SECOND QUARTER 2016

Report to Shareholders

For the period ended April 30, 2016

Highlights of the second quarter of 2016

- Adjusted return on common shareholders' equity of 12.8% and reported return on common shareholders' equity of 12.5%
- Adjusted net income of $46.7 million or $1.46 per share, up 10% and 6% year-over-year, respectively
- Reported net income of $45.7 million or $1.43 per share, up 11% and 7% year-over-year, respectively
- Good credit quality with credit losses of $5.8 million, 28% lower than last year
  - No direct exposure to the oil and gas industry
- Strong organic loan growth:
  - Loans to business customers up 12% year-over-year
  - Residential mortgage loans through B2B Bank independent brokers and advisors up 46% year-over-year
- CET1 capital ratio at 7.9%
- Preferred share issuance of $125.0 million in March to strengthen capital
- Quarterly common share dividend raised by $0.02 to $0.60

In millions of Canadian dollars, except per share and percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED		
	APRIL 30 2016	APRIL 30 2015	VARIANCE	**APRIL 30 2016**	APRIL 30 2015	VARIANCE
Reported basis						
Net income	**$ 45.7**	$ 41.2	11%	**$ 88.4**	$ 77.0	15%
Diluted earnings per share	**$ 1.43**	$ 1.34	7%	**$ 2.79**	$ 2.49	12%
Return on common shareholders' equity	**12.5%**	11.8%		**12.0%**	10.9%	
Efficiency ratio	**70.6%**	71.9%		**70.5%**	72.8%	
Common Equity Tier I capital ratio – All-in basis	**7.9%**	7.8%				
Adjusted basis [1]						
Adjusted net income	**$ 46.7**	$ 42.3	10%	**$ 90.4**	$ 82.8	9%
Adjusted diluted earnings per share	**$ 1.46**	$ 1.38	6%	**$ 2.86**	$ 2.69	6%
Adjusted return on common shareholders' equity	**12.8%**	12.1%		**12.3%**	11.7%	
Adjusted efficiency ratio	**70.6%**	71.9%		**70.5%**	71.7%	

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

Laurentian Bank of Canada (the Bank) disclosed net income of $46.7 million on an adjusted basis or $1.46 diluted per share for the second quarter of 2016, up 10% and 6% respectively, compared with $42.3 million or $1.38 diluted per share for the same period in 2015. Adjusted return on common shareholders' equity was 12.8% for the second quarter of 2016, compared with 12.1% a year ago. On a reported basis, net income totalled $45.7 million or $1.43 diluted per share for the second quarter of 2016, compared with net income of $41.2 million or $1.34 diluted per share for the same period last year. On a reported basis, return on common shareholders' equity was 12.5% for the second quarter of 2016, compared with 11.8% for the second quarter of 2015. Reported results for the second quarter of 2016 and for the second quarter of 2015 included adjusting items, as detailed in the Non-GAAP Financial Measures section.

For the six months ended April 30, 2016, adjusted net income totalled $90.4 million or $2.86 diluted per share for the second quarter of 2016, up 9% and 6% respectively, compared with $82.8 million or $2.69 diluted per share for the same period in 2015. Adjusted return on common shareholders' equity was 12.3% for the six months ended April 30, 2016, compared with 11.7% a year ago. On a reported basis, net income totalled $88.4 million or $2.79 diluted per share for the six months ended April 30, 2016, compared with net income of $77.0 million or $2.49 diluted per share for the same period last year. On a reported basis, return on common shareholders' equity was 12.0% for the six months ended April 30, 2016, compared with 10.9% for the six months ended April 30, 2015. Reported results for the six months ended April 30, 2016 and for the six months ended April 30, 2015 included adjusting items, as detailed in the Non-GAAP Financial Measures section.

François Desjardins, President and Chief Executive Officer, commented on the Bank's results and financial condition: “We delivered strong earnings this quarter, as we took advantage of better capital market conditions and continued to benefit from the sustained credit quality of our loan portfolio. Furthermore, we exercised tight control over expenses to improve efficiency in this challenging interest rate environment. Our focus on our growth targets generated tangible returns, with our loans to business customers increasing by 12% and residential mortgage loans through B2B Bank independent brokers and advisors increasing by 46% over the last twelve months. Looking ahead, we are actively working on rebuilding our account management platform, an important element of our strategic plan. Given our solid financial performance and the support that our Board of Directors has in our transformation plan, I am pleased to announce that the Board has approved an increase in our quarterly common share dividend of $0.02 to $0.60 per share.”

