 billion over the same period. Personal deposits represented 75% of total deposits as at April 30, 2018, compared with 73% as at October 31, 2017, and contribute to our good liquidity position.

Debt related to securitization activities was up $220.0 million compared with October 31, 2017 and stood at $8.5 billion as at April 30, 2018. The repurchase of certain mortgage loans as detailed in the Review of Mortgage Portfolio section below and normal repayments were more than offset by newly securitized loans as the Bank continues to favor this source of term funding.

SHAREHOLDERS' EQUITY

Shareholders' equity stood at $2,443.6 million as at April 30, 2018, compared with $2,330.4 million as at October 31, 2017. The increase results in part from the 2,624,300 common share public offering completed in January 2018 for gross proceeds of $143.8 million and net proceeds of $139.2 million, which was partially offset by the $100.0 million Class A Preferred Shares Series 11 redemption in December 2017. Shareholders' equity also increased as a result of the net income contribution, net of declared dividends, as well as by the issuance of common shares under the Shareholder Dividend Reinvestment and Share Purchase Plan.

Our book value per common share appreciated to $52.67 as at April 30, 2018 from $51.18 as at October 31, 2017. There were 41,842,193 common shares outstanding as at May 23, 2018.

REVIEW OF MORTGAGE LOAN PORTFOLIO

This section provides an update on the mortgage loans sold to (i) a third-party purchaser (the "TPP") and (ii) the Canadian Mortgage and Housing Corporation ("CMHC", previously referred to as the "Other Third-Party Purchaser").

THIRD PARTY PURCHASER PROGRAM

Update

We came to an agreement with the TPP which resolves the identified issues with regard to certain mortgage loans purchased by the TPP. Based on this agreement, the Bank will repurchase certain ineligible mortgage loans originated through the Bank's branch network for an additional $115 million, as further detailed below. In addition, the TPP has agreed to continue to consider future purchases, subject to terms and conditions to be agreed upon at the time of each purchase, including a prefunding audit of the mortgages to be purchased.

The Bank has available liquidity on hand to repurchase these affected mortgage loans. In all, we do not believe that this agreement will have a material impact to the Bank's business, capital, operations and funding.

Furthermore, since November 1, 2017, we have and will continue to implement improved quality control and origination processes throughout the Bank along with additional employee training to prevent similar issues from happening in the future. We are confident that these enhanced measures significantly strengthen the Bank's mortgage loan origination and securitization activities.

Summary of events

In late September 2017, we were advised by the TPP, following a normal course audit, that certain mortgage loans previously sold to the TPP did not meet their documentation and eligibility criteria.

B2B Bank-originated mortgage loans
In regards to the B2B Bank-originated mortgage loans sold to the TPP, we completed a full review of these mortgage loans in 2017. This review led to the Bank repurchasing certain ineligible mortgage loans in the first quarter of 2018, as detailed in the table below. In addition, the Bank provided a cash reserve deposit to the TPP in relation to these mortgage loans, of which $23 million has been retained by the TPP as credit enhancement for the program. The cash reserve deposit is currently being remitted to the Bank over time as the B2B Bank originated mortgage loans amortize. The identified issues with the B2B Bank originated mortgage loans sold to the TPP were therefore resolved at the end of the first quarter of 2018, as previously stated.

Branch-originated mortgage loans
In regards to the branch-originated mortgage loans sold to the TPP, a comprehensive internal review of approximately 1,900 mortgage loans was completed during the second quarter of 2018. The mortgage loans not forming part of the sample reviewed will only be assessed at the time of their renewal or will not be subject to any review. Based on this internal review, the Bank has identified certain ineligible mortgage loans amounting to $115 million which, as agreed to with the TPP, will be repurchased by the Bank during the third quarter of 2018. The amount of this repurchase is slightly lower than our estimate of approximately $124 million, as reported at the end of the first quarter of 2018. In addition, in the first quarter of 2018, the Bank provided the TPP an additional cash reserve deposit in the amount of $61 million in relation to these mortgage loans. As part of the agreement with the TPP, $6 million of this cash reserve deposit will be released to the Bank. The remainder of this cash reserve deposit will be retained by the TPP as additional credit enhancement to the program, and will be remitted to the Bank over time as the branch-originated mortgage loans amortize.

As part of our internal review and as previously disclosed, we also had identified certain low loan-to-value (LTV) mortgage loans that were sold to the TPP and that did not meet the program eligibility criteria amounting to $91 million. These mortgage loans were repurchased by the Bank in the first quarter of 2018.

Consequently, the identified issues with the branch underwritten mortgage loans sold to the TPP are now resolved.

The following table summarizes the review of the TPP mortgage loan portfolio.

In millions of Canadian dollars (Unaudited)	B2B Bank	Branch network	Total
Total mortgage loans sold [1]	$ 655	$ 1,157	$ 1,812
Ineligible mortgage loans identified [2] [4]	$ 89	$ —	$ 89
Mortgage loans inadvertently sold [3] [4]	1	90	91
Ineligible mortgage loans identified during the second quarter of 2018 [5]	—	115	115
Total ineligible mortgage loans inadvertently sold and identified	$ 90	$ 205	$ 295

(1) As at September 30, 2017, as reported in our 2017 Annual Report, excluding the impact of repurchases. As at April 30, 2018, mortgage loans sold to the TPP by B2B Bank and the branch network totaled $526 million and $950 million respectively. The variations from what was previously disclosed are due net repayments and the aforementioned repurchases.
(2) Mortgage loans with documentation issues ineligible for securitization.
(3) Loans inadvertently sold relate to low LTV mortgage loans which did not meet the TPP criteria for securitization.
(4) Repurchased in the first half of 2018.
(5) Will be repurchased in the third quarter of 2018.

CMHC PROGRAM

During the second quarter of 2018, CMHC completed a normal course audit of the Bank's portfolio insured mortgage loans. The audit highlighted similar issues as those identified in the fourth quarter of 2017, as certain mortgage loans were inadvertently portfolio insured while they did not meet CMHC portfolio insurance eligibility criteria.

As a result, in addition to those mortgage loans already repurchased from the CMHC securitization program at the beginning of 2018, the Bank will repurchase those other mortgage loans that were inadvertently portfolio insured and sold to the CMHC securitization program. CMHC insurance on those portfolio insured mortgage loans will also be cancelled concurrently by CMHC.

To that end, the Bank is undertaking to complete a review of all B2B Bank and branch-originated mortgage loans portfolio insured by CMHC but not sold to, as well as portfolio insured mortgage loans sold to the CMHC securitization program. An independent third party will verify the review process and results. Based on the results of CMHC's normal course audit the Bank estimates the total amount of such mortgage loans to be repurchased at between $125 and $150 million.

The review is expected to be concluded before the end of the fiscal year. The Bank will also provide CMHC with a $20 million cash reserve deposit pending the conclusion of the review. CMHC will perform its own assessment of the review and will require an independent third-party confirmation of the adequacy and efficiency of new controls implemented by the Bank.

As previously indicated, these mortgage loans do not represent a credit issue as they are all performing in line with the Bank's overall mortgage portfolio and are secured by valid collateral on a property. The CMHC securitization program remains available and the Bank has been securitizing mortgage loans as usual during 2018.

The Bank has available liquidity to complete these transactions which are not expected to have any significant effect on the Bank's operations, funding or capital.

The following table summarizes the review of the CMHC mortgage loan portfolio.

In millions of Canadian dollars (Unaudited)	Total
Total mortgage loans sold [1]	$ 5,157
Mortgage loans inadvertently sold as at January 31, 2018 [2] [3]	$ 88
Additional estimated mortgage loans inadvertently sold [2]	125-150
Estimated total mortgage loans inadvertently sold	$ 213 - $ 238

(1) As at September 30, 2017, as reported in our 2017 Annual Report, excluding the impact of repurchases, and new securitizations to CMHC. As at April 30, 2018, mortgage loans sold to CMHC totaled $5,014 million. The variation from what was previously disclosed is due to new securitizations and net repayments.
(2) Loans inadvertently sold relate to low LTV mortgage loans which did not meet CMHC criteria.
(3) Repurchased in the second quarter of 2018.

CAPITAL MANAGEMENT

REGULATORY CAPITAL

The Office of the Superintendent of Financial Institutions Canada (OSFI) requires banks to meet minimum risk-based capital ratios drawn on the Basel Committee on Banking Supervision (BCBS) capital framework, commonly referred to as Basel III. Under OSFI's *Capital Adequacy Requirements* (CAR) Guideline, our minimum Common Equity Tier 1, Tier 1 and Total capital ratios are set at 7.0%, 8.5% and 10.5%, respectively, including capital conservation buffers. Refer to the section "Capital Management" on page 39 of our 2017 Annual Report for additional information on our regulatory capital.

As detailed in the table below, the Common Equity Tier 1 (CET1), Tier 1 and Total capital ratios stood at 8.6%, 9.8% and 11.8%, respectively, as at April 30, 2018. These ratios exceeded all current requirements.

REGULATORY CAPITAL [1]

In thousands of Canadian dollars, except percentage amounts (Unaudited)	**As at April 30 2018**	As at October 31 2017	As at April 30 2017
Regulatory capital			
Common Equity Tier 1 capital	**$ 1,787,793**	$ 1,612,299	$ 1,490,022
Tier 1 capital	**$ 2,031,831**	$ 1,953,899	$ 1,831,622
Total capital	**$ 2,460,447**	$ 2,364,589	$ 2,101,592
Total risk-weighted assets [2]	**$ 20,816,431**	$ 20,426,719	$ 18,457,839
Regulatory capital ratios			
Common Equity Tier 1 capital ratio	**8.6%**	7.9%	8.1%
Tier 1 capital ratio	**9.8%**	9.6%	9.9%
Total capital ratio	**11.8%**	11.6%	11.4%

(1) The amounts and ratios are presented on an "all-in" basis.
(2) Using the Standardized Approach to determine credit risk and to account for operational risk.

