LAURENTIAN BANK

THIRD QUARTER 2015

Report to Shareholders

For the period ended July 31, 2015

Laurentian Bank reports solid third quarter results

Highlights of the third quarter of 2015

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

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

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

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

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

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

Caution Regarding Forward-looking Statements

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

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

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

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

Contents

Highlights

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED					FOR THE NINE MONTHS ENDED		
	JULY 31 2015	APRIL 30 2015	VARIANCE	JULY 31 2014	VARIANCE	**JULY 31 2015**	JULY 31 2014	VARIANCE
Profitability								
Total revenue	**$ 226,638**	$ 220,679	3%	$ 219,645	3 %	**$ 665,477**	$ 652,644	2 %
Net income	**$ 44,166**	$ 41,188	7%	$ 40,097	10 %	**$ 121,189**	$ 106,611	14 %
Diluted earnings per share	**$ 1.44**	$ 1.34	7%	$ 1.27	13 %	**$ 3.94**	$ 3.42	15 %
Return on common shareholders' equity [1]	**12.1%**	11.8 %		11.2%		**11.3 %**	10.3%	
Net interest margin (on average earning assets) - updated measure [1] [2]	**1.85%**	1.84 %		1.89%		**1.84 %**	1.89%	
Efficiency ratio [1]	**71.1%**	71.9 %		71.0%		**72.2 %**	72.8%	
Operating leverage [1]	**1.3%**	2.4 %		3.7%		**0.8 %**	5.7%	
Per common share								
Share price - Close	**$ 49.48**	$ 48.29	2%	$ 51.55	(4)%	**$ 49.48**	$ 51.55	(4)%
Price / earnings ratio (trailing four quarters)	**9.8x**	9.9x		12.2x		**9.8x**	12.2x	
Book value [1]	**$ 47.45**	$ 47.10	1%	$ 45.10	5 %	**$ 47.45**	$ 45.10	5 %
Market to book value [1]	**104%**	103 %		114%		**104 %**	114%	
Dividends declared	**$ 0.56**	$ 0.54	4%	$ 0.52	8 %	**$ 1.64**	$ 1.54	6 %
Dividend yield [1]	**4.5%**	4.5 %		4.0%		**4.4 %**	4.0%	
Dividend payout ratio [1]	**38.8%**	40.3 %		40.9%		**41.6 %**	45.0%	
Adjusted financial measures								
Adjusted net income [1]	**$ 45,291**	$ 42,313	7%	$ 42,355	7 %	**$ 128,072**	$ 120,991	6 %
Adjusted diluted earnings per share [1]	**$ 1.48**	$ 1.38	7%	$ 1.35	10 %	**$ 4.17**	$ 3.92	6 %
Adjusted return on common shareholders' equity [1]	**12.4%**	12.1 %		11.9%		**12.0 %**	11.8%	
Adjusted efficiency ratio [1]	**71.1%**	71.9 %		70.3%		**71.5 %**	71.3%	
Adjusted operating leverage [1]	**1.3%**	(0.7)%		2.0%		**(0.3)%**	2.1%	
Adjusted dividend payout ratio [1]	**37.8%**	39.2 %		38.6%		**39.3 %**	39.2%	
Financial position (in millions of Canadian dollars)								
Balance sheet assets [3]	**$ 39,558**	$ 37,656	5%	$ 36,289	9 %			
Loans and acceptances	**$ 28,655**	$ 28,111	2%	$ 27,275	5 %			
Deposits	**$ 25,800**	$ 24,960	3%	$ 24,213	7 %			
Average earning assets	**$ 31,556**	$ 30,631	3%	$ 29,717	6 %	**$ 30,804**	$ 29,746	4 %
Basel III regulatory capital ratios — All-in basis								
Common Equity Tier I	**7.7%**	7.8 %		7.7%				
Total	**11.7%**	11.9 %		12.4%				
Leverage ratio	**3.6%**	3.7 %		n.a				
Other information								
Number of full-time equivalent employees	**3,761**	3,746		3,740				
Number of branches	**150**	151		152				
Number of automated banking machines	**408**	415		420				

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

[2] Calculated as net interest income divided by average earning assets. Refer to the External Reporting Changes - Offsetting of Financial Instruments and Impact on Net Interest Margin section on page 21 and the Non-GAAP Financial Measures section for further details.

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

Quarterly Highlights

Personal & Commercial

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

Business Services

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

Retail Services

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

B2B Bank

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

Laurentian Bank Securities (LBS)

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

Bank Appointments

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

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) is a narrative explanation, through the eyes of management, of the Bank's financial condition as at July 31, 2015, and of how it performed during the three-month and nine-month periods then ended. This MD&A, dated September 2, 2015, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended July 31, 2015, prepared in accordance with IAS 34 *Interim financial reporting,* as issued by the International Accounting Standards Board (IASB). Supplemental information on risk management, critical accounting policies and estimates, and off-balance sheet arrangements is also provided in the Bank's 2014 Annual Report.

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

Economic Outlook

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

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

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

2015 Financial Performance

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

2015 FINANCIAL OBJECTIVES [1]

	2015 OBJECTIVES	**FOR THE NINE MONTHS ENDED JULY 31, 2015**
Adjusted diluted earnings per share	5% to 8% growth	**6%**
Adjusted efficiency ratio	< 71.0%	**71.5 %**
Adjusted operational leverage [2]	Positive	**(0.3)%**
Adjusted return on common shareholders' equity	≥ 12.0%	**12.0 %**
Common Equity Tier I capital ratio — All-in basis	> 7.0%	**7.7 %**

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

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

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

Analysis of Consolidated Results

CONDENSED CONSOLIDATED RESULTS

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
In thousands of Canadian dollars, except per share amounts (Unaudited)	**JULY 31 2015**	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	JULY 31 2014
Net interest income	**$ 147,229**	$ 137,691	$ 141,249	**$ 424,416**	$ 420,831
Other income	**79,409**	82,988	78,396	**241,061**	231,813
Total revenue	**226,638**	220,679	219,645	**665,477**	652,644
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration	**1,531**	1,531	1,511	**4,534**	8,145
Provision for loan losses	**7,000**	8,000	10,500	**25,500**	31,500
Non-interest expenses	**161,037**	158,750	155,973	**480,484**	475,010
Income before income taxes	**57,070**	52,398	51,661	**154,959**	137,989
Income taxes	**12,904**	11,210	11,564	**33,770**	31,378
Net income	**$ 44,166**	$ 41,188	$ 40,097	**$ 121,189**	$ 106,611
Preferred share dividends, including applicable taxes	**2,399**	2,398	3,588	**7,196**	8,590
Net income available to common shareholders	**$ 41,767**	$ 38,790	$ 36,509	**$ 113,993**	$ 98,021
Diluted earnings per share	**$ 1.44**	$ 1.34	$ 1.27	**$ 3.94**	$ 3.42

Adjusting items

The Bank has designated certain amounts as adjusting items and presents adjusted results to facilitate understanding of its underlying business performance and related trends. The Bank assesses performance on a GAAP basis and non-GAAP basis and considers both measures to be useful to investors and analysts in obtaining a better understanding of the Bank's financial results and analyzing its growth and profit potential more effectively.

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

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

IMPACT OF ADJUSTING ITEMS [1]

In thousands of Canadian dollars, except per share amounts (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2015	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	JULY 31 2014
Impact on net income					
Reported net income	**$ 44,166**	$ 41,188	$ 40,097	**$ 121,189**	$ 106,611
Adjusting items					
Items related to business combinations, net of income taxes					
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration					
Amortization of net premium on purchased financial instruments	**1,125**	1,125	1,109	**3,333**	2,971
Revaluation of contingent consideration	**—**	—	—	**—**	4,100
Costs related to business combinations (T&I Costs)	**—**	—	1,149	**—**	7,309
	1,125	1,125	2,258	**3,333**	14,380
Retirement compensation charge, net of income taxes [2]	**—**	—	—	**3,550**	—
	1,125	1,125	2,258	**6,883**	14,380
Adjusted net income	**$ 45,291**	$ 42,313	$ 42,355	**$ 128,072**	$ 120,991
Impact on diluted earnings per share					
Reported diluted earnings per share	**$ 1.44**	$ 1.34	$ 1.27	**$ 3.94**	$ 3.42
Adjusting items					
Items related to business combinations	**0.04**	0.04	0.08	**0.12**	0.50
Retirement compensation charge	**—**	—	—	**0.12**	—
	0.04	0.04	0.08	**0.24**	0.50
Adjusted diluted earnings per share [3]	**$ 1.48**	$ 1.38	$ 1.35	**$ 4.17**	$ 3.92

[1] Refer to the Non-GAAP Financial Measures section.
[2] The retirement compensation charge is included in the line item Salaries and benefits in the consolidated statement of income.
[3] The impact of adjusting items on a per share basis does not add due to rounding for the nine months ended July 31, 2015.

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

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

Total revenue

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

Net interest income increased by $6.0 million or 4% to $147.2 million for the third quarter of 2015, from $141.2 million for the third quarter of 2014. The increase was mainly generated by strong commercial and residential mortgage loan growth and higher loan prepayment penalties, partly offset by a relatively higher level of liquid assets compared to a year ago. Net interest margin (as a percentage of average earning assets) decreased to 1.85% for the third quarter of 2015 from 1.89% for the third quarter of

2014, mainly as a result of the higher level of low-yielding liquid assets held to finance the purchase of an investment loan portfolio in early August and to support expected organic loan growth, partly offset by the higher prepayment penalties on residential mortgage loans.

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

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

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

Provision for loan losses

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

Non-interest expenses

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

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

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

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

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

Income taxes

For the quarter ended July 31, 2015, the income tax expense was $12.9 million and the effective tax rate was 22.6%. The lower tax rate, compared to the statutory rate, mainly resulted from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income and the lower taxation level on revenues from foreign insurance operations. For the quarter ended July 31, 2014, the income tax expense was $11.6 million and the effective tax rate was 22.4%.