Contents

Highlights

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED					FOR THE SIX MONTHS ENDED		
	APRIL 30 2016	JANUARY 31 2016	VARIANCE	APRIL 30 2015	VARIANCE	**APRIL 30 2016**	APRIL 30 2015	VARIANCE
Profitability								
Total revenue	**$ 226,803**	$ 223,202	2%	$ 220,679	3 %	**$ 450,005**	$ 438,839	3%
Net income	**$ 45,714**	$ 42,676	7%	$ 41,188	11 %	**$ 88,390**	$ 77,023	15%
Diluted earnings per share	**$ 1.43**	$ 1.36	5%	$ 1.34	7 %	**$ 2.79**	$ 2.49	12%
Return on common shareholders' equity [1]	**12.5 %**	11.6%		11.8 %		**12.0%**	10.9%	
Net interest margin (on average earning assets) [1]	**1.71 %**	1.78%		1.84 %		**1.74%**	1.84%	
Efficiency ratio [1]	**70.6 %**	70.3%		71.9 %		**70.5%**	72.8%	
Operating leverage [1]	**(0.3)%**	n. m.		2.4 %		**3.3%**	1.2%	
Per common share								
Share price – Close	**$ 49.78**	$ 47.70	4%	$ 48.29	3 %	**$ 49.78**	$ 48.29	3%
Price / earnings ratio (trailing four quarters)	**14.2x**	14.0x		9.9x		**14.2x**	9.9x	
Book value [1]	**$ 47.34**	$ 46.32	2%	$ 47.10	1 %	**$ 47.34**	$ 47.10	1%
Market to book value [1]	**105 %**	103%		103 %		**105%**	103%	
Dividends declared	**$ 0.58**	$ 0.58	—%	$ 0.54	7 %	**$ 1.16**	$ 1.08	7%
Dividend yield [1]	**4.7 %**	4.9%		4.5 %		**4.7%**	4.5%	
Dividend payout ratio [1]	**40.6 %**	43.6%		40.3 %		**42.0%**	43.3%	
Adjusted financial measures								
Adjusted net income [1]	**$ 46,696**	$ 43,708	7%	$ 42,313	10 %	**$ 90,404**	$ 82,781	9%
Adjusted diluted earnings per share [1]	**$ 1.46**	$ 1.39	5%	$ 1.38	6 %	**$ 2.86**	$ 2.69	6%
Adjusted return on common shareholders' equity [1]	**12.8 %**	11.9%		12.1 %		**12.3%**	11.7%	
Adjusted efficiency ratio [1]	**70.6 %**	70.3%		71.9 %		**70.5%**	71.7%	
Adjusted operating leverage [1]	**(0.3)%**	0.6%		(0.7)%		**1.8%**	0.1%	
Adjusted dividend payout ratio [1]	**39.7 %**	42.5%		39.2 %		**41.0%**	40.1%	
Financial position (in millions of Canadian dollars)								
Balance sheet assets	**$ 41,024**	$ 40,267	2%	$ 37,656	9 %			
Loans and acceptances	**$ 31,413**	$ 30,694	2%	$ 28,111	12 %			
Deposits	**$ 27,285**	$ 26,781	2%	$ 24,960	9 %			
Average earning assets [1]	**$ 34,058**	$ 33,475	2%	$ 30,631	11 %	**$ 33,763**	$ 30,422	11%
Key growth drivers (in millions of Canadian dollars)								
Loans to business customers	**$ 8,446**	$ 8,178	3%	$ 7,520	12 %			
Residential mortgage loans through B2B Bank independent brokers and advisors	**$ 6,677**	$ 6,294	6%	$ 4,583	46 %			
Mutual funds to retail clients	**$ 3,236**	$ 3,229	—%	$ 3,330	(3)%			
Assets under management at Laurentian Bank Securities	**$ 3,218**	$ 3,107	4%	$ 2,932	10 %			
Basel III regulatory capital ratios — All-in basis								
Common Equity Tier I	**7.9 %**	7.7%		7.8 %				
Total	**11.6 %**	10.8%		11.9 %				
Leverage ratio	**4.0 %**	3.7%		3.7 %				
Other information								
Number of full-time equivalent employees	**3,627**	3,718		3,746				
Number of branches	**150**	150		151				
Number of automated banking machines	**402**	404		415				

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

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 April 30, 2016 and how it performed during the three-month and six-month periods then ended. This MD&A, dated June 1, 2016, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended April 30, 2016, 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 2015 Annual Report.

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

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 prospect, believe, estimate, forecast, project, expect, anticipate, plan, may, should, could and would, or the negative of these terms, variations thereof or similar terminology.

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

The Bank cautions readers against placing undue reliance on forward-looking statements when making decisions, as the actual results could differ considerably from the opinions, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements due to various material factors. Among other things, these factors include: changes in capital market conditions, changes in government monetary, fiscal and economic policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, changes in competition, modifications to credit ratings, scarcity of human resources, developments in the technological environment, the ability to realize the anticipated benefits from the purchase of an investment loan portfolio and the reaction of the seller's customers to the transaction, as well as, the ability to operate the Bank's transformation plan. 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 Management's Discussion and Analysis under the title “Risk Appetite and Risk Management Framework” in the Bank's Annual Report, as well as to other public filings available at www.sedar.com.

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

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:

Adjusted financial measures

Certain analyses presented throughout this document are based on the Bank's core activities and therefore exclude the effect of certain amounts designated as adjusting items due to their nature or significance. The Bank presents adjusted results to facilitate understanding of its underlying business performance and related trends. The following table presents the impact of adjusting items on reported results.

IMPACT OF ADJUSTING ITEMS ON REPORTED RESULTS

In thousands of Canadian dollars, except per share amounts (Unaudited)	FOR THE THREE MONTHS ENDED **APRIL 30 2016**	JANUARY 31 2016	APRIL 30 2015	FOR THE SIX MONTHS ENDED **APRIL 30 2016**	APRIL 30 2015
Impact on net income					
Reported net income	**$ 45,714**	$ 42,676	$ 41,188	**$ 88,390**	$ 77,023
Adjusting items, net of income taxes					
Retirement compensation charge [1]	**—**	—	—	**—**	3,550
Amortization of net premium on purchased financial instruments [2]	**982**	1,032	1,125	**2,014**	2,208
	982	1,032	1,125	**2,014**	5,758
Adjusted net income	**$ 46,696**	$ 43,708	$ 42,313	**$ 90,404**	$ 82,781
Impact on diluted earnings per share					
Reported diluted earnings per share	**$ 1.43**	$ 1.36	$ 1.34	**$ 2.79**	$ 2.49
Adjusting items					
Retirement compensation charge [1]	**—**	—	—	**—**	0.12
Amortization of net premium on purchased financial instruments [2]	**0.03**	0.03	0.04	**0.07**	0.08
	0.03	0.03	0.04	**0.07**	0.20
Adjusted diluted earnings per share	**$ 1.46**	$ 1.39	$ 1.38	**$ 2.86**	$ 2.69

[1] The retirement compensation charge is related to the adjustment to the employment contract of the Bank's former CEO following his retirement announcement. This charge has been designated as an adjusting item due to its nature and the significance of the amount. The retirement compensation charge is included in the line item Salaries and employee benefits in the consolidated statement of income.