The CET1 ratio stood at 8.6% as at April 30, 2018, compared with 7.9% as at October 31, 2017 and 8.1% as at April 30, 2017. The common share offering completed in January 2018 for net proceeds of $139.2 million contributed to the improvement in capital ratios since the beginning of the year. As the Bank moves through an evolving economic environment, we made the prudent decision to replace the preferred share issue that was redeemed on December 15, 2017 with common equity. This further strengthens our capital base and provides greater flexibility to pursue organic growth, as well as to continue to invest in the implementation of our core banking system and the Advanced Internal Ratings-Based Approach to credit risk. Lower growth in risk-weighted exposures and net growth in retained earnings also contributed to the improvement in capital ratios, although offset by the additional deductions to capital for intangible assets related to ongoing projects.

Regulatory capital developments

Revisions to the Standardised Approach for credit risk
We use the Standardized Approach to determine credit risk capital and to account for operational risk. Currently, our capital requirements for credit risk under the Standardized Approach are not calculated on the same basis as larger Canadian financial institutions which predominantly use the more favourable AIRB Approach.

On December 7, 2017, the BCBS issued a document entitled Basel III: Finalising post-crisis reforms. This document sets out the BCBS's finalisation of the Basel III framework and follows the BCBS consultative documents issued in 2014 and 2015. It complements the initial phase of Basel III reforms previously finalized by the Committee. A key objective of the revisions incorporated into the framework is to reduce excessive variability of risk-weighted assets and improve the comparability of banks' capital ratios. The new framework revises the Standardized Approach by improving its granularity and risk sensitivity by modifying the risk weight associated to various categories of assets. The changes also include modifications to the AIRB Approach, such as by placing limits on certain inputs used to calculate capital requirements and introducing a new more robust risk-sensitive floor based on the Committee's revised Basel III standardized approaches, as well as to the methods used to measure regulatory capital for operational risk. Management is currently assessing the potential impact of the adoption of this new framework, which remains subject to OSFI's issuing its related guideline.

The implementation of the AIRB Approach remains a key initiative of our transformation plan that should strengthen our credit risk management, optimize regulatory capital and provide a level playing field for credit underwriting activities. As such, we plan to transition to the AIRB Approach in late 2020, pending regulatory approval.

Revisions to the Pillar 3 disclosure
In March 2017, the BCBS issued the second phase of its review of the Pillar 3 disclosure framework to build on the revisions published in January 2015. The Pillar 3 disclosure framework seeks to promote market discipline through regulatory disclosure requirements. We are currently reviewing the new framework and awaiting OSFI's related guidance.

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, 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 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.

As detailed in the table below, the leverage ratio stood at 4.3% as at April 30, 2018 and exceeded current requirements.

BASEL III LEVERAGE RATIO

In thousands of Canadian dollars, except percentage amounts (Unaudited)	**As at April 30 2018**	As at October 31 2017	As at April 30 2017
Tier 1 capital	**$ 2,031,831**	$ 1,953,899	$ 1,831,622
Total exposures	**$ 47,564,963**	$ 46,673,239	$ 45,011,109
Basel III leverage ratio	**4.3%**	4.2%	4.1%

DIVIDENDS

On May 15, 2018, the Board of Directors declared the regular dividend on the various series of preferred shares to shareholders of record on June 7, 2018.

On June 1, 2018, the Board of Directors declared a quarterly dividend of $0.64 per common share, payable on August 1, 2018, to shareholders of record on July 2, 2018. This quarterly dividend is up 3% compared with the dividend declared one year ago. The Board of Directors also determined that shares attributed under the Shareholder Dividend Reinvestment and Share Purchase Plan will be made in common shares issued from treasury at a 2% discount.

COMMON SHARE DIVIDENDS AND PAYOUT RATIO

In Canadian dollars, except payout ratios (Unaudited)	For the three months ended			For the years ended		
	April 30 2018	January 31 2018	April 30 2017	October 31 2017	October 31 2016	October 31 2015
Dividends declared per common share	**$ 0.63**	$ 0.63	$ 0.61	$ 2.46	$ 2.36	$ 2.20
Dividend payout ratio	**47.0%**	44.3%	51.4%	45.7%	53.1%	68.6%
Adjusted dividend payout ratio [1]	**42.8%**	41.7%	43.7%	40.5%	42.4%	39.2%

(1) Refer to the Non-GAAP and Key Performance Measures section.

RISK MANAGEMENT

We are exposed to various types of risks owing to the nature of our 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 44 of our 2017 Annual Report for additional information.

CREDIT RISK

The following sections provide further details on the credit quality of our loan portfolios.

PROVISION FOR CREDIT LOSSES

In thousands of Canadian dollars, except percentage amounts (Unaudited)	For the three months ended			For the six months ended	
	April 30 2018	January 31 2018	April 30 2017	**April 30 2018**	April 30 2017
Personal	**$ 5,697**	$ 6,970	$ 7,874	**$ 12,667**	$ 16,448
Residential mortgage	**(201)**	1,584	1,293	**1,383**	2,199
Commercial [1]	**4,004**	3,446	933	**7,450**	453
	$ 9,500	$ 12,000	$ 10,100	**$ 21,500**	$ 19,100
As a % of average loans and acceptances	**0.11%**	0.13%	0.12%	**0.12%**	0.11%

(1) Including customers' liabilities under acceptances.

The provision for credit losses amounted to $9.5 million in the second quarter of 2018, decreasing by $0.6 million when compared with the same quarter a year ago and $2.5 million sequentially. Loan losses for the quarter included the favorable impact of the reduction in allowances resulting from the sale of the agricultural commercial loan portfolio, as well as updates to risk model parameters for $2.8 million. Loan losses for the second quarter of 2018 also reflect the evolution of the mix and overall growth in the loan portfolio. At 11 basis points, compared to average loans and acceptances, the current level of provisions for the second quarter of 2018 continues to reflect the underlying good credit quality of our loan portfolios. For the six months ended April 30, 2018, the provision for credit losses increased by $2.4 million and amounted to $21.5 million compared with $19.1 million for the same period in 2017.

Personal loans

Credit losses on personal loans decreased by $2.2 million compared with the second quarter of 2017 and stood at $5.7 million in the second quarter of 2018, as a result of lower charges related to the investment loan portfolio, in part due to lower volumes. On a sequential basis, credit losses on personal loans decreased by $1.3 million mainly as a result of lower charges on the lines of credit portfolio. For the six months ended April 30, 2018, credit losses on personal loans decreased by $3.8 million year-over-year, mainly as a result of the aforementioned lower charges on the investment loan portfolio.

Residential mortgage loans

Credit losses on residential mortgage loans amounted to negative $0.2 million for the second quarter of 2018, reflecting a sequential decrease of $1.8 million and a decrease of $1.5 million compared with the second quarter of 2017. These decreases reflect the favourable impact of the updates to risk model parameters introduced during the second quarter of 2018, as well as the slight reduction in overall volumes. For the six months ended April 30, 2018, credit losses on residential mortgages decreased by $0.8 million year-over-year. Loan losses on the Bank's residential mortgage portfolio remain at historic low levels as the portfolio continues to benefit from favourable credit conditions and the Bank's strong underwriting.

Commercial loans

Credit losses on commercial loans amounted to $4.0 million in the second quarter of 2018, compared with $0.9 million in the second quarter of 2017. The increase mainly results from the very low loan losses in the second quarter of 2017 and from the effect of the NCF acquisition, partly offset by the favourable impact of the updates to risk model parameters introduced during the second quarter of 2018 and of the sale of the agricultural commercial loan portfolio. On a sequential basis, credit losses in this portfolio increased by $0.6 million as a result of higher losses on certain accounts, partly offset by the aforementioned factors. For the six months ended April 30, 2018, credit losses on commercial loans increased by $7.0 million year-over-year, mainly as a result of the favorable improvements of certain accounts in the six months ended April 30, 2017, in light of the favourable credit conditions, as well as the effect of the NCF acquisition. Credit losses on the commercial portfolios tend to fluctuate more as they can relate, in part, to isolated larger exposures.

IMPAIRED LOANS

In thousands of Canadian dollars, except percentage amounts (Unaudited)	**As at April 30 2018**	As at October 31 2017	As at April 30 2017
Gross impaired loans			
Personal	**$ 21,686**	$ 20,874	$ 22,336
Residential mortgages	**30,694**	30,326	26,469
Commercial [1]	**102,315**	100,691	77,024
	154,695	151,891	125,829
Allowances for loan losses against impaired loans			
Individual allowances	**(19,524)**	(24,801)	(21,761)
Collective allowances	**(13,338)**	(17,828)	(17,839)
	(32,862)	(42,629)	(39,600)
Net impaired loans	**$ 121,833**	$ 109,262	$ 86,229
Impaired loans as a % of loans and acceptances			
Gross	**0.43%**	0.41%	0.37%
Net	**0.34%**	0.30%	0.25%
Collective allowances against other loans	**$ (64,085)**	$ (56,557)	$ (65,763)

(1) Including customers' liabilities under acceptances.

Gross impaired loans amounted to $154.7 million as at April 30, 2018, slightly up $2.8 million or 2% compared with October 31, 2017, mainly due to commercial loans.

Since the beginning of the year, individual allowances on commercial loans decreased by $5.3 million to $19.5 million. Collective allowances against impaired loans decreased by $4.5 million over the same period, mainly for personal loans.

Collective allowances against other loans amounted to $64.1 million as at April 30, 2018, up $7.5 million compared with October 31, 2017, mainly due to personal and commercial loans.

LIQUIDITY AND FUNDING RISK

Liquidity and funding risk represents the possibility that we may not be able to gather sufficient cash resources when required and at reasonable conditions, to meet our financial obligations. Financial obligations include obligations to depositors and suppliers, as well as lending commitments, investments and posting collateral. We continue to maintain liquidity and funding that is appropriate for the execution of our strategy, with liquidity and funding risk remaining well within our approved limits.

Management monitors cash resources daily and ensures that liquidity indicators are within established limits. It pays particular attention to deposit and loan maturities, as well as to funding availability and demand when planning financing. A reserve of unencumbered liquid assets that are readily available to face contingencies is maintained and constitutes our liquidity buffer. This reserve does not factor in the availability of the central bank's emergency liquidity facilities. Cash requirements are based on scenarios evaluating required liquid assets necessary to cover predetermined rates of withdrawal of wholesale financing and retail deposits over specified periods.