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

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

Total revenue

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

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

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

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

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

Provision for loan losses

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

Non-interest expenses

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

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

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

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

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

Income taxes

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

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

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

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

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

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

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

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

Financial condition

CONDENSED BALANCE SHEET [1]

In thousands of Canadian dollars (Unaudited)		**AS AT JULY 31 2015**		AS AT OCTOBER 31 2014		AS AT JULY 31 2014
ASSETS						
Cash and deposits with other banks	**$**	**160,387**	$	248,855	$	155,281
Securities		**5,219,987**		4,880,460		4,424,262
Securities purchased under reverse repurchase agreements		**4,701,479**		3,196,781		3,765,543
Loans and acceptances, net		**28,543,006**		27,310,208		27,153,104
Other assets		**932,866**		846,481		791,087
	$	**39,557,725**	$	36,482,785	$	36,289,277
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits	**$**	**25,800,044**	$	24,523,026	$	24,212,545
Other liabilities		**6,433,021**		5,103,778		5,288,872
Debt related to securitization activities		**5,245,340**		4,863,848		4,824,777
Subordinated debt		**449,084**		447,523		446,995
Shareholders' equity		**1,630,236**		1,544,610		1,516,088
	$	**39,557,725**	$	36,482,785	$	36,289,277

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

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

Liquid assets

Liquid assets, including cash, deposits with other banks, securities and securities purchased under reverse repurchase agreements, totalled $10.1 billion as at July 31, 2015, an increase of $1.8 billion compared with October 31, 2014 and an increase of $1.7 billion compared with July 31, 2014. This higher level of liquid assets was partly held to support a $0.6 billion loan purchase in early August as well as the Bank's expected organic loan growth, particularly in the residential mortgage and commercial loan portfolios. The increase also reflects deposit gathering from multiple sources. Overall, the Bank continues to prudently manage the level of liquidity and hold sufficient cash resources in order to meet its current and future financial obligations, under both normal and stressed conditions.

Loans

Loans and bankers' acceptances, net of allowances, stood at $28.5 billion as at July 31, 2015, up $1.2 billion from October 31, 2014, as continued strong growth in the Bank's higher-margin business portfolios and B2B Bank's residential mortgage loan portfolio was slightly offset by continued net repayments in the investment loan portfolio. Commercial loans, including acceptances, increased by $422.8 million or 13% since October 31, 2014, while commercial mortgage loans increased by $319.5 million or 12% over the same period. The Bank continues to focus on growing its commercial activities. Personal loans decreased by $272.1 million or 4% since October 31, 2014, mainly reflecting continued attrition in the investment loan portfolio, albeit at a relatively slower pace than in previous periods. Residential mortgage loans were up by $755.0 million from October 31, 2014, mostly driven by B2B Bank's enhanced mortgage solutions.

Liabilities

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

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

Shareholders' equity

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

Capital Management

Regulatory capital

The regulatory capital calculation is determined based on the guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI) originating from the Basel Committee on Banking Supervision (BCBS) regulatory risk based capital framework. Under OSFI's Capital Adequacy Requirements Guideline (the CAR Guideline), transitional requirements for minimum Common Equity Tier 1, Tier 1 and Total capital ratios were set at 4.5%, 6.0% and 8.0% respectively for 2015, which, for the Bank, will be fully phased-in to 7.0%, 8.5% and 10.5% by 2019, including capital conservation buffers.

In its CAR Guideline, OSFI indicated that it expects deposit-taking institutions to attain target capital ratios without transition arrangements equal to or greater than the 2019 minimum capital ratios plus capital conservation buffer levels (the "all-in" basis). The "all-in" basis includes all of the regulatory adjustments that will be required by 2019, while retaining the phase-out rules of non-qualifying capital instruments. Refer to the Bank's 2014 Annual Report under the title “Capital Management” for additional information on the Bank's regulatory capital.

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

REGULATORY CAPITAL [1]

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

[1] The amounts are presented on an "all-in" basis.

[2] Using the Standardized Approach in determining credit risk and operational risk.

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

Regulatory developments concerning capital

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

Basel III Leverage ratio

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

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

BASEL III LEVERAGE RATIO

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

Dividends

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

COMMON SHARE DIVIDENDS AND PAYOUT RATIO

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	FOR THE YEARS ENDED		
In Canadian dollars, except payout ratios (Unaudited)	**JULY 31 2015**	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	OCTOBER 31 2014	OCTOBER 31 2013	OCTOBER 31 2012
Dividends declared per common share	**$ 0.56**	$ 0.54	$ 0.52	**$ 1.64**	$ 2.06	$ 1.98	$ 1.84
Dividend payout ratio [1]	**38.8%**	40.3%	40.9%	**41.6%**	45.7%	52.0%	37.0%
Adjusted dividend payout ratio [1]	**37.8%**	39.2%	38.6%	**39.3%**	38.7%	39.0%	36.9%

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

Risk Management

The Bank is exposed to various types of risks owing to the nature of its activities. These risks are mainly related to the use of financial instruments. In order to manage these risks, controls such as risk management policies and various risk limits have been implemented. These measures aim to optimize the risk/return ratio in all operating segments. Refer to the section "Risk Appetite and Risk Management Framework" on page 42 of the Bank's 2014 Annual Report for additional information.

Credit risk

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

PROVISION FOR LOAN LOSSES

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED **JULY 31 2015**	APRIL 30 2015	JULY 31 2014	FOR THE NINE MONTHS ENDED **JULY 31 2015**	JULY 31 2014
Personal loans	**$ 7,968**	$ 7,715	$ 4,976	**$ 21,233**	$ 17,452
Residential mortgage loans	**1,866**	760	1,606	**4,149**	3,176
Commercial mortgage loans	**(1,227)**	(812)	3,759	**(131)**	4,143
Commercial and other loans (including acceptances)	**(1,607)**	337	159	**249**	6,729
	$ 7,000	$ 8,000	$ 10,500	**$ 25,500**	$ 31,500
As a % of average loans and acceptances	**0.10%**	0.12%	0.15%	**0.12%**	0.16%

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

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

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

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

IMPAIRED LOANS

In thousands of Canadian dollars, except percentage amounts (Unaudited)	**AS AT JULY 31 2015**	AS AT OCTOBER 31 2014	AS AT JULY 31 2014
Gross impaired loans			
Personal	**$ 15,694**	$ 22,359	$ 24,574
Residential mortgages	**32,562**	32,843	33,110
Commercial mortgages	**43,714**	16,633	12,759
Commercial and other (including acceptances)	**32,469**	30,245	35,546
	124,439	102,080	105,989
Allowances for loan losses against impaired loans			
Individual allowances	**(13,344)**	(21,951)	(27,563)
Collective allowances	**(26,831)**	(17,238)	(16,414)
	(40,175)	(39,189)	(43,977)
Net impaired loans	**$ 84,264**	$ 62,891	$ 62,012
Collective allowances against other loans	**$ (71,528)**	$ (80,182)	$ (78,245)
Impaired loans as a % of loans and acceptances			
Gross	**0.43%**	0.37%	0.39%
Net	**0.29%**	0.23%	0.23%

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

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

Liquidity and funding risk

Liquidity and funding risk represents the possibility that the Bank may not be able to gather sufficient cash resources, when required and on reasonable conditions, to meet its financial obligations. Other than changes related to enhanced regulatory requirements described below, there have been no material changes to the Bank's liquidity and funding risk management framework from year-end 2014. The Bank continues to maintain liquidity and funding that is appropriate for the execution of its strategy, with liquidity and funding risk remaining well within its approved limits.

Regulatory developments concerning liquidity

In December 2010, the BCBS issued the *Basel III: International framework for liquidity risk measurement, standards and monitoring* (the Basel III liquidity framework), which outlines two new liquidity requirements in addition to other supplemental reporting metrics. This document prescribes the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as minimum regulatory standards. Further updates regarding the LCR, the NSFR and liquidity risk monitoring tools were published in 2013 and 2014.

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

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

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

Market risk

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

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

STRUCTURAL INTEREST RATE SENSITIVITY ANALYSIS

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

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

Segmented Information

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

Personal & Commercial

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

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

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

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

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

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

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

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

B2B Bank

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
In thousands of Canadian dollars, except percentage amounts (Unaudited)	**JULY 31 2015**	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	JULY 31 2014
Net interest income	**$ 45,896**	$ 41,612	$ 44,402	**$ 129,568**	$ 133,976
Other income	**8,652**	8,540	8,804	**25,908**	27,013
Total revenue	**54,548**	50,152	53,206	**155,476**	160,989
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration	**1,531**	1,531	1,511	**4,534**	8,145
Provision for loan losses	**2,705**	2,124	1,741	**6,157**	5,051
Non-interest expenses	**30,615**	32,535	30,553	**94,130**	93,100
Costs related to business combinations [1]	**—**	—	1,564	**—**	9,950
Income before income taxes	**19,697**	13,962	17,837	**50,655**	44,743
Income taxes	**5,386**	3,830	4,802	**13,789**	13,193
Net income	**$ 14,311**	$ 10,132	$ 13,035	**$ 36,866**	$ 31,550
Efficiency ratio [2]	**56.1%**	64.9%	60.4%	**60.5%**	64.0%
Adjusted net income [2]	**$ 15,436**	$ 11,257	$ 15,293	**$ 40,199**	$ 45,930
Adjusted efficiency ratio [2]	**56.1%**	64.9%	57.4%	**60.5%**	57.8%