[2] The amortization of net premium on purchased financial instruments arose as a result of a one-time gain on acquisition and is considered an adjusting item since it represents, according to management, a significant non-cash and non-recurring adjustment.

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. The following table presents additional information about return on common shareholders' equity.

RETURN ON COMMON SHAREHOLDERS' EQUITY

In thousands of Canadian dollars, except percentage amounts (Unaudited)	FOR THE THREE MONTHS ENDED **APRIL 30 2016**	JANUARY 31 2016	APRIL 30 2015	FOR THE SIX MONTHS ENDED **APRIL 30 2016**	APRIL 30 2015
Reported net income available to common shareholders	**$ 43,315**	$ 40,278	$ 38,790	**$ 83,593**	$ 72,226
Adjusting items, net of income taxes	**982**	1,032	1,125	**2,014**	5,758
Adjusted net income available to common shareholders	**$ 44,297**	$ 41,310	$ 39,915	**$ 85,607**	$ 77,984
Average common shareholders' equity	**$1,411,473**	$1,382,977	$1,348,139	**$1,397,068**	$1,341,683
Return on common shareholders' equity	**12.5%**	11.6%	11.8%	**12.0%**	10.9%
Adjusted return on common shareholders' equity	**12.8%**	11.9%	12.1%	**12.3%**	11.7%

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

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 and derivatives, but exclude average earning assets related to trading activities and a personal loan portfolio managed by the Laurentian Bank Securities and Capital Markets' business segment. The averages are based on the daily balances for the period.

Net interest margin

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.

External Reporting Changes

Segmented information

Commencing November 1, 2015, the Bank reports as one business entity and not as four distinct reportable segments as was previously done. This better captures the essence of the Bank's transformation plan which will further integrate its businesses and increase the synergies between the former reportable segments. Information about key indicators from all business segments is available in the supplementary information package available on the Bank's website at www.laurentianbank.ca to enable stakeholders to assess the Bank's performance.

Reclassification of multi-unit residential mortgage loans

As of November 1, 2015, multi-unit residential mortgage loans which were previously reported in residential mortgage loans in the consolidated balance sheet were reclassified to commercial mortgage loans to better reflect the nature of these loans and associated risks. Comparative figures have been reclassified to conform to the current year presentation. As a result, commercial mortgage loans increased by $1.2 billion as at October 31, 2015 and $1.1 billion as at April 30, 2015 and residential mortgage loans decreased by the same amounts. Corresponding reclassifications of provision for credit losses as well as impaired loans and allowances for credit losses were made.

Economic Outlook

Economic conditions in the US continued to strengthen during the spring of 2016, led by moderate growth in private domestic demand. Meanwhile, the global economic recovery continued, as the level of financial stress has recently been abating due to additional monetary easing from major central banks and the rebound in crude oil prices. The Canadian economy is expected to continue to adjust to lower commodity prices and a softer Canadian dollar beyond 2016. Non-commodity export-oriented sectors and services industries in central Canada are showing positive momentum. Commodity-oriented sectors, mostly in Alberta and Saskatchewan, are experiencing another challenging year, as the economic contraction is extending beyond the decline in business investment in the energy sector to services industries and the housing market.

For 2016, the Canadian real Gross Domestic Product (GDP) is expected to grow modestly by 1.7% with most of the strengthening projected to occur in the second half of the year. The main engines of growth are expected to be the recovery of non-commodity exports, stronger capital spending in non-commodity sectors and the fiscal measures announced in the March federal budget. However, the wildfires in northern Alberta will temporarily restrain Canadian economic growth in the second quarter of 2016.

Due to the past appreciation of the US dollar, market participants have lowered expectations regarding policy rate increases by the Fed in the medium-term. This should contribute to maintaining the low interest rate environment. As such, Canadian bond yields remain historically low despite rebounding slightly from the lows reached early in 2016. As crude oil prices improved and the federal government announced procyclical fiscal measures for households and infrastructure spending, market expectations regarding the possibility of another policy rate cut by the Bank of Canada disappeared for 2016 and 2017. Nonetheless, monetary policy should stay accommodative. With the diminishing market expectations of divergence between policies in the US and Canada and higher crude oil prices, the Canadian dollar is trading closer to US$0.78. The low interest rate environment and moderate full-time job creation should support housing activity in Canada, except in oil-producing regions.