Management maintains a stable volume of base deposits originating from our retail, commercial and broker clientele, as well as diversified wholesale financing sources. Limits on funding sources are monitored by the Executive Committee and the Board of Directors. Funding strategies also include loan securitization and the issuance of equity or debt instruments through capital markets.

A liquidity contingency plan is prepared and reviewed on a regular basis. It guides our actions and responses to potential liquidity crises.

Over the past year, intensifying competition for funding through the brokered deposit network has gained attention. In addition, our recent issue regarding securitized residential mortgages, as detailed in the section Review of Mortgage Portfolio, has raised some concerns in the market. The Bank benefits from well diversified sources of deposits, including personal deposits sourced through our branch network and through independent advisors and brokers. We also rely on a well established institutional funding program. Those contribute to a diversified, strong and stable liquidity position. Furthermore, given current market conditions, we continue to prudently manage the level of liquid assets and maintain an adequate level of liquidity to meet current obligations and support growth.

Regulatory requirements concerning liquidity

We also manage the Bank's liquidity to comply with the regulatory liquidity metrics in the OSFI domestic Liquidity Adequacy Requirements (LAR) Guideline. These regulatory metrics include the Liquidity Coverage Ratio (LCR), drawn on the BCBS international Basel III liquidity framework, and the OSFI-designed Net Cumulative Cash Flow (NCCF) supervisory tool. The LCR requires that banks maintain a sufficient stock of high-quality liquid assets to meet net short-term financial obligations over a thirty day period in an acute stress scenario.

The Bank remained compliant with the LAR Guideline throughout the three months ended April 30, 2018.

The aforementioned Basel III liquidity framework also outlines the Net Stable Funding Ratio (NSFR) as a minimum regulatory standard. On February 6, 2018, OSFI revised the target NSFR implementation date from January 2019 to January 2020. The NSFR measures the proportion of long-term assets which are funded by long-term, stable funding. The Bank monitors these developments as they unfold.

Maturity of financial liabilities

The following table summarize the remaining contractual maturity for significant financial liabilities as at April 30, 2018 and October 31, 2017.

MATURITY OF FINANCIAL LIABILITIES

		Term				As at April 30, 2018
In thousands of Canadian dollars (Unaudited)	Demand and notice	Under 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Deposits						
Personal	$ 4,735,603	$ 7,738,074	$ 7,263,254	$ 2,272,581	$ 114,550	$ 22,124,062
Business, banks and other	2,059,776	2,636,361	2,390,976	364,736	(13,162)	7,438,687
Obligations related to securities sold short	—	2,425,367	—	—	—	2,425,367
Obligations related to securities sold under repurchase agreements	—	2,466,051	—	—	—	2,466,051
Debt related to securitization activities	—	1,531,869	3,460,505	3,022,046	519,952	8,534,372
Subordinated debt	—	—	—	350,000	—	350,000
Derivatives [1]	—	20,359	29,677	11,517	6,510	68,063
	$ 6,795,379	$ 16,818,081	$ 13,144,412	$ 6,020,880	$ 627,850	$ 43,406,602

(1) The obligations related to derivatives represent solely the theoretical payments related to derivatives designated as cash flow hedges and used for interest rate risk management whose net fair values were negative as at April 30, 2018 and October 31, 2017.

As at October 31, 2017

In thousands of Canadian dollars (Unaudited)	Demand and notice	Term Under 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Deposits						
Personal	$ 5,026,606	$ 7,695,011	$ 6,626,628	$ 1,802,599	$ 88,988	$ 21,239,832
Business, banks and other	2,199,952	3,314,089	1,579,623	660,771	2,745	7,757,180
Obligations related to securities sold short	—	2,165,097	—	—	—	2,165,097
Obligations related to securities sold under repurchase agreements	—	2,678,629	—	—	—	2,678,629
Debt related to securitization activities	—	1,519,688	3,436,269	2,780,775	436,394	8,173,126
Subordinated debt	—	—	—	350,000	—	350,000
Derivatives [1]	—	16,889	18,430	8,292	5,913	49,524
	$ 7,226,558	$ 17,389,403	$ 11,660,950	$ 5,602,437	$ 534,040	$ 42,413,388

(1) The obligations related to derivatives represent solely the theoretical payments related to derivatives designated as cash flow hedges and used for interest rate risk management whose net fair values were negative as at April 30, 2018 and October 31, 2017.

Credit ratings

On December 11, 2017, DBRS confirmed our A (low) rating on deposits and senior debt and R-1 (low) rating on short-term instruments. In addition, DBRS revised its trends on long-term ratings to negative from stable.

On April 27, 2018, Standard and Poor's (S&P) removed the ratings from CreditWatch[1] with negative implications, where they had been placed on December 20, 2017 and affirmed our BBB long-term and A-2 short-term issuer credit ratings, while maintaining the negative outlook.

(1) CreditWatch highlights S&P's opinion regarding the potential direction of a short-term or long-term rating, and focuses on identifiable events and short-term trends that cause ratings to be placed under special surveillance.

MARKET RISK

Market risk represents the financial losses that we 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 our financing, investment, trading and asset and liability management (ALM) activities.

The purpose of ALM activities is to control structural interest rate risk, which corresponds to the potential negative impact of interest rate movements on our net interest income and economic value of its capital. Dynamic management of structural risk is intended to maximize our profitability while preserving the economic value of common shareholders' equity. As at April 30, 2018, 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 was as follows.

STRUCTURAL INTEREST RATE SENSITIVITY ANALYSIS

In thousands of Canadian dollars (Unaudited)	**As at April 30 2018**	As at October 31 2017
Effect of a 1% increase in interest rates		
(Decrease) increase in net interest income before taxes over the next 12 months	**$ (4,270)**	$ 21,149
(Decrease) in the economic value of common shareholders' equity (net of income taxes)	**$ (44,221)**	$ (49,266)

As shown above, as at April 30, 2018, the net interest income sensitivity to sudden changes in interest rates and the corresponding negative impact on the economic value of common shareholders' equity have decreased compared with October 31, 2017. Given the anticipated increase in interest rates, we have shortened the Bank's duration, while still positioning the Bank to benefit from fluctuations in interest rates and maintaining the risk within approved limits.

Management continues to expect that long term rates will remain within a narrow range for the foreseeable future.

RISK RELATED TO LABOUR RELATIONS

Approximately 40% of our employees are represented by an union and are covered by a collective bargaining agreement which expired on December 31, 2017. The majority of these employees work in Laurentian Bank branches in the Province of Quebec, and certain of them are employed in Corporate Offices in Montreal. Renegotiating the expired collective bargaining agreement could result in higher costs which could have a material effect on our business, results of operations and financial condition. In addition, should we be unable to reach an acceptable negotiated collective bargaining agreement on a timely basis, a strike by affected employees, lock-out or other work disruption may occur which could adversely affect services to our Retail Services clients and operations and, in turn, financial performance.

ADDITIONAL FINANCIAL INFORMATION - QUARTERLY RESULTS

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	April 30 2018	January 31 2018	October 31 2017	July 31 2017	April 30 2017	January 31 2017	October 31 2016	July 31 2016
Net interest income	**$ 177,112**	$ 178,635	$ 176,220	$ 157,707	$ 150,476	$ 153,687	$ 148,727	$ 147,991
Other income	**82,775**	88,367	91,748	90,295	88,331	87,946	87,642	81,086
Total revenue	**259,887**	267,002	267,968	248,002	238,807	241,633	236,369	229,077
Amortization of net premium on purchased financial instruments	**601**	653	707	766	878	1,032	1,181	1,267
Provision for credit losses	**9,500**	12,000	11,500	6,400	10,100	9,000	10,300	8,200
Non-interest expenses	**175,554**	177,545	184,365	168,364	168,934	167,696	201,998	160,474
Income before income taxes	**74,232**	76,804	71,396	72,472	58,895	63,905	22,890	59,136
Income taxes	**15,037**	17,057	12,761	17,674	14,323	15,449	4,507	13,999
Net income	**$ 59,195**	$ 59,747	$ 58,635	$ 54,798	$ 44,572	$ 48,456	$ 18,383	$ 45,137
Earnings per share								
Basic	**$ 1.34**	$ 1.41	$ 1.42	$ 1.48	$ 1.19	$ 1.30	$ 0.45	$ 1.34
Diluted	**$ 1.34**	$ 1.41	$ 1.42	$ 1.48	$ 1.19	$ 1.30	$ 0.45	$ 1.34

CORPORATE GOVERNANCE AND CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

In November 2017, we initiated the first phase of the core banking system implementation. The evaluation of the ensuing changes to the internal control over financial reporting supported that the design is appropriate with respect to financial reporting.

During the second quarter ended April 30, 2018 there have been no other changes to internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

The Board of Directors of Laurentian Bank approved this document prior to its release.

ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies and estimates are outlined in Notes 2 and 3 of the 2017 Annual Consolidated Financial Statements. The Condensed Interim Consolidated Financial Statements (Unaudited) for the second quarter of 2018 have been prepared in accordance with these accounting policies.

Some of these accounting policies are deemed critical as they require management to apply judgement in order to make particularly significant estimates that, by their very nature, involve uncertainties. Changes in these estimates could materially affect our consolidated financial statements. Refer to the section "Critical Accounting Policies and Estimations" on pages 65 to 68 of our 2017 Annual Report for additional information.

FUTURE CHANGES TO ACCOUNTING POLICIES

There are no significant updates to the future changes to accounting policies disclosed in Note 4 of the 2017 Annual Consolidated Financial Statements and in the section"Future Changes to Accounting Policies" on pages 68 to 70 of our 2017 Annual Report, except for the future accounting change detailed below.

Conceptual framework

In March 2018, the International Accounting Standards Board (IASB) issued a comprehensive set of concepts for financial reporting, the revised Conceptual Framework for Financial Reporting (Conceptual Framework). The revised Conceptual Framework is effective immediately for the IASB and has an effective date of November 1, 2020 for the Bank. The Bank is currently assessing the impact of the adoption of the revised Conceptual Framework on its consolidated financial statements.