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

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

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

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

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

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

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

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

Laurentian Bank Securities & Capital Markets

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

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

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

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

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

Other sector

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

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

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

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

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

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

Additional Financial Information - Quarterly Results

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	**JULY 31 2015**	APRIL 30 2015	JANUARY 31 2015	OCTOBER 31 2014	JULY 31 2014	APRIL 30 2014	JANUARY 31 2014	OCTOBER 31 2013
Net interest income	**$ 147,229**	$ 137,691	$ 139,496	$ 140,149	$ 141,249	$ 138,726	$ 140,856	$ 141,437
Other income	**79,409**	82,988	78,664	81,272	78,396	78,164	75,253	74,094
Total revenue	**226,638**	220,679	218,160	221,421	219,645	216,890	216,109	215,531
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration	**1,531**	1,531	1,472	1,508	1,511	5,498	1,136	1,006
Provision for loan losses	**7,000**	8,000	10,500	10,500	10,500	10,500	10,500	10,000
Non-interest expenses	**161,037**	158,750	160,697	166,299	155,973	159,904	159,133	172,651
Income before income taxes	**57,070**	52,398	45,491	43,114	51,661	40,988	45,340	31,874
Income taxes	**12,904**	11,210	9,656	9,360	11,564	9,999	9,815	6,008
Net income	**$ 44,166**	$ 41,188	$ 35,835	$ 33,754	$ 40,097	$ 30,989	$ 35,525	$ 25,866
Earnings per share								
Basic	**$ 1.44**	$ 1.34	$ 1.16	$ 1.09	$ 1.27	$ 0.99	$ 1.16	$ 0.82
Diluted	**$ 1.44**	$ 1.34	$ 1.15	$ 1.09	$ 1.27	$ 0.99	$ 1.16	$ 0.82
Return on common shareholders' equity [1]	**12.1%**	11.8%	9.9%	9.5%	11.2%	9.2%	10.5%	7.6%
Balance sheet assets [2] (in millions of Canadian dollars)	**$ 39,558**	$ 37,656	$ 37,435	$ 36,483	$ 36,289	$ 35,932	$ 34,273	$ 33,911
Adjusted financial measures								
Adjusted net income [1]	**$ 45,291**	$ 42,313	$ 40,468	$ 42,591	$ 42,355	$ 39,375	$ 39,261	$ 38,526
Adjusted diluted earnings per share [1]	**$ 1.48**	$ 1.38	$ 1.32	$ 1.39	$ 1.35	$ 1.29	$ 1.29	$ 1.26
Adjusted return on common shareholders' equity [1]	**12.4%**	12.1%	11.3%	12.2%	11.9%	11.9%	11.7%	11.7%

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

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

Accounting Policies

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

Accounting changes

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

Future accounting changes

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

Corporate Governance and Changes in Internal Control over Financial Reporting

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

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

Non-GAAP Financial Measures

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

Common shareholders' equity

The Bank's common shareholders' equity is defined as the sum of the value of common shares, retained earnings and accumulated other comprehensive income, excluding cash flow hedge reserves.

Return on common shareholders' equity

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

RETURN ON COMMON SHAREHOLDERS' EQUITY

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
In thousands of Canadian dollars, except percentage amounts (Unaudited)	**JULY 31 2015**	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	JULY 31 2014
Reported net income available to common shareholders	**$ 41,767**	$ 38,790	$ 36,509	**$ 113,993**	$ 98,021
Adjusting items, net of income taxes	**1,125**	1,125	2,258	**6,883**	14,380
Adjusted net income available to common shareholders	**$ 42,892**	$ 39,915	$ 38,767	**$ 120,876**	$ 112,401
Average common shareholders' equity	**$ 1,372,357**	$ 1,348,139	$ 1,293,891	**$ 1,352,020**	$ 1,271,287
Return on common shareholders' equity	**12.1%**	11.8%	11.2%	**11.3%**	10.3%
Adjusted return on common shareholders' equity	**12.4%**	12.1%	11.9%	**12.0%**	11.8%

Book value per common share

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

Average earning assets

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

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

Net interest margin

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

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

Efficiency ratio and operating leverage

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

Dividend payout ratio

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

Dividend yield

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

Adjusted financial measures

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

Adjusting items

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

Items related to business combinations relate to special gains and expenses that arose as a result of acquisitions. The one-time gain on acquisition and ensuing amortization of net premium on purchased financial instruments are considered adjusting items since they represent, according to management, significant non-cash and non-recurring adjustments. The revaluation of the contingent consideration and costs related to business combinations (T&I Costs) have been designated as adjusting items due to the significance of the amounts and their non-recurrence. Items related to business combinations are included in the B2B Bank business segment's reported results.

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

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

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

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

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

In light of this change, the Bank revised its use of the net interest margin financial measure to provide a more useful indicator and better align with industry practice. Net interest margin is now defined as the ratio of net interest income to average earning assets, excluding average earning assets of the Laurentian Bank Securities and Capital Markets' (LBS & CM) business segment. This new measure focuses on banking operations and eliminates net interest margin volatility related to variation in assets used in brokerage operations and trading activities. Net interest margin and average earning assets measures for the quarters and for the year ended in 2014 have been amended accordingly and are presented in the following table.

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

Laurentian Bank of Canada

Unaudited Condensed Interim Consolidated Financial Statements

As at and for the period ended July 31, 2015

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Consolidated Balance Sheet [1]

In thousands of Canadian dollars (Unaudited)	NOTES	**AS AT JULY 31 2015**	AS AT OCTOBER 31 2014	AS AT JULY 31 2014
ASSETS				
Cash and non-interest-bearing deposits with other banks		**$ 101,886**	$ 126,247	$ 86,811
Interest-bearing deposits with other banks		**58,501**	122,608	68,470
Securities	4			
Available-for-sale		**2,309,028**	2,577,017	2,096,307
Held-to-maturity		**536,630**	323,007	97,786
Held-for-trading		**2,374,329**	1,980,436	2,230,169
		5,219,987	4,880,460	4,424,262
Securities purchased under reverse repurchase agreements		**4,701,479**	3,196,781	3,765,543
Loans	5 and 6			
Personal		**6,520,944**	6,793,078	6,915,950
Residential mortgage		**15,580,496**	14,825,541	14,726,535
Commercial mortgage		**2,970,776**	2,651,271	2,571,309
Commercial and other		**3,175,314**	2,794,232	2,700,858
Customers' liabilities under acceptances		**407,179**	365,457	360,674
		28,654,709	27,429,579	27,275,326
Allowances for loan losses		**(111,703)**	(119,371)	(122,222)
		28,543,006	27,310,208	27,153,104
Other				
Premises and equipment		**58,267**	68,750	72,250
Derivatives		**327,763**	132,809	119,810
Goodwill		**64,077**	64,077	64,077
Software and other intangible assets		**187,729**	207,188	209,764
Deferred tax assets		**2,604**	7,936	14,886
Other assets		**292,426**	365,721	310,300
		932,866	846,481	791,087
		$ 39,557,725	$ 36,482,785	$ 36,289,277
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
Personal		**$ 19,008,763**	$ 18,741,981	$ 18,782,447
Business, banks and other		**6,791,281**	5,781,045	5,430,098
		25,800,044	24,523,026	24,212,545
Other				
Obligations related to securities sold short		**2,428,506**	1,562,477	1,579,354
Obligations related to securities sold under repurchase agreements		**2,727,938**	2,215,965	2,442,021
Acceptances		**407,179**	365,457	360,674
Derivatives		**157,933**	90,840	94,621
Deferred tax liabilities		**4,338**	10	517
Other liabilities		**707,127**	869,029	811,685
		6,433,021	5,103,778	5,288,872
Debt related to securitization activities	6	**5,245,340**	4,863,848	4,824,777
Subordinated debt		**449,084**	447,523	446,995
Shareholders' equity				
Preferred shares	7	**219,633**	219,633	219,633
Common shares	7	**466,334**	465,854	460,757
Retained earnings		**908,131**	848,905	824,925
Accumulated other comprehensive income		**36,102**	10,127	10,682
Share-based payment reserve	8	**36**	91	91
		1,630,236	1,544,610	1,516,088
		$ 39,557,725	$ 36,482,785	$ 36,289,277

[1] Comparative figures reflect the adoption of the amendments to IAS 32, *Financial Instruments: Presentation*. Refer to Note 2 for further information.
The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements.