Analysis of Consolidated Results

CONDENSED CONSOLIDATED RESULTS

In thousands of Canadian dollars, except per share amounts (Unaudited)	FOR THE THREE MONTHS ENDED **APRIL 30 2016**	JANUARY 31 2016	APRIL 30 2015	FOR THE SIX MONTHS ENDED **APRIL 30 2016**	APRIL 30 2015
Net interest income	**$ 143,428**	$ 149,498	$ 137,691	**$ 292,926**	$ 277,187
Other income	**83,375**	73,704	82,988	**157,079**	161,652
Total revenue	**226,803**	223,202	220,679	**450,005**	438,839
Amortization of net premium on purchased financial instruments	**1,337**	1,405	1,531	**2,742**	3,003
Provision for credit losses	**5,750**	9,100	8,000	**14,850**	18,500
Non-interest expenses [1]	**160,066**	157,011	158,750	**317,077**	319,447
Income before income taxes	**59,650**	55,686	52,398	**115,336**	97,889
Income taxes	**13,936**	13,010	11,210	**26,946**	20,866
Net income	**$ 45,714**	$ 42,676	$ 41,188	**$ 88,390**	$ 77,023
Preferred share dividends, including applicable taxes	**2,399**	2,398	2,398	**4,797**	4,797
Net income available to common shareholders	**$ 43,315**	$ 40,278	$ 38,790	**$ 83,593**	$ 72,226
Diluted earnings per share	**$ 1.43**	$ 1.36	$ 1.34	**$ 2.79**	$ 2.49
Adjusted net income [2]	**$ 46,696**	$ 43,708	$ 42,313	**$ 90,404**	$ 82,781
Adjusted diluted earnings per share [2]	**$ 1.46**	$ 1.39	$ 1.38	**$ 2.86**	$ 2.69

[1] Non-interest expenses include certain adjusting items, as detailed in the Non-GAAP Financial Measures section.

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

Three months ended April 30, 2016 compared with three months ended April 30, 2015

Net income was $45.7 million or $1.43 diluted per share for the second quarter of 2016, compared with $41.2 million or $1.34 diluted per share for the second quarter of 2015. Adjusted net income was $46.7 million for the second quarter of 2016, up 10% from $42.3 million for the second quarter of 2015, while adjusted diluted earnings per share were $1.46, up 6% compared with $1.38 in the second quarter of 2015.

Total revenue

Total revenue increased by $6.1 million or 3% to $226.8 million for the second quarter of 2016 from $220.7 million for the second quarter of 2015, driven by growth in net interest income.

Net interest income increased by $5.7 million or 4% to $143.4 million for the second quarter of 2016, from $137.7 million for the second quarter of 2015. The increase was mainly generated by strong volume growth in loan portfolios, which was partly offset by tighter margins stemming from the very low interest rate environment. Net interest margin (as a percentage of average earning assets) stood at 1.71% for the second quarter of 2016, a decrease of 13 basis points compared with the second quarter of 2015, due to the persistent pressure on lending rates, higher proportion of lower-yielding residential mortgage loans, higher funding costs and higher liquid assets held throughout the quarter.

Other income increased by $0.4 million amounting to $83.4 million for the second quarter of 2016, compared with $83.0 million for the second quarter of 2015, essentially as a result of an increase of $3.6 million in income from brokerage operations. This was partly offset by a decrease of $2.9 million in income from treasury and financial markets and by a $0.9 million lower contribution from investment accounts.

Amortization of net premium on purchased financial instruments

For the second quarter of 2016, the amortization of net premium on purchased financial instruments amounted to $1.3 million, down marginally compared with the second quarter of 2015. Refer to Note 13 in the unaudited condensed interim consolidated financial statements for additional information.

Provision for credit losses

The provision for credit losses decreased by 28% to $5.8 million for the second quarter of 2016 from $8.0 million for the second quarter of 2015. This very low level of credit losses reflects the overall underlying quality of the loan portfolios, including a net favourable adjustment of $2.7 million resulting from the regular review of collective allowance models. Refer to the Risk Management section below for additional information.

Non-interest expenses

Non-interest expenses increased by $1.3 million or 1% to $160.1 million for the second quarter of 2016, compared with $158.8 million for the second quarter of 2015.

Salaries and employee benefits increased by $1.8 million or 2% to $85.3 million for the second quarter of 2016, compared with the second quarter of 2015, in part due to higher performance-based compensation in line with higher brokerage income as well as regular annual salary increases. This was partly offset by lower headcount due to the restructuring of certain activities in the fourth quarter of 2015.

Premises and technology costs decreased by $2.0 million to $46.8 million compared with the second quarter of 2015. The decrease mostly stems from the lower depreciation expense resulting from the impairment charge on assets recorded in the fourth quarter of 2015.

Other non-interest expenses increased by $1.5 million to $27.9 million compared with the second quarter of 2015, essentially due to higher professional fees incurred to support the Bank's transformation.

The adjusted efficiency ratio was 70.6% for the second quarter of 2016, compared with 71.9% for the second quarter of 2015. The adjusted operating leverage was positive year-over-year.

Income taxes

For the quarter ended April 30, 2016, the income tax expense was $13.9 million and the effective tax rate was 23.4%. 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 April 30, 2015, the income tax expense was $11.2 million and the effective tax rate was 21.4%. Year-over-year, the higher effective tax rate for the quarter ended April 30, 2016 resulted from the relatively higher level of domestic taxable income.

Six months ended April 30, 2016 compared with six months ended April 30, 2015

Net income was $88.4 million or $2.79 diluted per share for the six months ended April 30, 2016, compared with $77.0 million or $2.49 diluted per share for the six months ended April 30, 2015. Adjusted net income was $90.4 million for the six months ended April 30, 2016, up 9% from $82.8 million for the six months ended April 30, 2015, while adjusted diluted earnings per share were $2.86, up 6% compared with $2.69 in the six months ended April 30, 2015.

Total revenue

Total revenue increased by $11.2 million or 3% to $450.0 million for the six months ended April 30, 2016 from $438.8 million for the six months ended April 30, 2015, as growth in net interest income was partly offset by lower other income.