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the period ended April 30, 2018

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CONSOLIDATED BALANCE SHEET

In thousands of Canadian dollars (Unaudited)	Notes	**As at April 30 2018**	As at October 31 2017	As at April 30 2017
ASSETS				
Cash and non-interest-bearing deposits with other banks		**$ 142,340**	$ 111,978	$ 107,366
Interest-bearing deposits with other banks		**232,306**	215,384	196,668
Securities	4			
Available-for-sale		**2,822,395**	3,032,159	3,026,296
Held-to-maturity		**375,409**	405,088	199,076
Held-for-trading		**2,344,596**	2,148,767	2,319,698
		5,542,400	5,586,014	5,545,070
Securities purchased under reverse repurchase agreements		**4,230,719**	3,107,841	4,649,721
Loans	5 and 6			
Personal		**5,748,417**	6,038,692	6,356,574
Residential mortgage		**18,229,038**	18,486,449	17,475,747
Commercial [1]		**11,665,022**	11,464,007	9,679,907
Customers' liabilities under acceptances		**697,014**	707,009	667,788
		36,339,491	36,696,157	34,180,016
Allowances for loan losses		**(96,947)**	(99,186)	(105,363)
		36,242,544	36,596,971	34,074,653
Other				
Derivatives		**102,373**	104,426	163,541
Premises and equipment		**49,938**	35,214	31,055
Software and other intangible assets		**328,477**	293,422	163,306
Goodwill		**114,988**	118,100	59,623
Deferred tax assets		**36,802**	38,702	32,581
Other assets		**542,477**	474,606	372,363
		1,175,055	1,064,470	822,469
		$ 47,565,364	$ 46,682,658	$ 45,395,947
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
Personal		**$ 22,077,605**	$ 21,198,982	$ 20,662,048
Business, banks and other		**7,401,208**	7,731,378	6,782,878
		29,478,813	28,930,360	27,444,926
Other				
Obligations related to securities sold short		**2,425,367**	2,165,097	1,737,069
Obligations related to securities sold under repurchase agreements		**2,466,051**	2,678,629	4,482,849
Acceptances		**697,014**	707,009	667,788
Derivatives		**234,247**	217,785	139,651
Deferred tax liabilities		**19,535**	22,112	29,557
Other liabilities		**1,001,312**	1,051,908	928,036
		6,843,526	6,842,540	7,984,950
Debt related to securitization activities	6	**8,450,867**	8,230,921	7,729,744
Subordinated debt		**348,591**	348,427	199,911
Shareholders' equity				
Preferred shares	7	**244,038**	341,600	341,600
Common shares	7	**1,105,294**	953,536	709,629
Retained earnings		**1,099,299**	1,035,770	975,462
Accumulated other comprehensive income		**(5,064)**	(496)	9,725
		2,443,567	2,330,410	2,036,416
		$ 47,565,364	$ 46,682,658	$ 45,395,947

(1) Comparative figures have been reclassified to conform to the current year presentation. Refer to Note 2 for further information.
The accompanying notes are an integral part of the condensed interim consolidated financial statements (unaudited).

CONSOLIDATED STATEMENT OF INCOME

In thousands of Canadian dollars, except per share amounts (Unaudited)	Notes	For the three months ended April 30 2018	January 31 2018	April 30 2017	For the six months ended April 30 2018	April 30 2017
Interest income						
Loans		**$ 344,870**	$ 340,629	$ 274,129	**$ 685,499**	$ 554,803
Securities		**13,342**	13,621	9,252	**26,963**	19,467
Deposits with other banks		**675**	551	94	**1,226**	220
Other, including derivatives		**6,444**	5,706	10,529	**12,150**	22,922
		365,331	360,507	294,004	**725,838**	597,412
Interest expense						
Deposits		**139,221**	134,060	109,624	**273,281**	224,447
Debt related to securitization activities		**41,038**	40,526	31,422	**81,564**	63,879
Subordinated debt		**3,709**	3,835	1,575	**7,544**	3,194
Other, including derivatives		**4,251**	3,451	907	**7,702**	1,729
		188,219	181,872	143,528	**370,091**	293,249
Net interest income		**177,112**	178,635	150,476	**355,747**	304,163
Other income						
Fees and commissions on loans and deposits		**35,967**	38,077	37,713	**74,044**	75,083
Income from brokerage operations		**14,366**	18,586	18,396	**32,952**	38,081
Income from sales of mutual funds		**11,843**	12,229	11,758	**24,072**	22,662
Income from investment accounts		**5,139**	5,730	6,195	**10,869**	11,864
Insurance income, net		**4,217**	3,547	4,592	**7,764**	9,172
Income from treasury and financial market operations		**1,486**	5,622	4,751	**7,108**	9,878
Other		**9,757**	4,576	4,926	**14,333**	9,537
		82,775	88,367	88,331	**171,142**	176,277
Total revenue		**259,887**	267,002	238,807	**526,889**	480,440
Amortization of net premium on purchased financial instruments		**601**	653	878	**1,254**	1,910
Provision for credit losses	5	**9,500**	12,000	10,100	**21,500**	19,100
Non-interest expenses						
Salaries and employee benefits		**91,550**	93,662	88,055	**185,212**	177,641
Premises and technology		**47,952**	47,306	45,608	**95,258**	91,914
Other		**32,543**	35,060	27,182	**67,603**	54,405
Restructuring charges	12	**1,751**	918	1,704	**2,669**	2,649
Costs related to business combinations	13	**1,758**	599	6,385	**2,357**	10,021
		175,554	177,545	168,934	**353,099**	336,630
Income before income taxes		**74,232**	76,804	58,895	**151,036**	122,800
Income taxes		**15,037**	17,057	14,323	**32,094**	29,772
Net income		**$ 59,195**	$ 59,747	$ 44,572	**$ 118,942**	$ 93,028
Preferred share dividends, including applicable taxes		**3,253**	4,279	4,275	**7,532**	8,547
Net income available to common shareholders		**$ 55,942**	$ 55,468	$ 40,297	**$ 111,410**	$ 84,481
Average number of common shares outstanding (in thousands)						
Basic		**41,762**	39,459	33,985	**40,591**	33,930
Diluted		**41,762**	39,459	33,985	**40,591**	33,930
Earnings per share						
Basic		**$ 1.34**	$ 1.41	$ 1.19	**$ 2.74**	$ 2.49
Diluted		**$ 1.34**	$ 1.41	$ 1.19	**$ 2.74**	$ 2.49
Dividends declared per share						
Common share		**$ 0.63**	$ 0.63	$ 0.61	**$ 1.26**	$ 1.22
Preferred share - Series 11		**$ —**	$ 0.25	$ 0.25	**$ 0.25**	$ 0.50
Preferred share - Series 13		**$ 0.27**	$ 0.27	$ 0.27	**$ 0.54**	$ 0.54
Preferred share - Series 15		**$ 0.37**	$ 0.37	$ 0.37	**$ 0.73**	$ 0.73

The accompanying notes are an integral part of the condensed interim consolidated financial statements (unaudited).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of Canadian dollars (Unaudited)	For the three months ended			For the six months ended	
	April 30 2018	January 31 2018	April 30 2017	**April 30 2018**	April 30 2017
Net income	**$ 59,195**	$ 59,747	$ 44,572	**$ 118,942**	$ 93,028
Other comprehensive income, net of income taxes					
Items that may subsequently be reclassified to the statement of income					
Net change in available-for-sale securities					
Unrealized net gains (losses) on available-for-sale securities	**(4,582)**	985	5,586	**(3,597)**	7,919
Reclassification of net gains on available-for-sale securities to net income	**(53)**	(1,902)	(1,499)	**(1,955)**	(4,651)
	(4,635)	(917)	4,087	**(5,552)**	3,268
Net change in value of derivatives designated as cash flow hedges	**3,974**	(2,986)	(1,320)	**988**	(5,416)
Net foreign currency translation adjustments					
Net unrealized foreign currency translations gains (losses) on investments in foreign operations	**14,802**	(14,936)	—	**(134)**	—
Unrealized net gains (losses) on hedges of investments in foreign operations	**(7,529)**	7,659	—	**130**	—
	7,273	(7,277)	—	**(4)**	—
	6,612	(11,180)	2,767	**(4,568)**	(2,148)
Items that may not subsequently be reclassified to the statement of income					
Remeasurement gains (losses) on employee benefit plans	**246**	5,146	(1,105)	**5,392**	7,470
Comprehensive income	**$ 66,053**	$ 53,713	$ 46,234	**$ 119,766**	$ 98,350

INCOME TAXES — OTHER COMPREHENSIVE INCOME

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

In thousands of Canadian dollars (Unaudited)	For the three months ended			For the six months ended	
	April 30 2018	January 31 2018	April 30 2017	**April 30 2018**	April 30 2017
Income tax expense (recovery) on:					
Net change in available-for-sale securities					
Unrealized net gains (losses) on available-for-sale securities	**$ (1,519)**	$ 414	$ 2,006	**$ (1,105)**	$ 2,990
Reclassification of net gains on available-for-sale securities to net income	**(78)**	(587)	(549)	**(665)**	(1,704)
	(1,597)	(173)	1,457	**(1,770)**	1,286
Net change in value of derivatives designated as cash flow hedges	**1,440**	(1,082)	(488)	**358**	(1,965)
Net foreign currency translation adjustments					
Unrealized net gains (losses) on hedges of investments in foreign operations	**(1,163)**	1,183	—	**20**	—
Remeasurement gains (losses) on employee benefit plans	**89**	1,873	(403)	**1,962**	2,730
	$ (1,231)	$ 1,801	$ 566	**$ 570**	$ 2,051

The accompanying notes are an integral part of the condensed interim consolidated financial statements (unaudited).