Consolidated Statement of Income

In thousands of Canadian dollars, except per share amounts (Unaudited)	NOTES	FOR THE THREE MONTHS ENDED JULY 31 2015	APRIL 30 2015	JULY 31 2014	FOR THE NINE MONTHS ENDED JULY 31 2015	JULY 31 2014
Interest income						
Loans		**$ 262,692**	$ 251,074	$ 266,872	**$ 777,315**	$ 796,282
Securities		**10,045**	9,749	9,922	**30,931**	30,379
Deposits with other banks		**263**	151	201	**629**	576
Other, including derivatives		**16,273**	14,441	10,403	**41,354**	30,758
		289,273	275,415	287,398	**850,229**	857,995
Interest expense						
Deposits		**108,999**	105,568	112,232	**327,593**	335,063
Debt related to securitization activities		**28,627**	28,068	29,758	**85,548**	89,427
Subordinated debt		**4,033**	3,938	4,038	**12,008**	12,002
Other		**385**	150	121	**664**	672
		142,044	137,724	146,149	**425,813**	437,164
Net interest income		**147,229**	137,691	141,249	**424,416**	420,831
Other income						
Fees and commissions on loans and deposits		**36,450**	34,935	35,983	**106,300**	103,702
Income from brokerage operations		**15,663**	17,373	16,667	**48,036**	48,866
Income from investment accounts		**7,636**	7,731	7,772	**22,886**	24,142
Income from sales of mutual funds		**10,164**	10,226	7,546	**28,544**	21,277
Insurance income, net		**3,649**	3,823	4,670	**12,285**	14,047
Income from treasury and financial market operations		**3,479**	6,837	3,909	**16,745**	11,014
Other		**2,368**	2,063	1,849	**6,265**	8,765
		79,409	82,988	78,396	**241,061**	231,813
Total revenue		**226,638**	220,679	219,645	**665,477**	652,644
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration	12	**1,531**	1,531	1,511	**4,534**	8,145
Provision for loan losses	5	**7,000**	8,000	10,500	**25,500**	31,500
Non-interest expenses						
Salaries and employee benefits		**84,753**	83,543	82,938	**256,590**	252,885
Premises and technology		**50,149**	48,782	45,465	**147,327**	137,047
Other		**26,135**	26,425	26,006	**76,567**	75,128
Costs related to business combinations	12	**—**	—	1,564	**—**	9,950
		161,037	158,750	155,973	**480,484**	475,010
Income before income taxes		**57,070**	52,398	51,661	**154,959**	137,989
Income taxes		**12,904**	11,210	11,564	**33,770**	31,378
Net income		**$ 44,166**	$ 41,188	$ 40,097	**$ 121,189**	$ 106,611
Preferred share dividends, including applicable taxes		**2,399**	2,398	3,588	**7,196**	8,590
Net income available to common shareholders		**$ 41,767**	$ 38,790	$ 36,509	**$ 113,993**	$ 98,021
Average number of common shares outstanding (in thousands)						
Basic		**28,951**	28,945	28,775	**28,946**	28,674
Diluted		**28,956**	28,952	28,783	**28,953**	28,681
Earnings per share						
Basic		**$ 1.44**	$ 1.34	$ 1.27	**$ 3.94**	$ 3.42
Diluted		**$ 1.44**	$ 1.34	$ 1.27	**$ 3.94**	$ 3.42
Dividends declared per share						
Common share		**$ 0.56**	$ 0.54	$ 0.52	**$ 1.64**	$ 1.54
Preferred share - Series 10		**n.a.**	n.a.	$ 0.33	**n.a.**	$ 0.98
Preferred share - Series 11		**$ 0.25**	$ 0.25	$ 0.25	**$ 0.75**	$ 0.75
Preferred share - Series 13		**$ 0.27**	$ 0.27	$ 0.22	**$ 0.81**	$ 0.22

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

Consolidated Statement of Comprehensive Income

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED **JULY 31 2015**	APRIL 30 2015	JULY 31 2014	FOR THE NINE MONTHS ENDED **JULY 31 2015**	JULY 31 2014
Net income	**$ 44,166**	$ 41,188	$ 40,097	**$ 121,189**	$ 106,611
Other comprehensive income, net of income taxes					
Items that may subsequently be reclassified to the statement of income					
Unrealized net gains (losses) on available-for-sale securities	**(10,301)**	(1,565)	2,453	**(11,523)**	9,152
Reclassification of net (gains) losses on available-for-sale securities to net income	**1,031**	(798)	(1,532)	**(2,389)**	(3,829)
Net change in value of derivatives designated as cash flow hedges	**23,893**	(24,071)	2,254	**39,887**	(165)
	14,623	(26,434)	3,175	**25,975**	5,158
Items that may not subsequently be reclassified to the statement of income					
Actuarial gains (losses) on employee benefit plans	**(6,138)**	1,271	(6,508)	**(7,291)**	(2,886)
Comprehensive income	**$ 52,651**	$ 16,025	$ 36,764	**$ 139,873**	$ 108,883

Income Taxes — Other Comprehensive Income

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

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED **JULY 31 2015**	APRIL 30 2015	JULY 31 2014	FOR THE NINE MONTHS ENDED **JULY 31 2015**	JULY 31 2014
Income tax expense (recovery) on:					
Unrealized net gains (losses) on available-for-sale securities	**$ (3,358)**	$ (665)	$ 831	**$ (3,932)**	$ 3,177
Reclassification of net (gains) losses on available-for-sale securities to net income	**311**	(370)	(558)	**(1,099)**	(1,397)
Net change in value of derivatives designated as cash flow hedges	**8,702**	(8,773)	829	**14,553**	(54)
Actuarial gains (losses) on employee benefit plans	**(2,251)**	466	(2,386)	**(2,674)**	(1,058)
	$ 3,404	$ (9,342)	$ (1,284)	**$ 6,848**	$ 668

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

Consolidated Statement of Changes in Shareholders' Equity

FOR THE NINE MONTHS ENDED JULY 31, 2015

In thousands of Canadian dollars (Unaudited)	**PREFERRED SHARES (Note 7)**	**COMMON SHARES (Note 7)**	**RETAINED EARNINGS**	**ACCUMULATED OTHER COMPREHENSIVE INCOME**			**SHARE-BASED PAYMENT RESERVE (Note 8)**	**TOTAL SHARE-HOLDERS' EQUITY**
				AVAILABLE-FOR-SALE SECURITIES	**CASH FLOW HEDGES**	**TOTAL**		
Balance as at October 31, 2014	**$ 219,633**	**$ 465,854**	**$ 848,905**	**$ 13,337**	**$ (3,210)**	**$ 10,127**	**$ 91**	**$ 1,544,610**
Net income			**121,189**					**121,189**
Other comprehensive income (net of income taxes)								
Unrealized net losses on available-for-sale securities				**(11,523)**		**(11,523)**		**(11,523)**
Reclassification of net gains on available-for-sale securities to net income				**(2,389)**		**(2,389)**		**(2,389)**
Net change in value of derivatives designated as cash flow hedges					**39,887**	**39,887**		**39,887**
Actuarial losses on employee benefit plans			**(7,291)**					**(7,291)**
Comprehensive income			**113,898**	**(13,912)**	**39,887**	**25,975**		**139,873**
Issuance of share capital		**480**					**(55)**	**425**
Dividends								
Preferred shares, including applicable taxes			**(7,196)**					**(7,196)**
Common shares			**(47,476)**					**(47,476)**
Balance as at July 31, 2015	**$ 219,633**	**$ 466,334**	**$ 908,131**	**$ (575)**	**$ 36,677**	**$ 36,102**	**$ 36**	**$ 1,630,236**

FOR THE NINE MONTHS ENDED JULY 31, 2014

In thousands of Canadian dollars (Unaudited)	PREFERRED SHARES (Note 7)	COMMON SHARES (Note 7)	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME			SHARE-BASED PAYMENT RESERVE (Note 8)	TOTAL SHARE-HOLDERS' EQUITY
				AVAILABLE-FOR-SALE SECURITIES	CASH FLOW HEDGES	TOTAL		
Balance as at October 31, 2013	$ 205,204	$ 446,496	$ 776,256	$ 9,536	$ (4,012)	$ 5,524	$ 91	$ 1,433,571
Net income			106,611					106,611
Other comprehensive income (net of income taxes)								
Unrealized net gains on available-for-sale securities				9,152		9,152		9,152
Reclassification of net gains on available-for-sale securities to net income				(3,829)		(3,829)		(3,829)
Net change in value of derivatives designated as cash flow hedges					(165)	(165)		(165)
Actuarial losses on employee benefit plans			(2,886)					(2,886)
Comprehensive income			103,725	5,323	(165)	5,158		108,883
Issuance of share capital	122,071	14,261						136,332
Repurchase of share capital	(107,642)		(2,358)					(110,000)
Dividends								
Preferred shares, including applicable taxes			(8,590)					(8,590)
Common shares			(44,108)					(44,108)
Balance as at July 31, 2014	$ 219,633	$ 460,757	$ 824,925	$ 14,859	$ (4,177)	$ 10,682	$ 91	$ 1,516,088

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

Consolidated Statement of Cash Flows [1]