Net interest income increased by $15.7 million or 6% to $292.9 million for the six months ended April 30, 2016, from $277.2 million for the six months ended April 30, 2015. The increase was mainly generated by strong volume growth in loan portfolios, partly offset by compressed margins. Net interest margin (as a percentage of average earning assets) stood at 1.74% for the six months ended April 30, 2016, a decrease of 10 basis points compared with the six months ended April 30, 2015, due to tighter margins stemming from the very low interest rate environment as explained above.

Other income decreased by $4.6 million to $157.1 million for the six months ended April 30, 2016, compared with $161.7 million for the six months ended April 30, 2015, essentially as a result of challenging financial market conditions. Income from treasury and financial markets decreased by $7.7 million, mainly due to the recognition of realized net losses of $4.2 million on securities, compared with net gains of $4.8 million in the six months ended April 30, 2015, partly offset by a higher contribution from trading activities. This was partly offset by an increase of fees and commissions on loans and deposits of $1.9 million compared with the six months ended April 30, 2015, mainly driven by higher lending fees due to increased underwriting activity in the commercial portfolios, as well as higher income from brokerage operations.

Amortization of net premium on purchased financial instruments

For the six months ended April 30, 2016, the amortization of net premium on purchased financial instruments amounted to $2.7 million, down marginally compared with the six months ended April 30, 2015. Refer to Note 13 in the unaudited condensed interim consolidated financial statements for additional information.

Provision for credit losses

The provision for credit losses decreased by 20% to $14.9 million for the six months ended April 30, 2016 from $18.5 million for the six months ended April 30, 2015. This low level of credit losses continues to reflect the good overall underlying quality of the loan portfolios. Refer to the Risk Management section below for additional information.

Non-interest expenses

Non-interest expenses decreased by $2.4 million or 1% to $317.1 million for the six months ended April 30, 2016, compared with $319.4 million for the six months ended April 30, 2015, essentially as a result of a retirement compensation charge of $4.9 million incurred in the first quarter of 2015. Adjusted non-interest expenses increased by $2.5 million or 1%.

Salaries and employee benefits decreased by $1.7 million or 1% to $170.1 million for the six months ended April 30, 2016, compared with the six months ended April 30, 2015. As noted above, salaries for the six months ended April 30, 2015 included a retirement compensation charge of $4.9 million. On an adjusted basis, salaries and employee benefits increased by $3.2 million, as regular annual salary increases were partly offset by lower headcount due to the restructuring of certain activities in the fourth quarter of 2015.

Premises and technology costs decreased by $5.0 million to $92.1 million compared with the six months ended April 30, 2015. The decrease mostly stems from lower depreciation charges resulting from the impairment of software and intangible assets, and premises and equipment recorded in the fourth quarter of 2015, partly offset by higher project expenses.

Other non-interest expenses increased by $4.4 million to $54.8 million compared with the six months ended April 30, 2015, essentially due to higher professional fees as noted above and higher regulatory costs.

The adjusted efficiency ratio was 70.5% for the six months ended April 30, 2016, compared with 71.7% for the six months ended April 30, 2015. The adjusted operating leverage was positive year-over-year, mainly driven by total revenue growth.

Income taxes

For the six months ended April 30, 2016, the income tax expense was $26.9 million and the effective tax rate was 23.4%. 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 six months ended April 30, 2015, the income tax expense was $20.9 million and the effective tax rate was 21.3%. Year-over-year, the higher effective tax rate for the six months ended April 30, 2016 resulted from the relatively higher level of domestic taxable income.

Three months ended April 30, 2016 compared with three months ended January 31, 2016

Net income was $45.7 million or $1.43 diluted per share for the second quarter of 2016 compared with net income of $42.7 million or $1.36 diluted per share for the first quarter of 2016. Adjusted net income was $46.7 million or $1.46 diluted per share for the second quarter of 2016, compared with $43.7 million or $1.39 diluted per share for the first quarter of 2016.

Total revenue increased by $3.6 million to $226.8 million for the second quarter of 2016, compared with $223.2 million for the previous quarter. Net interest income decreased by $6.1 million sequentially to $143.4 million, mainly due to the $3.6 million negative impact of two fewer days in the second quarter as well as compressed margins. The Bank's net interest margin (as a percentage of average earning assets) decreased by 7 basis points to 1.71% for the second quarter of 2016, compared with 1.78% for the first quarter of 2016. This decrease was driven by volume growth in the lower-yielding residential mortgage loan portfolio, expected attrition in the higher-yielding investment loan portfolio, as well as the continued tightening of the Prime-BA spread.

Other income increased by $9.7 million sequentially to $83.4 million, mainly due to an $8.0 million increase in income from brokerage operations resulting from seasonality and improved market conditions compared with the previous quarter. Income from treasury and financial markets also increased by $2.2 million sequentially, mainly as results for the first quarter of 2016 were hampered by net losses on securities.

The line-item "Amortization of net premium on purchased financial instruments" amounted to $1.3 million for the second quarter of 2016, down marginally compared with the first quarter of 2016. Refer to Note 13 in the unaudited condensed interim consolidated financial statements for additional information.

Provision for credit losses totalled $5.8 million for the second quarter of 2016, a $3.4 million decrease compared with $9.1 million for the first quarter of 2016, as further detailed in the Risk Management section below.

Non-interest expenses amounted to $160.1 million for the second quarter of 2016, compared with $157.0 million for the first quarter of 2016, a 2% sequential increase mainly due to higher professional fees.