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended April 30

In thousands of Canadian dollars (Unaudited)	Preferred shares (Note 7)	Common shares (Note 7)	Retained earnings	Accumulated other comprehensive income: Available-for-sale securities	Accumulated other comprehensive income: Cash flow hedges	Accumulated other comprehensive income: Translation of foreign operations	Accumulated other comprehensive income: Total	Total shareholder's equity
Balance as at October 31, 2017	$ 341,600	$ 953,536	$ 1,035,770	$ 4,849	$ (7,293)	$ 1,948	$ (496)	$ 2,330,410
Net income			118,942					118,942
Other comprehensive income (net of income taxes)								
Unrealized net gains on available-for-sale securities				(3,597)			(3,597)	(3,597)
Reclassification of net (gains) on available-for-sale securities to net income				(1,955)			(1,955)	(1,955)
Net change in value of derivatives designated as cash flow hedges					988		988	988
Net unrealized foreign currency translation gains (losses) on investments in foreign operations						(134)	(134)	(134)
Unrealized net gains (losses) on hedges of investments in foreign operations						130	130	130
Remeasurement of gains on employee benefit plans			5,392					5,392
Comprehensive income			124,334	(5,552)	988	(4)	(4,568)	119,766
Issuance of share capital		151,758						151,758
Repurchase of share capital	(97,562)		(2,438)					(100,000)
Dividends								
Preferred shares, including applicable taxes			(7,532)					(7,532)
Common shares			(50,835)					(50,835)
Balance as at April 30, 2018	$ 244,038	$ 1,105,294	$ 1,099,299	$ (703)	$ (6,305)	$ 1,944	$ (5,064)	$ 2,443,567
Balance as at October 31, 2016	$ 341,600	$ 696,493	$ 924,861	$ 203	$ 11,670	$ —	$ 11,873	$ 1,974,827
Net income			93,028					93,028
Other comprehensive income (net of income taxes)								
Unrealized net gains on available-for-sale securities				7,919			7,919	7,919
Reclassification of net losses on available-for-sale securities to net income				(4,651)			(4,651)	(4,651)
Net change in value of derivatives designated as cash flow hedges					(5,416)		(5,416)	(5,416)
Remeasurement of gain on employee benefit plans			7,470					7,470
Comprehensive income			100,498	3,268	(5,416)	—	(2,148)	98,350
Issuance of share capital		13,136						13,136
Dividends								
Preferred shares, including applicable taxes			(8,547)					(8,547)
Common shares			(41,350)					(41,350)
Balance as at April 30, 2017	$ 341,600	$ 709,629	$ 975,462	$ 3,471	$ 6,254	$ —	$ 9,725	$ 2,036,416

The accompanying notes are an integral part of the condensed interim consolidated financial statements (unaudited).

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the three months ended			For the six months ended	
In thousands of Canadian dollars (Unaudited)	**April 30 2018**	January 31 2018	April 30 2017	**April 30 2018**	April 30 2017
Cash flows relating to operating activities					
Net income	**$ 59,195**	$ 59,747	$ 44,572	**$ 118,942**	$ 93,028
Adjustments to determine net cash flows relating to operating activities:					
Provision for credit losses	**9,500**	12,000	10,100	**21,500**	19,100
Net (gains) losses on disposal of available-for-sale securities	**(130)**	(2,490)	(2,657)	**(2,620)**	(6,963)
Net gain on sale of agricultural commercial loan portfolio	**(5,330)**	—	—	**(5,330)**	—
Deferred income taxes	**(595)**	(1,046)	3,043	**(1,641)**	4,982
Depreciation of premises and equipment	**1,667**	1,668	1,712	**3,335**	3,802
Amortization of software and other intangible assets	**8,825**	8,385	6,345	**17,210**	12,602
Change in operating assets and liabilities:					
Loans	**23,369**	(68,372)	(463,583)	**(45,003)**	(830,492)
Change in acceptances	**4,210**	(14,205)	130,755	**(9,995)**	37,963
Securities at fair value through profit and loss	**(277,462)**	81,633	287,267	**(195,829)**	114,809
Securities purchased under reverse repurchase agreements	**(327,633)**	(795,245)	(1,803,656)	**(1,122,878)**	(1,769,735)
Accrued interest receivable	**(5,762)**	4,876	(4,940)	**(886)**	(4,743)
Derivative assets	**38,056**	(36,003)	3,940	**2,053**	69,250
Deposits	**49,540**	504,759	746,081	**554,299**	(128,419)
Obligations related to securities sold short	**(523,033)**	783,303	39,297	**260,270**	29,776
Obligations related to securities sold under repurchase agreements	**350,234**	(562,812)	786,070	**(212,578)**	1,957,408
Accrued interest payable	**23,706**	(9,344)	16,460	**14,362**	(1,768)
Derivative liabilities	**(19,544)**	36,006	5,654	**16,462**	(10,848)
Change in debt related to securitization activities	**207,908**	12,038	451,030	**219,946**	485,290
Other, net	**3,330**	(128,433)	62,239	**(125,103)**	75,721
	(379,949)	(113,535)	319,729	**(493,484)**	150,763
Cash flows relating to financing activities					
Repurchase of preferred shares	**—**	(100,000)	—	**(100,000)**	—
Net proceeds from issuance of common shares	**(89)**	139,223	12	**139,134**	14
Dividends	**(20,972)**	(21,115)	(19,055)	**(42,087)**	(38,703)
	(21,061)	18,108	(19,043)	**(2,953)**	(38,689)
Cash flows relating to investing activities					
Change in available-for-sale securities					
Acquisitions	**(1,128,788)**	(1,279,114)	(908,789)	**(2,407,902)**	(1,616,936)
Proceeds on sale and at maturity	**1,172,093**	1,440,610	518,995	**2,612,703**	1,323,432
Change in held-to-maturity securities					
Acquisitions	**(170,781)**	(230,883)	(64,341)	**(401,664)**	(271,975)
Proceeds at maturity	**246,581**	184,763	195,441	**431,344**	575,334
Proceeds on sale of commercial loans	**380,106**	—	12,487	**380,106**	12,487
Additions to premises and equipment and intangible assets	**(42,053)**	(28,813)	(16,286)	**(70,866)**	(27,286)
Cash paid for business combinations	**—**	—	9,805	**—**	9,805
Change in interest-bearing deposits with other banks	**(45,930)**	29,008	(67,191)	**(16,922)**	(133,285)
	411,228	115,571	(319,879)	**526,799**	(128,424)
Net change in cash and non-interest-bearing deposits with other banks	**10,218**	20,144	(19,193)	**30,362**	(16,350)
Cash and non-interest-bearing deposits with other banks at beginning of period	**132,122**	111,978	126,559	**111,978**	123,716
Cash and non-interest-bearing deposits with other banks at end of period	**$ 142,340**	$ 132,122	$ 107,366	**$ 142,340**	$ 107,366
Supplemental disclosure about cash flows relating to operating activities:					
Interest paid during the period	**$ 165,475**	$ 189,918	$ 121,811	**$ 355,393**	$ 293,988
Interest received during the period	**$ 355,001**	$ 368,678	$ 288,983	**$ 723,679**	$ 593,707
Dividends received during the period	**$ 2,675**	$ 2,446	$ 2,001	**$ 5,121**	$ 4,051
Income taxes paid during the period	**$ 25,482**	$ 34,291	$ 13,694	**$ 59,773**	$ 42,585

The accompanying notes are an integral part of the condensed interim consolidated financial statements (unaudited).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

All tabular amounts are in thousands of Canadian dollars, unless otherwise indicated (Unaudited)

1. GENERAL INFORMATION

Laurentian Bank of Canada and its subsidiaries (the Bank) provide banking services to individuals and small and medium-sized enterprises, as well as to independent advisors across Canada, and operate as a full-service brokerage firm. The Bank is the ultimate parent of the group. The Bank is a chartered bank under Schedule 1 of the Bank Act (Canada) and has its head office in Montreal, Canada. The Bank's common shares (stock symbol: LB) are listed on the Toronto Stock Exchange.

The condensed interim consolidated financial statements (unaudited) for the period ended April 30, 2018 were approved for issuance by the Board of Directors on June 1, 2018.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with the Bank Act, which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions Canada (OSFI), financial statements are to be prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements have been prepared under IFRS as issued by the International Accounting Standards Board (IASB) in accordance with IAS 34, *Interim Financial Reporting*.

These consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 31, 2017 prepared in accordance with IFRS. The accounting policies described in Note 3 to the audited annual consolidated financial statements have been applied consistently to all periods presented within these financial statements.

Use of estimates and judgment

The preparation of these consolidated financial statements in accordance with IFRS requires management to make complex judgments that affect the reported amounts of assets, liabilities, net income and other related disclosures. Management has established controls and procedures to ensure these estimates are controlled, reviewed and consistently applied over time. Management believes that the estimates of the value of the Bank's assets and liabilities are appropriate.

Current presentation changes

Commercial loans

As at November 1, 2017, commercial mortgage loans and commercial and other loans previously presented separately on the consolidated balance sheet are presented together under the line item commercial loans. This change in presentation was applied retrospectively, and better reflects the nature of the Bank's business activities.

3. FUTURE ACCOUNTING CHANGES

There are no significant updates to the future accounting changes disclosed in Note 4 of the audited annual consolidated financial statements, except for the future accounting change detailed below.

Conceptual Framework for Financial Reporting

In March 2018, the IASB issued a comprehensive set of concepts for financial reporting, the revised Conceptual Framework for Financial Reporting (Conceptual Framework), replacing the previous version of the Conceptual Framework issued in 2010. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the IASB in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The revised Conceptual Framework is effective immediately for the IASB and the IFRS Interpretations Committee.

The revised Conceptual Framework has an effective date of January 1, 2020—with earlier application permitted—for companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction. The Bank is currently assessing the impact of the adoption of the revised Conceptual Framework on its consolidated financial statements.

4. SECURITIES

Gains and losses recognized in comprehensive income

Gains and losses recognized in income from treasury and financial market operations on the portfolio of available-for-sale securities

	For the three months ended			For the six months ended	
	April 30 2018	January 31 2018	April 30 2017	**April 30 2018**	April 30 2017
Realized net gains	**$ 130**	$ 2,490	$ 2,657	**$ 2,620**	$ 6,963
Write-downs for impairment	**—**	—	(608)	**—**	(608)
	$ 130	$ 2,490	$ 2,049	**$ 2,620**	$ 6,355

Accumulated unrealized gains and losses recognized in other comprehensive income on the portfolio of available-for-sale securities
Accumulated unrealized gains and losses on available-for-sale securities result mainly from fluctuations in market prices as well as changes in interest and exchange rates. The Bank considers that no objective evidence of impairment related to the securities in an unrealized loss position exists, based on the market conditions at the reporting date and monitors these investments and market conditions on an ongoing basis.