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED **JULY 31 2015**	APRIL 30 2015	JULY 31 2014	FOR THE NINE MONTHS ENDED **JULY 31 2015**	JULY 31 2014
Cash flows relating to operating activities					
Net income	**$ 44,166**	$ 41,188	$ 40,097	**$ 121,189**	$ 106,611
Adjustments to determine net cash flows relating to operating activities:					
Provision for loan losses	**7,000**	8,000	10,500	**25,500**	31,500
Net gain on disposal of available-for-sale securities	**(959)**	(1,220)	(2,099)	**(6,190)**	(5,494)
Gain on sale of commercial mortgage loans	**—**	—	—	**—**	(3,686)
Deferred income taxes	**(1,060)**	(446)	(920)	**(2,132)**	(667)
Depreciation of premises and equipment	**3,485**	3,565	4,082	**10,707**	12,111
Amortization of software and other intangible assets	**9,648**	9,766	9,893	**29,057**	29,482
Revaluation of contingent consideration	**—**	—	—	**—**	4,100
Change in operating assets and liabilities:					
Loans	**(552,377)**	(359,828)	(52,629)	**(1,256,569)**	(172,753)
Securities at fair value through profit and loss	**(188,691)**	284,009	(115,410)	**(393,893)**	(77,585)
Securities purchased under reverse repurchase agreements	**(1,381,352)**	(93,992)	(512,522)	**(1,504,698)**	(1,533,490)
Accrued interest receivable	**11,345**	(3,715)	3,199	**9,107**	(1,666)
Derivative assets	**(74,013)**	81,840	6,967	**(194,954)**	6,807
Deposits	**839,723**	313,077	453,792	**1,277,018**	285,195
Obligations related to securities sold short	**738,644**	(84,661)	143,204	**866,029**	115,085
Obligations related to securities sold under repurchase agreements	**511,349**	(370,602)	(116,203)	**511,973**	1,088,621
Accrued interest payable	**(40,009)**	(21,929)	(31,497)	**(105,313)**	(36,152)
Derivative liabilities	**23,784**	(43,973)	(6,873)	**67,093**	(7,420)
Other, net	**86,086**	(56,694)	28,035	**56,963**	(6,226)
	36,769	(295,615)	(138,384)	**(489,113)**	(165,627)
Cash flows relating to financing activities					
Change in acceptances	**23,102**	13,619	59,597	**41,722**	89,625
Change in debt related to securitization activities	**(200,649)**	383,688	(71,230)	**381,492**	(149,937)
Net proceeds from issuance of preferred shares	**—**	—	—	**—**	122,071
Repurchase of preferred shares	**—**	—	(110,000)	**—**	(110,000)
Net proceeds from issuance of common shares	**353**	—	15	**384**	48
Dividends	**(34,189)**	(2,344)	(13,523)	**(54,466)**	(38,239)
	(211,383)	394,963	(135,141)	**369,132**	(86,432)
Cash flows relating to investing activities					
Change in available-for-sale securities					
Acquisitions	**(372,202)**	(679,179)	(666,685)	**(1,477,611)**	(2,187,704)
Proceeds on sale and at maturity	**624,264**	543,354	601,491	**1,733,055**	1,782,878
Change in held-to-maturity securities					
Acquisitions	**(120,554)**	(47,422)	(2,744)	**(272,183)**	(65,607)
Proceeds at maturity	**5,085**	46,748	295,003	**58,560**	616,695
Proceeds on sale of commercial mortgage loans	**—**	—	—	**—**	106,084
Additions to premises and equipment and software	**(2,474)**	(3,466)	(13,767)	**(10,308)**	(53,844)
Change in interest-bearing deposits with other banks	**35,841**	3,995	54,756	**64,107**	57,532
	169,960	(135,970)	268,054	**95,620**	256,034
Net change in cash and non-interest-bearing deposits with other banks	**(4,654)**	(36,622)	(5,471)	**(24,361)**	3,975
Cash and non-interest-bearing deposits with other banks at beginning of period	**106,540**	143,162	92,282	**126,247**	82,836
Cash and non-interest-bearing deposits with other banks at end of period	**$ 101,886**	$ 106,540	$ 86,811	**$ 101,886**	$ 86,811
Supplemental disclosure about cash flows relating to operating activities:					
Interest paid during the period	**$ 184,557**	$ 156,235	$ 178,345	**$ 531,388**	$ 477,495
Interest received during the period	**$ 301,042**	$ 258,953	$ 293,248	**$ 853,510**	$ 854,222
Dividends received during the period	**$ 6,912**	$ 2,551	$ 2,258	**$ 11,940**	$ 6,342
Income taxes paid during the period	**$ 7,839**	$ 9,824	$ 3,985	**$ 36,846**	$ 16,264

[1] Comparative figures reflect the adoption of the amendments to IAS 32, *Financial Instruments: Presentation*. Refer to Note 2 for further information.
The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

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 Montréal, Canada. The Bank's common shares (stock symbol: LB) are listed on the Toronto Stock Exchange.

The unaudited condensed interim consolidated financial statements for the period ended July 31, 2015 were approved for issuance by the Board of Directors on September 2, 2015.

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, 2014 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, except for accounting changes detailed below.

Use of estimates and judgment

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the carrying amounts of assets and liabilities on the balance sheet date, income and other related disclosures. Management has implemented and maintains controls and procedures to ensure these estimates are well controlled, reviewed and consistently applied over time. Management believes that the estimates of the value of the Bank's assets and liabilities are appropriate.

Accounting changes

IAS 32: Financial instruments: presentation

As of November 1, 2014, the Bank adopted the amendments to IAS 32, *Financial Instruments: Presentation*, which clarified requirements for offsetting financial instruments. These amendments have been applied retrospectively by the Bank as of November 1, 2013. As a result, certain securities purchased under reverse repurchase agreements and related obligations that were previously offset on the balance sheet, are now presented on a gross basis. As at October 31, 2014, the adoption of these amendments increased Securities purchased under reverse repurchase agreements and Obligations related to securities sold under repurchase agreements by $1.6 billion ($2.0 billion and $1.0 billion respectively as at July 31, 2014 and November 1, 2013). This restatement increased total assets and total liabilities and had no impact on the Bank's comprehensive income, shareholders' equity or cash flows.

IFRIC 21: Levies

As of November 1, 2014 the Bank adopted IFRIC 21, *Levies*. IFRIC 21 provides guidance on when to recognize a liability to pay a levy imposed by government, in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. This standard has been applied retrospectively as of November 1, 2013 and did not have any significant impact on the Bank’s financial position or results.

IAS 39: Financial instruments: recognition and measurement

As of November 1, 2014 the Bank adopted an amended version of IAS 39, *Financial Instruments: Recognition and Measurement*. The amendments to IAS 39 provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedge accounting instrument meets certain criteria. These amendments have been applied retrospectively by the Bank as of November 1, 2013 and did not have any impact on the Bank’s financial position or results.

3. Future Accounting Changes

The following section summarizes accounting standards which have been issued but are not yet effective. The Bank is currently assessing the impact of the adoption of these standards on its financial statements.

IFRS 9: Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which will be replacing IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 provides requirements for how an entity should classify and measure financial assets and liabilities, as well as a new expected credit loss impairment model. It also introduces certain modifications to the general hedge accounting model. The final version supersedes all previous versions of IFRS 9 and is effective for annual periods beginning on or after January 1, 2018. Earlier application of IFRS 9 is permitted.

In January 2015, OSFI issued the final version of the Advisory on the Early Adoption of IFRS 9, *Financial Instruments* for Domestic Systemically Important Banks (D-SIBs). The Advisory outlines OSFI's expectation that D-SIBs will adopt IFRS 9 for their annual period beginning on November 1, 2017. All other Federally Regulated Entities using an October 31 year-end are permitted to adopt IFRS 9 on November 1, 2017, but are not required to do so. As the Bank has not been designated as a D-SIB, the Bank is assessing the option to early adopt IFRS 9.

Classification and Measurement

IFRS 9 requires all financial assets to be classified in three categories (amortized cost, fair value through profit or loss or fair value through other comprehensive income) based on the cash flow characteristics and the business model under which the assets are held.

Financial liabilities will be classified in the same categories as those currently defined in IAS 39. However, measurement of financial liabilities elected to be measured at fair value has been modified: IFRS 9 requires changes in the fair value of an entity's own credit risk to be recognized in other comprehensive income rather than in profit or loss. Early application of this modification, prior to any other changes in the accounting for financial instruments, is permitted by IFRS 9.

Impairment

IFRS 9 introduces a new expected-loss impairment model that is applied to all financial assets classified at amortized cost or fair value through other comprehensive income. Specifically, IFRS 9 requires entities to recognize 12-month expected credit losses from the date a financial asset is first recognized and to recognize lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. The new model is accompanied by enhanced disclosures about expected credit losses and credit risk.

Hedge accounting

IFRS 9 introduces certain modifications for hedge accounting that aims to provide a better link between an entity's risk management strategy, the rationale for hedging and the impact of hedging on the financial statements. Accounting for macro hedging has been decoupled from IFRS 9 and may be issued as a separate standard. The current hedge accounting requirements under IAS 39 may continue to be applied until the IASB finalizes its macro hedge accounting project. The IFRS 9 hedge accounting model retains the three types of hedging relationships presently available under IAS 39 (fair value, cash flow and net investment hedges), but includes changes to hedge effectiveness testing. The new standard also requires enhanced disclosures about risk management activities.

IFRS 15: Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which establishes a comprehensive framework for the recognition, measurement and disclosure of revenues. IFRS 15 applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments) and replaces, amongst others, the previous revenue standard IAS 18, *Revenue* and the related interpretation on revenue recognition IFRIC 13, *Customer Loyalty Programmes*. The new standard also includes requirements for accounting for some costs that are related to a contract with a customer. In July 2015, the IASB decided to defer the effective date of IFRS 15 by one year. Accordingly, entities will apply IFRS 15 for annual periods beginning on or after January 1, 2018, which will be November 1, 2018 for the Bank.

3. Future accounting changes [Cont'd]

IFRS 10: Consolidated Financial Statements, IFRS 12: Disclosure of Interests in Other Entities and IAS 28: Investments in Associates and Joint Ventures

In December 2014, the IASB issued amendments to IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures*, which address issues that have arisen in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after January 1, 2016, which will be November 1, 2016 for the Bank.

IAS 1: Presentation of Financial Statements

In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* to further encourage entities to apply professional judgement in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016, which will be November 1, 2016 for the Bank.

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 NINE MONTHS ENDED	
	JULY 31 2015	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	JULY 31 2014
Realized net gains	**$ 959**	$ 1,220	$ 2,099	**$ 6,190**	$ 5,494
Write-downs for impairment recognized in income	**(2,301)**	(52)	(9)	**(2,702)**	(268)
	$ (1,342)	$ 1,168	$ 2,090	**$ 3,488**	$ 5,226

Unrealized gains and losses recognized in other comprehensive income on the portfolio of available-for-sale securities

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 continues to monitor these investments and market conditions.

				AS AT JULY 31, 2015
	AMORTIZED COST	**UNREALIZED GAINS**	**UNREALIZED LOSSES**	**FAIR VALUE**
Securities issued or guaranteed				
by Canada [1]	**$ 568,307**	**$ 421**	**$ —**	**$ 568,728**
by provinces	**1,265,135**	**3,276**	**39**	**1,268,372**
Other debt securities	**177,966**	**6,646**	**131**	**184,481**
Asset-backed securities	**33,401**	**1,015**	**—**	**34,416**
Preferred shares	**120,099**	**136**	**11,979**	**108,256**
Common shares and other securities	**138,878**	**9,390**	**3,493**	**144,775**
	$ 2,303,786	**$ 20,884**	**$ 15,642**	**$ 2,309,028**

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

4. Securities [Cont'd]

AS AT OCTOBER 31, 2014	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Securities issued or guaranteed				
by Canada [1]	$ 1,129,337	$ 65	$ 74	$ 1,129,328
by provinces	1,041,510	699	76	1,042,133
Other debt securities	175,522	5,561	119	180,964
Asset-backed securities	38,672	1,104	2	39,774
Preferred shares	99,109	1,890	940	100,059
Common shares and other securities	71,592	13,697	530	84,759
	$ 2,555,742	$ 23,016	$ 1,741	$ 2,577,017

AS AT JULY 31, 2014	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Securities issued or guaranteed				
by Canada [1]	$ 814,622	$ 66	$ 100	$ 814,588
by provinces	858,810	323	6	859,127
Other debt securities	194,617	6,688	60	201,245
Asset-backed securities	43,172	1,238	16	44,394
Preferred shares	91,029	2,126	910	92,245
Common shares and other securities	70,427	14,516	235	84,708
	$ 2,072,677	$ 24,957	$ 1,327	$ 2,096,307

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

Additional information on the held-to-maturity securities portfolio

The following table presents the amortized cost of securities classified as held-to-maturity.