Financial condition

CONDENSED BALANCE SHEET

In thousands of Canadian dollars (Unaudited)		**AS AT APRIL 30 2016**		AS AT OCTOBER 31 2015		AS AT APRIL 30 2015
ASSETS						
Cash and deposits with other banks	**$**	**228,392**	$	200,864	$	200,882
Securities		**4,897,931**		4,487,357		5,180,605
Securities purchased under reverse repurchase agreements		**3,773,260**		3,911,439		3,320,127
Loans and acceptances, net		**31,307,117**		29,981,392		27,996,925
Other assets		**817,434**		1,078,452		957,408
	$	**41,024,134**	$	39,659,504	$	37,655,947
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits	**$**	**27,285,450**	$	26,604,304	$	24,960,321
Other liabilities		**5,585,886**		5,524,930		5,205,222
Debt related to securitization activities		**6,165,694**		5,493,602		5,445,989
Subordinated debt		**199,736**		449,641		448,568
Shareholders' equity		**1,787,368**		1,587,027		1,595,847
	$	**41,024,134**	$	39,659,504	$	37,655,947

Balance sheet assets amounted to $41.0 billion as at April 30, 2016, up $1.4 billion or 3% from $39.7 billion as at October 31, 2015. This increase mainly reflects loan growth of $1.3 billion as explained below.

Liquid assets

Liquid assets, including cash, deposits with other banks, securities and securities purchased under reverse repurchase agreements, totalled $8.9 billion as at April 30, 2016, an increase of $0.3 billion compared with October 31, 2015. This reflects deposit gathering from multiple sources as well as securitization activities, mainly used to finance the Bank's expected loan growth, particularly in loans to business customers and residential mortgage loans sourced through B2B Bank. The preferred share capital issuance also impacted the level of liquid assets during the quarter.

Loans

Loans and bankers' acceptances, net of allowances, stood at $31.3 billion as at April 30, 2016, up $1.3 billion from October 31, 2015. This increase was mainly driven by the Bank's key growth drivers, namely residential mortgage loans through B2B Bank independent brokers and advisors, and loans to business customers.

Commercial loans, including acceptances, increased by $320.9 million or 8% since October 31, 2015, led by syndication activities. Commercial mortgage loans increased by $94.4 million or 2% over the same period. When combined, these loans to business customers amounted to $8.4 billion as at April 30, 2016, up 12% year-over-year.

The $1.0 billion increase in the residential mortgage loan portfolio from October 31, 2015 was led by continued growth in residential mortgage loans distributed through B2B Bank independent brokers and advisors. The B2B Bank mortgage portfolio amounted to $6.7 billion as at April 30, 2016, up 46% year-over-year. Personal loans decreased by $132.0 million or 2% since October 31, 2015, mainly due to net repayments in the investment loan portfolio, reflecting expected attrition.

Liabilities

Deposits stood at $27.3 billion as at April 30, 2016, up $0.7 billion compared with October 31, 2015. Personal deposits increased by $1.2 billion since October 31, 2015, mainly driven by higher term deposits at B2B Bank. Business and other deposits decreased by $0.5 billion over the same period, mainly reflecting lower institutional deposits and reduced business demand deposits at B2B Bank, as the Bank prioritized securitization funding. Personal deposits represented 75% of total deposits as at April 30, 2016, and contributed to the Bank's good liquidity position.

Debt related to securitization activities increased by $0.7 billion compared with October 31, 2015 and stood at $6.2 billion as at April 30, 2016. During the quarter, the Bank continued to optimize this preferred source of term funding for residential mortgages in light of strong growth in this portfolio.

Subordinated debt stood at $199.7 million as at April 30, 2016, compared with $449.6 million as at October 31, 2015. During the first quarter of 2016, the Bank redeemed all of its Series 2010-1 subordinated Medium Term Notes maturing in 2020, with an aggregate notional amount of $250.0 million.

Shareholders' equity

Shareholders' equity stood at $1,787.4 million as at April 30, 2016, compared with $1,587.0 million as at October 31, 2015. This $200.3 million increase is mainly explained by the $125.0 million preferred share issuance completed in the second quarter detailed below and the $67.5 million common share offering completed during the first quarter, as well as the net income contribution for the six-month period, net of declared dividends. In addition, unfavourable changes in pension benefit plans stemming from market conditions and changes to actuarial assumptions in the first quarter partly offset this increase in shareholders' equity. The Bank's book value per common share was $47.34 as at April 30, 2016, up $1.02 compared with $46.32 as at October 31, 2015. There were 30,392,914 common shares outstanding as at May 26, 2016.

On March 17, 2016, the Bank issued 5,000,000 Basel III-compliant Non-Cumulative Class A Preferred Shares, Series 15 (the "Preferred Shares Series 15"), at a price of $25.00 per share for gross proceeds of $125.0 million, $120.9 million net of issuance costs of $4.1 million, and yielding 5.85% annually. This issuance will provide the Bank with added flexibility to grow its business. Refer to Note 8 to the unaudited condensed interim consolidated financial statements for additional information.

Capital Management

Regulatory capital

The Office of the Superintendent of Financial Institutions Canada (OSFI) requires banks to meet minimum risk-based capital ratios drawn on the Basel Committee on Banking Supervision (BCBS) capital framework, commonly referred to as Basel III. Under OSFI's Capital Adequacy Requirements (CAR) Guideline, the Bank's minimum Common Equity Tier 1, Tier 1 and Total capital ratios are set at 7.0%, 8.5% and 10.5%, respectively, including capital conservation buffers. Refer to the section "Capital Management" on page 33 of the Bank's 2015 Annual Report for additional information on the Bank's regulatory capital.