				As at April 30, 2018
	Amortized cost	**Unrealized gains**	**Unrealized losses**	**Fair value**
Securities issued or guaranteed				
by Canada [1]	**$ 1,105,226**	**$ 118**	**$ 230**	**$ 1,105,114**
by provinces	**1,385,068**	**1,908**	**361**	**1,386,615**
by municipalities	**134,544**	**—**	**1,424**	**133,120**
Other debt securities	**39,010**	**7**	**756**	**38,261**
Asset-backed securities	**3,030**	**—**	**—**	**3,030**
Preferred shares	**146,927**	**3,084**	**2,286**	**147,725**
Common shares and other securities	**8,642**	**149**	**261**	**8,530**
	$ 2,822,447	**$ 5,266**	**$ 5,318**	**$ 2,822,395**

				As at October 31, 2017
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Securities issued or guaranteed				
by Canada [1]	$ 1,391,378	$ 818	$ 495	$ 1,391,701
by provinces	1,200,864	3,829	280	1,204,413
by municipalities	208,423	100	1,174	207,349
Other debt securities	64,294	513	636	64,171
Asset-backed securities	3,393	9	—	3,402
Preferred shares	141,761	4,828	843	145,746
Common shares and other securities	14,515	912	50	15,377
	$ 3,024,628	$ 11,009	$ 3,478	$ 3,032,159

				As at April 30, 2017
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Securities issued or guaranteed				
by Canada [1]	$ 1,451,080	$ 648	$ 693	$ 1,451,035
by provinces	996,954	3,210	205	999,959
by municipalities	190,195	876	96	190,975
Other debt securities	217,639	2,382	243	219,778
Asset-backed securities	4,690	48	—	4,738
Preferred shares	128,354	2,973	2,805	128,522
Common shares and other securities	30,477	1,094	282	31,289
	$ 3,019,389	$ 11,231	$ 4,324	$ 3,026,296

(1) Including mortgage-backed securities that are fully guaranteed by the Canada Mortgage and Housing Corporation pursuant to the National Housing Act.

5. LOANS

Allowances for credit losses

	For the six months ended April 30, 2018					
	Balance at beginning of period	**Provision for credit losses**	**Write-offs**	**Recoveries and other [1]**	**Interest accrued on impaired loans**	**Balance at end of period**
Personal	**$ 30,600**	**$ 12,667**	**$ (16,425)**	**$ 3,420**	**$ (462)**	**$ 29,800**
Residential mortgage	**10,818**	**1,383**	**(213)**	**(619)**	**(729)**	**10,640**
Commercial [2] [3]	**63,474**	**7,450**	**(9,706)**	**134**	**(882)**	**60,470**
Total allowances for credit losses	**$ 104,892**	**$ 21,500**	**$ (26,344)**	**$ 2,935**	**$ (2,073)**	**$ 100,910**
Individual allowances	**$ 24,801**	**$ 4,026**	**$ (8,865)**	**$ (1)**	**$ (437)**	**$ 19,524**
Collective allowances against impaired loans	**17,828**	**11,689**	**(17,479)**	**2,936**	**(1,636)**	**13,338**
Collective allowances against other loans	**56,557**	**7,528**	**—**	**—**	**—**	**64,085**
Total allowances for loan losses	**99,186**	**23,243**	**(26,344)**	**2,935**	**(2,073)**	**96,947**
Allowances for off-balance sheet exposures [4]	**5,706**	**(1,743)**	**—**	**—**	**—**	**3,963**
Total allowances for credit losses	**$ 104,892**	**$ 21,500**	**$ (26,344)**	**$ 2,935**	**$ (2,073)**	**$ 100,910**

	For the six months ended April 30, 2017					
	Balance at beginning of period	Provision for credit losses	Write-offs	Recoveries and other	Interest accrued on impaired loans	Balance at end of period
Personal	$ 36,452	$ 16,448	$ (18,304)	$ 3,283	$ (345)	$ 37,534
Residential mortgage	11,018	2,199	(847)	(27)	(668)	11,675
Commercial [2] [3]	63,094	453	(3,093)	501	(504)	60,451
Total allowances for credit losses	$ 110,564	$ 19,100	$ (22,244)	$ 3,757	$ (1,517)	$ 109,660
Individual allowances	$ 19,208	$ 5,220	$ (2,992)	$ 498	$ (173)	$ 21,761
Collective allowances against impaired loans	15,977	19,199	(19,252)	3,259	(1,344)	17,839
Collective allowances against other loans	69,824	(4,061)	—	—	—	65,763
Total allowances for loan losses	$ 105,009	$ 20,358	$ (22,244)	$ 3,757	$ (1,517)	$ 105,363
Allowances for off-balance sheet exposures [4]	5,555	(1,258)	—	—	—	4,297
Total allowances for credit losses	$ 110,564	$ 19,100	$ (22,244)	$ 3,757	$ (1,517)	$ 109,660

(1) Includes impact of foreign exchange movements.
(2) Including customers' liabilities under acceptances.
(3) Comparative figures have been reclassified to conform to the current year presentation. Refer to Note 2 for further information.
(4) The allowances for off-balance sheet exposures, such as letters of guarantee and certain undrawn amounts under approved credit facilities, are recognized in other liabilities.

Impaired loans

	As at April 30, 2018			
	Gross amount	**Individual allowances**	**Collective allowances against impaired loans**	**Net amount**
Personal	**$ 21,686**	**$ —**	**$ 8,218**	**$ 13,468**
Residential mortgage	**30,694**	**—**	**2,533**	**28,161**
Commercial [1] [2]	**102,315**	**19,524**	**2,587**	**80,204**
	$ 154,695	**$ 19,524**	**$ 13,338**	**$ 121,833**

(1) Including customers' liabilities under acceptances.
(2) Comparative figures have been reclassified to conform to the current year presentation. Refer to Note 2 for further information.

5. LOANS (CONT'D)

As at October 31, 2017

		Gross amount		Individual allowances		Collective allowances against impaired loans		Net amount
Personal	$	20,874	$	—	$	11,462	$	9,412
Residential mortgage		30,326		—		2,703		27,623
Commercial [1][2]		100,691		24,801		3,663		72,227
	$	151,891	$	24,801	$	17,828	$	109,262

As at April 30, 2017

		Gross amount		Individual allowances		Collective allowances against impaired loans		Net amount
Personal	$	22,336	$	—	$	13,488	$	8,848
Residential mortgage		26,469		—		2,461		24,008
Commercial [1][2]		77,024		21,761		1,890		53,373
	$	125,829	$	21,761	$	17,839	$	86,229

(1) Including customers' liabilities under acceptances and finance lease receivables.
(2) Comparative figures have been reclassified to conform to the current year presentation. Refer to Note 2 for further information.

Loans past due but not impaired

Personal and residential mortgage loans past due shown in the table below are not classified as impaired because they are less than 90 days past due or they are secured such as to reasonably expect full recovery. Commercial loans past due but not impaired are not significant.

As at April 30, 2018

		1 day-31 days		**32 days-90 days**		**Over 90 days**		**Total**
Personal	**$**	**80,415**	**$**	**22,203**	**$**	**8,041**	**$**	**110,659**
Residential mortgage		**271,366**		**39,954**		**16,152**		**327,472**
	$	**351,781**	**$**	**62,157**	**$**	**24,193**	**$**	**438,131**

As at October 31, 2017

		1 day-31 days		32 days-90 days		Over 90 days		Total
Personal	$	78,031	$	26,903	$	7,702	$	112,636
Residential mortgage		259,395		40,490		19,051		318,936
	$	337,426	$	67,393	$	26,753	$	431,572

As at April 30, 2017

		1 day-31 days		32 days-90 days		Over 90 days		Total
Personal	$	96,401	$	23,839	$	7,126	$	127,366
Residential mortgage		283,502		49,892		20,504		353,898
	$	379,903	$	73,731	$	27,630	$	481,264

Finance lease receivables

The Commercial loans line item includes net investment in leases of $841.5 million as at April 30, 2018 ($808.3 million as at October 31, 2017 and $772.5 million as at April 30, 2017).

Sale of commercial loans

During the quarter ended April 30, 2018, the Bank sold a $380.0 million agricultural commercial loan portfolio and recognized a $5.3 million gain in other income.

6. SECURITIZATION AND STRUCTURED ENTITIES

6.1 TRANSFER OF FINANCIAL ASSETS

The Bank sells mortgage loans to the Canada Mortgage Bond (CMB) program and to third-party investors under the National Housing Act (NHA) Mortgage-Backed Securities (MBS) program, as well as through a multi-seller conduit set up by another Canadian bank.

Financial assets not qualifying for derecognition and associated financial liabilities

The following table summarizes the carrying amounts of financial assets that do not qualify for derecognition and their associated financial liabilities included in the consolidated balance sheet.

	As at April 30 2018	As at October 31 2017	As at April 30 2017
Residential mortgage loans	**$ 7,043,624**	$ 7,063,929	$ 6,844,334
Replacement Assets			
Cash and deposits with other banks	**10,277**	10,069	10,370
Securities purchased under reverse repurchase agreements	**435,074**	1,118	296,709
Other securities	**375,409**	405,088	199,076
Debt related to securitization activities	**$ (7,845,642)**	$ (7,524,885)	$ (7,426,944)

The following table summarizes the securitization activities carried out by the Bank.

	For the three months ended			For the six months ended	
	April 30 2018	January 31 2018	April 30 2017	**April 30 2018**	April 30 2017
Carrying amounts of mortgages transferred during the period related to new financing	**$ 373,627**	$ 504,858	$ 601,739	**$ 878,485**	$ 1,237,129
Carrying amounts of mortgages transferred during the period as Replacement Assets	**$ 169,239**	$ 149,264	$ 131,204	**$ 318,503**	$ 286,764

Securitized Mortgage Loan Review

Third Party Purchaser Program

In late September 2017, the Bank was advised by a third-party purchaser (the "TPP"), following a normal course audit, that certain mortgage loans previously sold to the TPP did not meet their documentation and eligibility criteria.