	AS AT JULY 31 2015	AS AT OCTOBER 31 2014	AS AT JULY 31 2014
Securities issued or guaranteed by Canada [1]	**$ 536,630**	$ 323,007	$ 61,446
Asset-backed commercial paper	**—**	—	36,340
	$ 536,630	$ 323,007	$ 97,786

[1] Including mortgage-backed securities that are fully guaranteed by the Canada Mortgage and Housing Corporation pursuant to the *National Housing Act* and treasury bills.

5. Loans

Loans and impaired loans

AS AT JULY 31, 2015				**COLLECTIVE ALLOWANCES**		
	GROSS AMOUNT OF LOANS	**GROSS AMOUNT OF IMPAIRED LOANS**	**INDIVIDUAL ALLOWANCES**	**AGAINST IMPAIRED LOANS**	**AGAINST OTHER LOANS**	**TOTAL ALLOWANCES**
Personal	**$ 6,520,944**	**$ 15,694**	**$ —**	**$ 11,316**	**$ 27,223**	**$ 38,539**
Residential mortgage	**15,580,496**	**32,562**	**—**	**4,064**	**9,325**	**13,389**
Commercial mortgage	**2,970,776**	**43,714**	**1,939**	**8,168**	**12,743**	**22,850**
Commercial and other [1]	**3,582,493**	**32,469**	**11,405**	**3,283**	**22,237**	**36,925**
	$ 28,654,709	**$ 124,439**	**$ 13,344**	**$ 26,831**	**$ 71,528**	**$ 111,703**

[1] Including customers' liabilities under acceptances for an amount of $407.2 million.

5. Loans [Cont'd]

AS AT OCTOBER 31, 2014

	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES AGAINST IMPAIRED LOANS	COLLECTIVE ALLOWANCES AGAINST OTHER LOANS	TOTAL ALLOWANCES
Personal	$ 6,793,078	$ 22,359	$ —	$ 9,425	$ 28,986	$ 38,411
Residential mortgage	14,825,541	32,843	—	3,964	7,612	11,576
Commercial mortgage	2,651,271	16,633	3,917	1,884	20,736	26,537
Commercial and other [1]	3,159,689	30,245	18,034	1,965	22,848	42,847
	$ 27,429,579	$ 102,080	$ 21,951	$ 17,238	$ 80,182	$ 119,371

[1] Including customers' liabilities under acceptances for an amount of $365.5 million.

AS AT JULY 31, 2014

	GROSS AMOUNT OF LOANS	GROSS AMOUNT OF IMPAIRED LOANS	INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES AGAINST IMPAIRED LOANS	COLLECTIVE ALLOWANCES AGAINST OTHER LOANS	TOTAL ALLOWANCES
Personal	$ 6,915,950	$ 24,574	$ —	$ 9,365	$ 28,483	$ 37,848
Residential mortgage	14,726,535	33,110	—	2,802	6,066	8,868
Commercial mortgage	2,571,309	12,759	6,013	1,991	21,327	29,331
Commercial and other [1]	3,061,532	35,546	21,550	2,256	22,369	46,175
	$ 27,275,326	$ 105,989	$ 27,563	$ 16,414	$ 78,245	$ 122,222

[1] Including customers' liabilities under acceptances for an amount of $360.7 million.

Individual allowances for loan losses

			FOR THE NINE MONTHS ENDED	
			JULY 31 2015	JULY 31 2014
	COMMERCIAL MORTGAGE LOANS	**COMMERCIAL AND OTHER LOANS [1]**	**TOTAL INDIVIDUAL ALLOWANCES**	TOTAL INDIVIDUAL ALLOWANCES
Balance at beginning of period	**$ 3,917**	**$ 18,034**	**$ 21,951**	$ 34,266
Provision for loan losses recorded in the consolidated statement of income	**817**	**(675)**	**142**	(5,078)
Write-offs	**(2,795)**	**(5,895)**	**(8,690)**	(1,566)
Recoveries	**—**	**52**	**52**	76
Interest accrued on impaired loans	**—**	**(111)**	**(111)**	(135)
Balance at end of period	**$ 1,939**	**$ 11,405**	**$ 13,344**	$ 27,563

[1] Including customers' liabilities under acceptances.

Collective allowances for loan losses

Collective allowances against impaired loans

					FOR THE NINE MONTHS ENDED	
					JULY 31 2015	JULY 31 2014
	PERSONAL LOANS	**RESIDENTIAL MORTGAGE LOANS**	**COMMERCIAL MORTGAGE LOANS**	**COMMERCIAL AND OTHER LOANS [1]**	**TOTAL COLLECTIVE ALLOWANCES**	TOTAL COLLECTIVE ALLOWANCES
Balance at beginning of period	**$ 9,425**	**$ 3,964**	**$ 1,884**	**$ 1,965**	**$ 17,238**	$ 12,049
Provision for loan losses recorded in the consolidated statement of income	**22,996**	**2,436**	**7,045**	**1,535**	**34,012**	27,608
Write-offs	**(26,026)**	**(1,556)**	**—**	**(15)**	**(27,597)**	(26,995)
Recoveries	**5,208**	**(412)**	**—**	**—**	**4,796**	4,759
Interest accrued on impaired loans	**(287)**	**(368)**	**(761)**	**(202)**	**(1,618)**	(1,007)
Balance at end of period	**$ 11,316**	**$ 4,064**	**$ 8,168**	**$ 3,283**	**$ 26,831**	$ 16,414

[1] Including customers' liabilities under acceptances.

5. Loans [Cont'd]

Collective allowances against other loans

	PERSONAL LOANS	RESIDENTIAL MORTGAGE LOANS	COMMERCIAL MORTGAGE LOANS	COMMERCIAL AND OTHER LOANS [1]	FOR THE NINE MONTHS ENDED JULY 31 2015 TOTAL COLLECTIVE ALLOWANCES	JULY 31 2014 TOTAL COLLECTIVE ALLOWANCES
Balance at beginning of period	**$ 28,986**	**$ 7,612**	**$ 20,736**	**$ 22,848**	**$ 80,182**	$ 69,275
Provision for loan losses recorded in the consolidated statement of income	**(1,763)**	**1,713**	**(7,993)**	**(611)**	**(8,654)**	8,970
Balance at end of period	**$ 27,223**	**$ 9,325**	**$ 12,743**	**$ 22,237**	**$ 71,528**	$ 78,245

[1] Including customers' liabilities under acceptances.

An allowance for undrawn amounts under approved credit facilities is also recognized in other liabilities and amounted to $5.3 million as at July 31, 2015, $7.4 million as at October 31, 2014 and $7.9 million as at July 31, 2014.

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 JULY 31, 2015	**1 DAY-31 DAYS**	**32 DAYS-90 DAYS**	**OVER 90 DAYS**	**TOTAL**
Personal loans	**$ 93,964**	**$ 30,717**	**$ 8,284**	**$ 132,965**
Residential mortgage loans	**220,816**	**38,591**	**26,114**	**285,521**
	$ 314,780	**$ 69,308**	**$ 34,398**	**$ 418,486**

AS AT OCTOBER 31, 2014	1 DAY-31 DAYS	32 DAYS-90 DAYS	OVER 90 DAYS	TOTAL
Personal loans	$ 82,681	$ 26,571	$ 5,350	$ 114,602
Residential mortgage loans	232,217	58,137	32,706	323,060
	$ 314,898	$ 84,708	$ 38,056	$ 437,662

AS AT JULY 31, 2014	1 DAY-31 DAYS	32 DAYS-90 DAYS	OVER 90 DAYS	TOTAL
Personal loans	$ 82,274	$ 27,040	$ 5,452	$ 114,766
Residential mortgage loans	266,407	52,771	24,986	344,164
	$ 348,681	$ 79,811	$ 30,438	$ 458,930

6. Loan Securitization

Financial assets not qualifying for derecognition and associated financial liabilities

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

	AS AT JULY 31 2015	AS AT OCTOBER 31 2014	AS AT JULY 31 2014
Residential mortgage loans	**$ 4,486,366**	$ 4,341,612	$ 4,218,378
Replacement Assets			
Cash and deposits with other banks	**3,635**	14,372	3,756
Securities purchased under reverse repurchase agreements	**31,193**	106,489	386,944
Other securities	**536,630**	323,007	97,786
Debt related to securitization activities	**$ (5,245,340)**	$ (4,863,848)	$ (4,824,777)

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

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2015	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	JULY 31 2014
Carrying amounts of mortgages transferred during the quarter related to new financing	**$ 155,569**	$ 616,682	$ 230,709	**$ 992,190**	$ 721,688
Carrying amounts of mortgages transferred during the quarter as Replacement Assets	**$ 128,300**	$ 109,862	$ 124,406	**$ 340,163**	$ 290,135

The following table provides information on issuances of debt related to securitization activities since the beginning of the year.