As detailed in the table below, the Common Equity Tier 1, Tier 1 and Total capital ratios stood at 7.9%, 10.0% and 11.6%, respectively, as at April 30, 2016. These ratios exceeded all current requirements.

REGULATORY CAPITAL

In thousands of Canadian dollars, except percentage amounts (Unaudited)		**AS AT APRIL 30 2016**		AS AT OCTOBER 31 2015		AS AT APRIL 30 2015
Regulatory capital						
Common Equity Tier 1 capital	**$**	**1,289,189**	$	1,175,238	$	1,135,624
Tier 1 capital	**$**	**1,629,714**	$	1,394,871	$	1,355,257
Total capital	**$**	**1,900,320**	$	1,668,416	$	1,743,886
Total risk-weighted assets [1]	**$**	**16,365,512**	$	15,422,282	$	14,586,681
Regulatory capital ratios						
Common Equity Tier 1 capital ratio		**7.9%**		7.6%		7.8%
Tier 1 capital ratio		**10.0%**		9.0%		9.3%
Total capital ratio		**11.6%**		10.8%		11.9%

[1] Using the Standardised Approach in determining credit risk and operational risk.

The Common Equity Tier 1 capital ratio increased to 7.9% as at April 30, 2016, compared with 7.7% as at January 31, 2016 and 7.6% as at October 31, 2015. The increase in the first quarter of 2016 was driven by the $67.5 million common share issuance that closed in December 2015, offset by growth in risk-weighted exposures, as well as losses on available-for-sale securities, and pension benefit plans stemming from market conditions. The 0.2% sequential increase in the second quarter of 2016 was mainly driven by proactive risk-weighted asset management and favourable changes in the value of available-for-sale-securities, partly offset by further actuarial losses on pension benefit plans.

On March 17, 2016, the Bank issued 5,000,000 Preferred Shares, Series 15 for net proceeds of $120.9 million. These preferred shares fully qualify as Additional Tier 1 capital under the Basel III capital adequacy framework and the CAR Guideline as they include mandatory non-viability contingency capital provisions.

Regulatory capital developments

Revisions to the Standardised Approach for credit risk

The Bank uses the Standardised Approach in determining credit risk capital. Currently, the Bank's capital requirements for credit risk under the Standardised Approach are not calculated on the same basis as its industry peers, as larger Canadian financial institutions predominantly use the more favourable Advanced Internal Ratings-Based (AIRB) approach. In December 2015, the BCBS issued a second consultative document entitled *Revisions to the Standardised Approach for credit risk* providing new prudential proposals which, if implemented, will change how the Bank is calculating some elements of its regulatory capital. The BCBS has also proposed or announced a number of new requirements modifying the calculation of regulatory capital for banks. These changes include modifications to the AIRB approach, the introduction of a new floor for the AIRB approach and new methods to measure regulatory capital for sovereign exposure and operational risk. Management is closely monitoring these developments. The implementation of the AIRB approach to determine credit risk remains a key initiative of the Bank's new transformation plan that should strengthen its credit risk management, optimize regulatory capital and provide a level-playing field for credit underwriting activities.

Basel III Leverage ratio

The Basel III capital reforms introduced a non-risk based leverage ratio requirement to act as a supplementary measure to the risk-based capital requirements. Under OSFI's Leverage Requirements Guideline, federally regulated deposit-taking institutions are expected to maintain a Basel III leverage ratio that meets or exceeds 3% at all times. The leverage ratio is defined as the Tier 1 capital divided by unweighted on-balance sheet assets and off-balance sheet commitments, derivatives and securities financing transactions, as defined within the requirements.

As detailed in the table below, the leverage ratio stood at 4.0% as at April 30, 2016 and exceeded current requirements.

BASEL III LEVERAGE RATIO

In thousands of Canadian dollars, except percentage amounts (Unaudited)		**AS AT APRIL 30 2016**		AS AT OCTOBER 31 2015		AS AT APRIL 30 2015
Tier 1 capital	**$**	**1,629,714**	$	1,394,871	$	1,355,257
Total exposures	**$**	**40,712,667**	$	39,557,300	$	36,836,772
Basel III leverage ratio		**4.0%**		3.5%		3.7%

Dividends

On May 18, 2016, the Board of Directors declared the regular dividend on the Preferred Shares Series 11 and Preferred Shares Series 13, as well as the initial dividend on the Preferred Shares Series 15, to shareholders of record on June 7, 2016. On June 1, 2016, the Board of Directors declared a quarterly dividend of $0.60 per common share, payable on August 1, 2016, to shareholders of record on July 4, 2016. This quarterly dividend is up 3% compared with the prior quarter and up 7% compared with the dividend declared one year ago. The Board of Directors also determined that shares attributed under the Bank's Shareholder Dividend Reinvestment and Share Purchase Plan will be made in Common Shares issued from treasury at a 2% discount.