In regards to the B2B Bank-originated mortgage loans sold to the TPP, we completed a full review of these mortgage loans in 2017. This review led to the Bank repurchasing certain ineligible mortgage loans in the first quarter of 2018 for a total amount of $89 million. In addition, the Bank provided a cash reserve deposit to the TPP in relation to these mortgage loans, of which $23 million has been retained by the TPP as credit enhancement for the program. The cash reserve deposit is currently being remitted to the Bank over time as the B2B Bank originated mortgage loans amortize. The cash reserve deposit is presented as part of other assets.

In regards to the branch-originated mortgage loans sold to the TPP, a comprehensive internal review of approximately 1,900 mortgage loans was completed during the second quarter of 2018. Based on this internal review, the Bank has identified certain ineligible mortgage loans amounting to $115 million which, as agreed to with the TPP, will be repurchased by the Bank during the third quarter of 2018. The amount of this repurchase is in line with our estimate of approximately $124 million, as reported at the end of the first quarter of 2018. In addition, in the first quarter of 2018, the Bank provided the TPP an additional cash reserve deposit in the amount of $61 million in relation to these mortgage loans. As part of the agreement with the TPP, $6 million of this cash reserve deposit will be released to the Bank during the third quarter of 2018. The remainder of this cash reserve deposit will be retained by the TPP as additional credit enhancement to the program, and will be remitted to the Bank over time as the branch-originated mortgage loans amortize.

As part of our internal review and as previously disclosed, we also had identified certain low loan-to-value (LTV) mortgage loans that were sold to the TPP and that did not meet the program eligibility criteria amounting to $91 million. These mortgage loans were repurchased by the Bank in the first quarter of 2018.

Canadian Mortgage and Housing Corporate (CMHC) Program

During the second quarter of 2018, CMHC completed a normal course audit of the Bank's portfolio insured mortgage loans. The audit highlighted similar issues as those identified in the fourth quarter of 2017, as certain mortgage loans were inadvertently portfolio insured while they did not meet CMHC portfolio insurance eligibility criteria.

As a result, in addition to those mortgage loans already repurchased from the CMHC securitization program at the beginning of 2018 for an amount of $88 million, the Bank will repurchase those other mortgage loans that were inadvertently portfolio insured and sold to the CMHC securitization program. CMHC insurance on those portfolio insured mortgage loans will also be cancelled concurrently by CMHC.

6. SECURITIZATION AND STRUCTURED ENTITIES (CONT'D)

To that end, the Bank is undertaking to complete a review of all B2B Bank and branch-originated mortgage loans portfolio insured by CMHC but not sold to, as well as portfolio insured mortgage loans sold to the CMHC securitization program. Based on the results of CMHC's normal course audit the Bank estimates the total amount of such mortgage loans to be repurchased at between $125 and $150 million. The review is expected to be concluded before the end of the fiscal year. The Bank will also provide CMHC with a $20 million cash reserve deposit pending the conclusion of the review.

6.2 STRUCTURED ENTITIES SECURITIZATON VEHICLES

Financial assets securitized through structured entities

The following table summarizes the carrying amounts of financial assets securitized through structured entities and their associated financial liabilities included in the consolidated balance sheet.

		As at April 30 2018		As at October 31 2017		As at April 30 2017
Personal loans	**$**	**879,268**	$	949,104	$	—
Commercial loans [1]		**453,309**		562,421		328,373
Debt related to securitization activities involving structured entities	**$**	**(605,225)**	$	(706,036)	$	(302,800)

(1) The Bank securitizes finance lease receivables which are included in the Commercial loans line item.

No new securitization activities were carried out by the Bank's consolidated structured entities for the three months ended April 30, 2018 (no activity for the three months ended January 31, 2018 or April 30, 2017) and for the six months ended April 30, 2018 (no activity for the six months ended April 30, 2017).

7. SHARE CAPITAL

Preferred shares

The variation and outstanding number and amounts of preferred shares was as follows.

	For the six months ended					
			April 30 2018			April 30 2017
	Number of shares		**Amount**	Number of shares		Amount
Non-Cumulative Class A Preferred Shares						
Series 11						
Outstanding at beginning of period	**4,000,000**	**$**	**97,562**	4,000,000	$	97,562
Repurchase of shares	**(4,000,000)**		**(97,562)**	—		—
Outstanding at the end of period	**—**		**—**	4,000,000		97,562
Series 13						
Outstanding at beginning and end of period	**5,000,000**	**$**	**122,071**	5,000,000	$	122,071
Series 15						
Outstanding at beginning and end of period	**5,000,000**	**$**	**121,967**	5,000,000		121,967
	10,000,000	**$**	**244,038**	14,000,000	$	341,600

There were no outstanding Non-Cumulative Class A Preferred Shares Series 14 and Series 16 as at April 30, 2018 (no outstanding preferred shares Series 12, Series 14 and Series 16 as at April 30, 2017).

Repurchase of preferred shares

On December 15, 2017 the Bank repurchased 4,000,000 Non-cumulative Class A Preferred Shares, Series 11 at a price of $25.00 per share, for an aggregate amount of $100.0 million.

7. SHARE CAPITAL (CONT'D)

Common shares

The variation and outstanding number and amounts of common shares was as follows.

	For the six months ended			
		April 30 2018		April 30 2017
	Number of shares	**Amount**	Number of shares	Amount
Common shares				
Outstanding at beginning of period	**38,966,473**	**$ 953,536**	33,842,170	$ 696,493
Issuance under a public offering	**2,624,300**	**143,812**	—	—
Issuance under the Shareholder Dividend Reinvestment and Share Purchase Plan	**251,322**	**12,660**	229,286	13,166
Net issuance costs	**n.a.**	**(4,714)**	n.a.	(30)
	41,842,095	**$ 1,105,294**	34,071,456	$ 709,629

Issuance under a public offering

On January 16, 2018, the Bank completed the issuance of 2,282,000 common shares for gross proceeds of $125.1 million. In connection with this share issuance, on January 18, 2018, the Bank issued an additional 342,300 common shares related to an over-allotment option. Including the over-allotment option, the Bank issued 2,624,300 common shares for gross proceeds of $143.8 million.

Dividend reinvestment and share purchase plan

The Bank determined that as of December 4, 2017, reinvestments related to the dividend declared would be made in common shares issued from treasury at a 2% discount.

Dividends declared

On May 15, 2018, the Board of Directors declared the regular dividend on the various series of preferred shares to shareholders of record on June 7, 2018.

On June 1, 2018, the Board of Directors declared a quarterly dividend of $0.64 per common share, payable on August 1, 2018, to shareholders of record on July 2, 2018.

Capital management

Regulatory capital
OSFI requires banks to meet minimum risk-based capital ratios drawn on the BCBS capital framework, commonly referred to as Basel III. Under OSFI's Capital Adequacy Requirements guideline, minimum Common Equity Tier 1, Total Tier 1 and Total capital ratios were set at 6.375%, 7.875% and 9.875% respectively for 2018. These ratios include the phase-in of the capital conservation buffer and of certain regulatory adjustments through 2019 and phase-out of non-qualifying capital instruments through 2022 (the "transitional" basis). The guideline also provides for annual increases in minimum capital ratio requirements, which will reach 7.0%, 8.5% and 10.5% respectively in 2019, including the 2.5% capital conservation buffer.

Furthermore, OSFI expects deposit-taking institutions to maintain target capital ratios without transition arrangements equal to or greater than the 2019 minimum capital ratios plus a conservation buffer (the "all-in" basis), including a minimum 7.0% Common Equity Tier 1 ratio target. The "all-in" basis includes all of the regulatory adjustments that will be required by 2019 but retains the phase-out rules for non-qualifying capital instruments.

Under OSFI's Leverage Requirements Guideline, 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 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.

7. SHARE CAPITAL (CONT'D)

The Bank has complied with regulatory capital requirements throughout the six-month period ended April 30, 2018. Regulatory capital on an "all-in basis" is detailed below.

		As at April 30 2018		As at October 31 2017
Common shares	**$**	**1,105,294**	$	953,536
Retained earnings		**1,099,299**		1,035,770
Accumulated other comprehensive income, excluding cash flow hedge reserve		**1,241**		6,797
Deductions from Common Equity Tier 1 capital [1]		**(418,041)**		(383,804)
Common Equity Tier 1 capital		**1,787,793**		1,612,299
Non-qualifying preferred shares [2]		**—**		97,562
Qualifying preferred shares		**244,038**		244,038
Additional Tier 1 capital		**244,038**		341,600
Tier 1 capital		**2,031,831**		1,953,899
Qualifying subordinated debt		**348,591**		348,427
Collective allowances		**81,387**		62,263
Deductions from Tier 2 capital		**(1,362)**		—
Tier 2 capital		**428,616**		410,690
Total capital	**$**	**2,460,447**	$	2,364,589
Common Equity Tier 1 capital ratio		**8.6%**		7.9%
Tier 1 capital ratio		**9.8%**		9.6%
Total capital ratio		**11.8%**		11.6%

(1) Comprised of deductions for software and other intangible assets, goodwill, pension plan assets and other.
(2) There is currently no deduction related to the non-qualifying capital instruments under Basel III.

8. SHARE-BASED COMPENSATION

Performance-based share unit plans

Performance-based share units

During the second quarter of 2018, under the performance-based share unit plan, the Bank granted 3,328 additional performance-based share units valued at $52.00 each. The rights to these units will vest in December 2020 and upon meeting certain financial objectives.

During the first quarter of 2018, under the performance-based share unit plan, the Bank granted 157,854 performance-based share units valued at $56.40 each. The rights to these units will vest in December 2020 and upon meeting certain financial objectives.

Transformation performance-based share units

During the first quarter of 2018, in line with the decision to reset the Bank's mid-term objectives from 2019 to 2020 while keeping the 2022 targets intact, 25,413 units related to the 2017 Transformation performance-based cash settled share unit plan were canceled and replaced by 57,173 units of the new 2018 Transformation performance-based share unit plan. The rights to the 2018 Transformation performance-based share units (the Transformation PSUs) will vest after three years and only if the Bank attains the following performance targets at the end of fiscal 2020: an adjusted return on equity (ROE) no worse than 300 basis points below the average ROE of the six major Canadian banks for fiscal 2020 (relative performance); or an adjusted ROE of 14% or better for fiscal 2020 (absolute performance). On January 10, 2018, the grant date, the value of the units granted was $56.40 per unit. During the second quarter of 2018, the Bank granted 1,238 additional units valued at $52.00 each.