	FOR THE NINE MONTHS ENDED JULY 31, 2015		
MATURITY	RATE	NOMINAL VALUE	INITIAL CARRYING AMOUNT
New issuance of debt related to the Canada Mortgage Bond program			
December 2019	2.06%	$ 217,007	**$ 219,565**
March 2020	Variable [1]	$ 119,864	**$ 119,781**
June 2020	1.26%	$ 188,305	**$ 187,318**
June 2020	1.52%	$ 155,607	**$ 154,641**
New issuance of debt related to multi-seller conduits			
Until February 2020	Variable [2]	$ 308,572	**$ 300,396**

[1] The interest rate on the debt related to CMB transactions maturing in March 2020 is based on the CMB variable coupon rate, determined using the 3-month Canadian Dealer Offered Rate.

[2] The interest rate on the debt related to multi-seller conduits is based on the funding cost of the conduits and corresponds to the rate of the asset-backed commercial paper issued by the conduits, plus related program fees.

7. Share Capital

Preferred shares

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

	FOR THE NINE MONTHS ENDED					
	JULY 31, 2015			JULY 31, 2014		
	NUMBER OF SHARES		**AMOUNT**	NUMBER OF SHARES		AMOUNT
Class A Preferred shares						
Series 10						
Outstanding at beginning of period	**n.a.**		**n.a.**	4,400,000	$	107,642
Repurchase of shares	**n.a.**		**n.a.**	(4,400,000)		(107,642)
Outstanding at end of period	**n.a.**		**n.a.**	—	$	—
Series 11						
Outstanding at beginning of period and end of period	**4,000,000**	**$**	**97,562**	4,000,000	$	97,562
Series 13						
Outstanding at beginning and end of period	**5,000,000**	**$**	**122,071**	n.a.		n.a.
Issuance of shares	**—**		**—**	5,000,000		125,000
Net issuance cost	**n.a.**		**—**	n.a.		(2,929)
Outstanding at end of period	**5,000,000**	**$**	**122,071**	5,000,000	$	122,071
Total preferred shares outstanding at end of period	**9,000,000**	**$**	**219,633**	9,000,000	$	219,633

Common shares

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

	FOR THE NINE MONTHS ENDED					
	JULY 31, 2015			JULY 31, 2014		
	NUMBER OF SHARES		**AMOUNT**	NUMBER OF SHARES		AMOUNT
Common shares						
Outstanding at beginning of period	**28,942,999**	**$**	**465,854**	28,532,412	$	446,496
Issuance under the employee share purchase option plan	**12,000**		**408**	—		—
Issuance under the Shareholder Dividend Reinvestment and Share Purchase Plan	**1,620**		**80**	304,865		14,286
Net issuance costs	**n.a.**		**(8)**	n.a.		(25)
Total common shares outstanding at end of period	**28,956,619**	**$**	**466,334**	28,837,277	$	460,757

Shareholder dividend reinvestment and share purchase plan

During the third quarter of 2015, there were no common shares issued under the Bank's Shareholder Dividend Reinvestment and Share Purchase Plan (1,620 common shares in the first six months of 2015).

Dividends declared

On August 19, 2015, the Board of Directors declared the regular dividend on the Preferred Shares Series 11 and Preferred Shares Series 13, to shareholders of record on September 8, 2015. At its meeting on September 2, 2015, the Board of Directors declared a dividend of $0.56 per common share, payable on November 1, 2015, to shareholders of record on October 1, 2015. The Bank also determined that reinvestments related to these dividends would be made in Common Shares purchased in the open market. As such, no discount will be applied to the purchase price of these common shares.

7. Share Capital [Cont'd]

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 guidelines, commonly referred to as Basel III. Under OSFI's guideline, minimum Common Equity Tier 1, Total Tier 1 and Total capital ratios were set at 4.5%, 6.0% and 8.0% respectively for 2015. These ratios include phase-in 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 capital conservation buffers.

Furthermore, OSFI indicated that it expects deposit-taking institutions to attain target capital ratios without transition arrangements, as of January 1, 2013, equal to or greater than the 2019 minimum capital ratios plus conservation buffer level (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 issued in October 2014, the Asset to Capital Multiple (ACM) was replaced with a new leverage ratio as of January 1, 2015. Federally regulated deposit-taking institutions are expected to maintain a Basel III leverage ratio that meets or exceeds 3% at all times. The leverage ratio is currently defined as the Tier 1 capital divided by unweighted on-balance sheet assets and off-balance sheet commitments, derivatives and securities financing transactions, as defined within the requirements. It differs from OSFI's previous ACM requirement in that it includes more off-balance-sheet exposures and a narrower definition of capital (Tier 1 Capital instead of Total Capital).

The Bank has complied with regulatory capital requirements throughout the nine-month period ended July 31, 2015. Regulatory capital is detailed below.

	AS AT JULY 31, 2015		AS AT OCTOBER 31, 2014	
	ALL-IN BASIS	**TRANSITIONAL BASIS**	ALL-IN BASIS	TRANSITIONAL BASIS
Common shares	**$ 466,334**	**$ 466,334**	$ 465,854	$ 465,854
Share-based payment reserve	**36**	**36**	91	91
Retained earnings	**908,131**	**908,131**	848,905	848,905
Accumulated other comprehensive income, excluding cash flow hedge reserve	**(575)**	**(575)**	13,338	13,338
Deductions from Common Equity Tier 1 capital [1]	**(220,124)**	**(85,249)**	(240,964)	(48,193)
Common Equity Tier 1 capital	**1,153,802**	**1,288,677**	1,087,224	1,279,995
Non-qualifying non-cumulative preferred shares [2]	**97,562**	**97,562**	97,562	97,562
Qualifying non-cumulative preferred shares	**122,071**	**122,071**	122,071	122,071
Deductions from Tier 1 capital	**n.a.**	**(41,247)**	n.a.	(51,262)
Additional Tier 1 capital	**219,633**	**178,386**	219,633	168,371
Tier 1 capital	**1,373,435**	**1,467,063**	1,306,857	1,448,366
Subordinated debt [3]	**310,667**	**310,667**	355,048	355,048
Collective allowances	**76,853**	**76,853**	87,546	87,546
Deductions from Tier 2 capital	**(2,646)**	**(1,058)**	(1,925)	(385)
Tier 2 capital	**384,874**	**386,462**	440,669	442,209
Total capital	**$ 1,758,309**	**$ 1,853,525**	$ 1,747,526	$ 1,890,575

[1] Mainly comprised of deductions for software and other intangible assets, goodwill and pension plan assets.

[2] There is currently no deduction related to the non-qualifying capital instruments under Basel III as the phase-out is calculated on the outstanding balance as at January 1, 2013, which included the Preferred Shares Series 9 and Series 10 subsequently repurchased by the Bank.

[3] Net of an amount of $138.4 million ($92.5 million as at October 31, 2014) due to the 10% phase-out per year of non-qualifying capital instruments under Basel III.

8. Share-Based Payments

Share purchase option plan

During the third quarter of 2015, no new share options were granted and 12,000 share options were exercised. Information relating to outstanding number of options is as follows.

	AS AT JULY 31 2015	AS AT OCTOBER 31 2014	AS AT JULY 31 2014
	NUMBER	NUMBER	NUMBER
Share purchase options outstanding and exercisable at end of period	**8,000**	20,000	20,000

Restricted share unit plans

During the first quarter of 2015, under the restricted share unit plan, annual bonuses for certain employees amounting to $2.6 million were converted into 50,730 entirely vested restricted share units. Simultaneously, the Bank also granted 30,350 additional restricted share units valued at $50.85 each that will vest in December 2017. During the second quarter of 2015, the Bank granted 708 additional restricted share units valued at $49.41 each, which will vest in December 2017. There were no new grants during the third quarter of 2015.

During the first quarter of 2015, under the restricted share unit plan for employees of the Capital Markets sector, annual bonuses for certain employees amounting to $1.4 million were converted into 27,412 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. There were no new grants during the second and third quarter of 2015.

Performance-based share unit plan

During the first quarter of 2015, under the performance-based share unit plan, the Bank granted 147,243 performance-based share units valued at $50.85 each. The rights to these units will vest in December 2017 and upon meeting certain financial objectives. There were no new grants during the second and third quarter of 2015.

Share-based payment plan expense and related liability

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

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2015	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	JULY 31 2014
Expense arising from cash-settled share-based payment transactions	**$ 4,416**	$ 3,544	$ 5,311	**$ 10,443**	$ 11,394
Effect of hedges	**(1,634)**	(1,862)	(3,899)	**(1,426)**	(4,892)
	$ 2,782	$ 1,682	$ 1,412	**$ 9,017**	$ 6,502

The carrying amount of the liability relating to the cash-settled plans was $49.3 million as at July 31, 2015 ($37.8 million as at October 31, 2014 and $38.1 million as at July 31, 2014).

9. Post-Employment Benefits

Expense for post-employment benefits

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED	
	JULY 31 2015	APRIL 30 2015	JULY 31 2014	**JULY 31 2015**	JULY 31 2014
Defined benefit pension plans	**$ 4,233**	$ 4,095	$ 4,313	**$ 12,561**	$ 12,758
Defined contribution pension plans	**1,663**	1,630	1,707	**4,923**	5,004
Other plans	**369**	357	351	**1,095**	1,042
	$ 6,265	$ 6,082	$ 6,371	**$ 18,579**	$ 18,804

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 quoted prices in active markets 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 23 of the 2014 audited annual consolidated financial statements. There were no changes in fair value measurement methods in the period.

In addition, financial instruments recorded at fair value in the financial statements are classified in Level 2 of the fair value hierarchy, except for securities of $418.3 million which are classified in Level 1 as at July 31, 2015. 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. Segmented Information

The Bank determines its reportable segments based on the different services it provides to individuals, businesses, financial intermediaries and institutional clients. The three business segments of the Bank are: Personal & Commercial, B2B Bank, and Laurentian Bank Securities & Capital Markets. The Bank’s other activities are grouped into the Other sector.