Restricted share unit plans

During the first quarter of 2018, under the restricted share unit plan, annual bonuses for certain employees amounting to $3.0 million were converted into 53,168 entirely vested restricted share units. Simultaneously, the Bank also granted 37,875 additional restricted share units valued at $56.40 each that will vest in December 2020.

During the first quarter of 2018, under the restricted share unit plan for employees of the Capital Markets sector, annual bonuses for certain employees amounting to $1.8 million were converted into 32,599 entirely vested restricted share units. This plan does not provide for any employer contribution and a third of these restricted share units are redeemed in December at each of the first three anniversary dates of the grant.

8. SHARE-BASED COMPENSATION (CONT'D)

Share-based compensation plans expense and related liability

The following table presents the expense related to all share-based compensation plans, net of the effect of related hedging transactions.

	For the three months ended			For the six months ended	
	April 30 2018	January 31 2018	April 30 2017	**April 30 2018**	April 30 2017
Expense arising from cash-settled share-based compensation transactions	**$ (1,058)**	$ (3,714)	$ 816	**$ (4,772)**	$ 10,806
Effect of hedges	**2,582**	4,898	1,739	**7,480**	(6,323)
	$ 1,524	$ 1,184	$ 2,555	**$ 2,708**	$ 4,483

With a view to reducing volatility in the share-based compensation plans expense, the Bank enters into total return swap contracts with third parties, the value of which is linked to the Bank's share price. Changes in fair value of these derivative instruments partially offset the share-based payment expense related to the share price variations over the period in which the swaps are in effect.

The carrying amount of the liability relating to the cash-settled plans was $36.4 million as at April 30, 2018 ($49.4 million as at October 31, 2017 and $41.0 million as at April 30, 2017). The intrinsic value of the total liability related to fully vested rights and units was $23.9 million as at April 30, 2018 ($25.9 million as at October 31, 2017 and $23.6 million as at April 30, 2017).

9. POST-EMPLOYMENT BENEFITS

Expense for post-employment benefits

The total expense recognized for post-employment benefit plans was as follows:

	For the three months ended			For the six months ended	
	April 30 2018	January 31 2018	April 30 2017	**April 30 2018**	April 30 2017
Defined benefit pension plans	**$ 4,189**	$ 4,331	$ 4,641	**$ 8,520**	$ 9,439
Defined contribution pension plans	**1,966**	1,925	1,881	**3,891**	3,754
Other plans	**212**	219	211	**431**	430
	$ 6,367	$ 6,475	$ 6,733	**$ 12,842**	$ 13,623

10. FINANCIAL INSTRUMENTS – FAIR VALUE

Determining fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of financial instruments is best evidenced by an independent quoted market price for the same instrument in an active market when available. Otherwise, fair value is measured using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of valuation inputs (Level 1, 2 or 3). Additional information on the fair value hierarchy and the valuation methodologies used by the Bank to measure the fair value of financial instruments can be found in Note 22 of the 2017 audited annual consolidated financial statements. There were no changes in fair value measurement methods in the period.

Financial instruments recorded at fair value in the financial statements are classified in Level 2 of the fair value hierarchy, except for securities of $300.0 million which are classified in Level 1 as at April 30, 2018. Financial instruments recorded at fair value classified in Level 3 are not significant. There were no significant transfers between Level 1 and Level 2 of the hierarchy in the period.

11. CONTINGENT LIABILITIES

In the ordinary course of business, the Bank and its subsidiaries are involved in various legal and regulatory actions and claims. These matters mainly relate to class actions involving numerous other financial institutions and pertaining to charges on credit cards and banking accounts, as well as other claims in respect to portfolio administration by trustee and cross-claims from clients following the Bank's recovery actions on loans. While there is inherent difficulty in predicting the outcome of legal proceedings, based on current knowledge and in consultation with legal counsel, the outcome of these matters is not expected to have a material adverse effect on the consolidated financial statements. However, the outcome of these matters, individually or in aggregate, may be material to operating results for a particular reporting period.

12. RESTRUCTURING CHARGES

The following table details the restructuring charges line item.

	For the three months ended			For the six months ended	
	April 30 2018	January 31 2018	April 30 2017	**April 30 2018**	April 30 2017
Other restructuring charges	**1,751**	918	1,704	**2,669**	2,649
	$ 1,751	$ 918	$ 1,704	**$ 2,669**	$ 2,649

Restructuring charges

In September 2016, the Bank announced that it would merge a number of its branches over the following 18 months. This decision resulted from the strategic analysis initiated in 2015, as well as changes to the economic landscape. As part of the planned restructuring, provisions related to lease contracts of $11.9 million and severance charges of $4.4 million were initially recorded on the Restructuring charges line item in 2016. In 2017, the Bank incurred additional charges of $10.5 million including salaries, communication expenses and professional fees related to the optimization of the Bank's Retail Services activities and branch mergers. In addition, charges of $1.8 million were recorded for the second quarter of 2018 ($2.7 million for the six months ended April 30, 2018) related to service costs to reorganize the branch network product offering in light of the transition to the advice-only model.

The following table presents the change in the provision for restructuring charges, included in the Other liabilities line item in the Consolidated Balance Sheet.

	For the six months ended	
	April 30 2018	April 30 2017
Balance at beginning of the period	**$ 9,411**	$ 16,231
Restructuring charges incurred during the period	**2,669**	2,649
Payments made during the period	**(5,408)**	(3,946)
Balance at end of the period	**$ 6,672**	$ 14,934

13. BUSINESS COMBINATIONS

Acquisition of Northpoint Commercial Finance

On May 18, 2017, the Bank entered into a definitive agreement under which it agreed to acquire 100% of the ownership interests in Northpoint Commercial Finance ("NCF"), a U.S. based non-bank inventory finance lender with a portfolio of US$819 million (C $1,039 million). The transaction closed on August 11, 2017. The final purchase price of US$257 million (C$325 million) was based on the book value of the net assets of NCF as at the closing date. As part of the transaction, the Bank has also reimbursed previous credit facilities of NCF for US$668 million (C$848 million).The Bank acquired NCF to further develop its equipment financing business and diversify revenue streams.

During the second quarter of 2018, the Bank updated the preliminary estimated fair values of the assets acquired and liabilities assumed on August 11, 2017, as detailed in the table below. The updated fair values did not change materially from the initial valuation, therefore comparative figures have not been restated. The allocation of the purchase price for NCF is subject to refinement as the Bank completes the valuation of the assets acquired and liabilities assumed.

	NCF Updated	NCF Initial Valuation
Assets		
Loans	**$ 1,038,887**	$ 1,038,650
Software and other intangible assets	**80,997**	81,000
Goodwill	**53,629**	56,437
Other	**89,895**	94,257
	$ 1,263,408	$ 1,270,344
Liabilities		
Other	**$ 937,979**	$ 944,710
Total identifiable net assets acquired	**$ 325,429**	$ 325,634
Cash paid - estimated purchase consideration	**$ 325,429**	$ 325,634
Reimbursement of previous credit facilities	**847,759**	847,787
Total	**$ 1,173,188**	$ 1,173,421

13. BUSINESS COMBINATIONS (CONT'D)

In the fourth quarter of 2017, the Bank incurred acquisition-related professional fees and other expenses of $1.7 million in relation with this transaction. These costs were recognized directly in net income, under Costs related to business combinations. No additional costs were incurred in the first and second quarters of 2018.

Acquisition of CIT Canada

On October 1, 2016, the Bank acquired from CIT Group Inc. ("CIT") their Canadian equipment financing and corporate financing activities ("CIT Canada"). In relation to this transaction, the Bank incurred integration related technology costs, professional fees and salaries of $1.8 million in the second quarter of 2018, $0.6 million in the first quarter of 2018, and $1.7 million in the second quarter of 2017. These costs were recognized directly in net income, under Costs related to business combinations.

SHAREHOLDER INFORMATION

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Change of address and inquiries
Shareholders should notify the transfer agent of any change of address. Inquiries or requests may be directed to the Corporate Secretary's Office by calling 514 284-4500 ext. 7521.

Direct deposit service
Shareholders of the Bank may, by advising the transfer agent in writing, have their dividends deposited directly into an account held at any financial institution member of the Canadian Payments Association.

Investors and analysts
Investors and analysts may contact the Investor Relations Department by calling 514 284-4500 ext. 4926.

Media
Journalists may contact the Executive Office by calling 514 284-4500 ext. 4695.

Social media

Dividend reinvestment and share purchase plan
The Bank has a dividend reinvestment and share purchase plan for Canadian holders of its common and preferred shares under which they can acquire common shares of the Bank without paying commissions or administration fees. Participants acquire shares through the reinvestment of cash dividends paid on the shares they hold or through optional cash payments of a minimum amount of $500 per payment, up to an aggregate amount of $20,000 in each 12 month period ending October 31.

For more information, shareholders may contact the Bank's transfer agent and registrar, Computershare Trust Company of Canada, at 1 800 564-6253. To participate in the plan, the Bank's non-registered common and preferred shareholders must contact their financial institution or broker.

STOCK SYMBOL AND DIVIDEND RECORD AND PAYMENT DATES

The common and preferred shares indicated below are listed on the Toronto Stock Exchange.	CUSIP CODE / STOCK SYMBOL	RECORD DATE*	DIVIDEND PAYMENT DATE*
Common shares	51925D 10 6 LB	First business day of:	
		January	February 1
		April	May 1
		July	August 1
		October	November 1
Preferred shares			
Series 13	51925D 82 5 LB.PR.H	**	March 15
Series 15	51925D 79 1 LB.PR.J	**	June 15
		**	September 15
			December 15

* Subject to the approval of the Board of Directors.
** On such day (which shall not be more than 30 days preceding the date fixed for payment of such dividend) as may be determined from time to time by the Board of Directors of the Bank.