The Personal & Commercial segment caters to the financial needs of business clients across Canada and retail clients in Québec. The Bank serves retail clients through a network of branches and ATMs, providing a full range of savings, investment and financing products. Electronic and mobile services, as well as transactional, card and insurance products complete the offering. Small and medium-sized enterprises, along with real estate developers are provided with a suite of financing options, including leasing solutions, as well as investment, cash management and international services.

The B2B Bank segment supplies banking and financial products to independent financial advisors and non-bank financial institutions across Canada.

Laurentian Bank Securities & Capital Markets segment consists of the Laurentian Bank Securities Inc. subsidiary, a full-service broker, and the Bank's capital market activities.

The Other sector encompasses the Bank's corporate functions, including Corporate Treasury.

Results for the Bank's segments are based on internal financial reporting systems and are consistent with the accounting principles followed in the preparation of the Bank's consolidated financial statements.

All transactions between business segments are eliminated in the Other sector. Transfer pricing regarding the funding of segments' assets and liabilities is based on funding costs which best reflect the nature and maturities of these items. Income and expenses directly associated with each segment are included in determining business segment performance. Corporate expenses are generally allocated pro-rata to each business segment.

11. Segmented Information [Cont'd]

FOR THE THREE MONTHS ENDED JULY 31, 2015

	PERSONAL & COMMERCIAL	B2B BANK	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	$ **104,430**	$ **45,896**	$ **819**	$ **(3,916)**	$ **147,229**
Other income	**54,291**	**8,652**	**16,270**	**196**	**79,409**
Total revenue (loss)	**158,721**	**54,548**	**17,089**	**(3,720)**	**226,638**
Amortization of net premium on purchased financial instruments	**—**	**1,531**	**—**	**—**	**1,531**
Provision for loan losses	**4,295**	**2,705**	**—**	**—**	**7,000**
Non-interest expenses	**106,297**	**30,615**	**13,680**	**10,445**	**161,037**
Income (loss) before income taxes	**48,129**	**19,697**	**3,409**	**(14,165)**	**57,070**
Income taxes (recovered)	**11,912**	**5,386**	**717**	**(5,111)**	**12,904**
Net income (loss)	$ **36,217**	$ **14,311**	$ **2,692**	$ **(9,054)**	$ **44,166**
Average assets [1]	$ **18,927,695**	$ **9,223,233**	$ **5,843,646**	$ **4,166,246**	$ **38,160,820**

FOR THE THREE MONTHS ENDED APRIL 30, 2015

	PERSONAL & COMMERCIAL	B2B BANK	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	$ 99,978	$ 41,612	$ 715	$ (4,614)	$ 137,691
Other income	51,773	8,540	18,411	4,264	82,988
Total revenue (loss)	151,751	50,152	19,126	(350)	220,679
Amortization of net premium on purchased financial instruments	—	1,531	—	—	1,531
Provision for loan losses	5,876	2,124	—	—	8,000
Non-interest expenses	103,354	32,535	14,511	8,350	158,750
Income (loss) before income taxes	42,521	13,962	4,615	(8,700)	52,398
Income taxes (recovered)	10,330	3,830	502	(3,452)	11,210
Net income (loss)	$ 32,191	$ 10,132	$ 4,113	$ (5,248)	$ 41,188
Average assets [1]	$ 18,758,813	$ 8,903,789	$ 5,662,897	$ 4,027,019	$ 37,352,518

FOR THE THREE MONTHS ENDED JULY 31, 2014

	PERSONAL & COMMERCIAL	B2B BANK	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	$ 99,591	$ 44,402	$ 568	$ (3,312)	$ 141,249
Other income	50,854	8,804	17,924	814	78,396
Total revenue	150,445	53,206	18,492	(2,498)	219,645
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration	—	1,511	—	—	1,511
Provision for loan losses	8,759	1,741	—	—	10,500
Non-interest expenses	102,355	30,553	14,341	7,160	154,409
Costs related to business combinations (see Note 12)	—	1,564	—	—	1,564
Income (loss) before income taxes	39,331	17,837	4,151	(9,658)	51,661
Income taxes (recovered)	9,378	4,802	1,114	(3,730)	11,564
Net income (loss)	$ 29,953	$ 13,035	$ 3,037	$ (5,928)	$ 40,097
Average assets [1][2]	$ 18,219,862	$ 8,794,768	$ 5,502,217	$ 3,722,877	$ 36,239,724

[1] Assets are disclosed on an average basis as this measure is most relevant to financial institutions.

[2] Comparative figures reflect the adoption of amendments to IAS 32, *Financial Instruments: Presentation*. As a result, Laurentian Bank Securities & Capital Markets' average assets increased by $2,211.3 million and the Other sector's average assets decreased by $1.9 million for the three months ended July 31, 2014. Refer to Note 2 for further information.

11. Segmented Information [Cont'd]

FOR THE NINE MONTHS ENDED JULY 31, 2015	PERSONAL & COMMERCIAL	B2B BANK	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	$ 305,378	$ 129,568	$ 2,260	$ (12,790)	$ 424,416
Other income	156,647	25,908	51,165	7,341	241,061
Total revenue (loss)	462,025	155,476	53,425	(5,449)	665,477
Amortization of net premium on purchased financial instruments	—	4,534	—	—	4,534
Provision for loan losses	19,343	6,157	—	—	25,500
Non-interest expenses	312,499	94,130	42,109	31,746	480,484
Income (loss) before income taxes	130,183	50,655	11,316	(37,195)	154,959
Income taxes (recovered)	31,075	13,789	2,102	(13,196)	33,770
Net income (loss)	$ 99,108	$ 36,866	$ 9,214	$ (23,999)	$ 121,189
Average assets [1]	$ 18,733,771	$ 8,985,362	$ 5,594,999	$ 3,965,804	$ 37,279,936

FOR THE NINE MONTHS ENDED JULY 31, 2014	PERSONAL & COMMERCIAL	B2B BANK	LAURENTIAN BANK SECURITIES & CAPITAL MARKETS	OTHER	TOTAL
Net interest income	$ 295,237	$ 133,976	$ 1,757	$ (10,139)	$ 420,831
Other income	148,594	27,013	50,490	5,716	231,813
Total revenue (loss)	443,831	160,989	52,247	(4,423)	652,644
Amortization of net premium on purchased financial instruments and revaluation of contingent consideration	—	8,145	—	—	8,145
Provision for loan losses	26,449	5,051	—	—	31,500
Non-interest expenses	302,111	93,100	41,487	28,362	465,060
Costs related to business combinations (see Note 12)	—	9,950	—	—	9,950
Income (loss) before income taxes	115,271	44,743	10,760	(32,785)	137,989
Income taxes (recovered)	26,758	13,193	2,887	(11,460)	31,378
Net income (loss)	$ 88,513	$ 31,550	$ 7,873	$ (21,325)	$ 106,611
Average assets [1][2]	$ 18,111,373	$ 8,880,856	$ 4,602,167	$ 3,674,478	$ 35,268,874

[1] Assets are disclosed on an average basis as this measure is most relevant to financial institutions.

[2] Comparative figures reflect the adoption of amendments to IAS 32, *Financial Instruments: Presentation*. As a result, Laurentian Bank Securities & Capital Markets' average assets increased by $1,463.0 million and the Other sector's average assets decreased by $12.2 million for the nine months ended July 31, 2014. Refer to Note 2 for further information.

12. Business Combinations

Gain on acquisition and amortization of net premium on purchased financial instruments

On August 1, 2012, the Bank acquired 100% of the outstanding shares of AGF Trust Company (AGF Trust) from AGF Management Limited. The allocation of the purchase price of AGF Trust resulted in a gain of $24.3 million ($16.4 million net of income taxes) arising on acquisition as the estimated fair values of the net assets acquired exceeded the purchase price. The gain mainly represented the favourable effect of the discount or premium to reflect the then current market rates on purchased financial instruments, partly offset by the initial estimated fair value of the contingent consideration. The unamortized portion of the gain resulting from the revaluation of the purchased financial instruments of $14.8 million is being amortized in net income over the estimated remaining term of the purchased financial instruments and amounted to $1.5 million for the three-month period ended July 31, 2015 ($1.5 million for the three-month periods ended April 30, 2015 and July 31, 2014).

Contingent consideration

On May 30, 2014, the Bank reached an agreement with AGF Management Limited to settle the contingent consideration which was initially valued at $5.9 million for a total amount of $10.0 million. Accordingly, the Bank recorded an additional $4.1 million non tax-deductible charge in the second quarter 2014 to reflect the agreement.

Costs related to business combinations

In 2014, the Bank incurred costs related to IT systems conversion, salaries, professional fees and other expenses for the integration of former AGF Trust operations. These costs were recognized directly in net income, under Costs related to business combinations. Integration of the AGF Trust operations and related costs were finalized in the fourth quarter of 2014.

13. Subsequent Event

On August 12, 2015, the Bank purchased an investment loan portfolio from TD Bank Group for a cash consideration of $0.6 billion. The Bank purchased this portfolio of loans to further strengthen B2B Bank's commitment to the advisor community and solidify its leadership in the investment lending space. This portfolio is part of the B2B Bank reportable segment's assets.

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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 at Head Office or by calling 514 284-4500 ext. 7545.

Investors and analysts
Investors and analysts may contact the Investor Relations Department at Head Office by calling 514 284-4500 ext. 3901.

Media
Journalists may contact the Public Affairs and Communications Department at Head Office by calling 514 284-4500 ext. 3901.

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.

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 registrar and transfer agent, 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 11	51925D 84 1 LB.PR.F	**	March 15
Series 13	51925D 82 5 LB.PR.H	**	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.

LAURENTIAN BANK