COMMON SHARE DIVIDENDS AND PAYOUT RATIO

	FOR THE THREE MONTHS ENDED			FOR THE YEARS ENDED		
In Canadian dollars, except payout ratios (Unaudited)	**APRIL 30 2016**	JANUARY 31 2016	APRIL 30 2015	OCTOBER 31 2015	OCTOBER 31 2014	OCTOBER 31 2013
Dividends declared per common share	**$ 0.58**	$ 0.58	$ 0.54	$ 2.20	$ 2.06	$ 1.98
Dividend payout ratio [1]	**40.6%**	43.6%	40.3%	68.6%	45.7%	52.0%
Adjusted dividend payout ratio [1]	**39.7%**	42.5%	39.2%	39.2%	38.7%	39.0%

[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 37 of the Bank's 2015 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 CREDIT LOSSES

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
In thousands of Canadian dollars, except percentage amounts (Unaudited)	**APRIL 30 2016**	JANUARY 31 2016	APRIL 30 2015	**APRIL 30 2016**	APRIL 30 2015
Personal	**$ 4,640**	$ 9,077	$ 7,715	**$ 13,717**	$ 13,265
Residential mortgage	**(583)**	2,152	709	**1,569**	2,184
Commercial mortgage	**1,480**	(3,186)	(761)	**(1,706)**	1,195
Commercial and other [1]	**213**	1,057	337	**1,270**	1,856
	$ 5,750	$ 9,100	$ 8,000	**$ 14,850**	$ 18,500
As a % of average loans and acceptances	**0.08%**	0.12%	0.12%	**0.10%**	0.14%

[1] Including customers' liabilities under acceptances.

The provision for credit losses amounted to $5.8 million in the second quarter of 2016, improving by $2.3 million when compared with the same quarter a year ago and $3.4 million sequentially. For the six months ended April 30, 2016, the provision for credit losses decreased by $3.7 million and amounted to $14.9 million compared with $18.5 million for the same period in 2015. Lower losses during the quarter and six-month period were driven by a net favourable adjustment of $2.7 million resulting from the regular review of collective allowance models, as detailed below. The current level of provisions continues to reflect the underlying strong credit quality of the Bank's loan portfolios.

Credit losses on personal loans decreased by $3.1 million compared with the second quarter of 2015 and stood at $4.6 million in the second quarter of 2016, in part due to the net favourable impact of the regular review of collective allowance models, as well as lower write-offs compared with last year. On a sequential basis, credit losses on personal loans decreased by $4.4 million, essentially for the same reason. For the six months ended April 30, 2016, credit losses on personal loans increased slightly by $0.5 million year-over-year.

Credit losses on residential mortgage loans amounted to negative $0.6 million for the second quarter of 2016, down $1.3 million compared with the second quarter of 2015 and $2.7 million sequentially. The decrease mainly reflected the net favourable impact of the regular review of collective allowance models, as well as the very low level of losses. For the six months ended April 30, 2016, credit losses on residential mortgage loans decreased slightly by $0.6 million year-over-year. The level of credit losses remains low as a result of the favourable credit conditions and strong underwriting criteria.

Credit losses on commercial mortgages and commercial loans cumulatively amounted to $1.7 million in the second quarter of 2016, an increase of $2.1 million compared with the same quarter last year. This mainly resulted from fewer favourable settlements in the commercial mortgage portfolio as well as fewer overall improvements during the second quarter of 2016 compared with the same period last year. This was partly offset by the impact of the regular review of collective allowance models. On a sequential basis, credit losses in these portfolios increased by a combined $3.8 million, essentially for the same reasons. For the six months ended April 30, 2016, credit losses on commercial mortgages and commercial loans totalled negative $0.4 million compared with $3.1 million for the same period in 2015.

IMPAIRED LOANS

In thousands of Canadian dollars, except percentage amounts (Unaudited)	**AS AT APRIL 30 2016**	AS AT OCTOBER 31 2015	AS AT APRIL 30 2015
Gross impaired loans			
Personal	**$ 19,082**	$ 18,703	$ 18,316
Residential mortgages	**33,440**	32,760	32,136
Commercial mortgages	**23,521**	49,431	47,576
Commercial and other [1]	**38,724**	37,747	33,825
	114,767	138,641	131,853
Allowances for loan losses against impaired loans			
Individual allowances	**(22,220)**	(23,690)	(14,526)
Collective allowances	**(16,882)**	(18,676)	(27,103)
	(39,102)	(42,366)	(41,629)
Net impaired loans	**$ 75,665**	$ 96,275	$ 90,224
Collective allowances against other loans	**$ (66,897)**	$ (68,787)	$ (72,895)
Impaired loans as a % of loans and acceptances			
Gross	**0.37%**	0.46%	0.47%
Net	**0.24%**	0.32%	0.32%

[1] Including customers' liabilities under acceptances.

Gross impaired loans amounted to $114.8 million as at April 30, 2016, down $23.9 million compared with October 31, 2015. This decrease was mainly due to the settlement of impaired commercial mortgage loans. Over the same period, impaired loans in the personal loan and residential mortgage loan portfolios were relatively unchanged and remained at low levels, as borrowers continued to benefit from the favourable low interest rate environment.

Since the beginning of the year, individual allowances decreased by $1.5 million to $22.2 million in-line with the favourable settlements of impaired commercial mortgage loans explained above. Collective allowances against impaired loans decreased by $1.8 million over the same period. At 0.37% of loans and acceptances as at April 30, 2016, 0.46% as at October 31, 2015 and 0.47% a year ago, gross impaired loans continue to compare favourably to the Canadian banking industry. The Bank continues to have no direct exposure to the oil and gas industry and very limited exposures which could be affected by the wildfires in Northern Alberta.

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. 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.

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

The Bank remained compliant with the LAR Guideline throughout the quarter and the six months ended April 30, 2016.

Regulatory requirements concerning liquidity

The aforementioned Basel III liquidity framework also outlines the Net Stable Funding Ratio (NSFR) as a minimum regulatory standard with an effective date of January 2018. The NSFR measures the proportion of long-term assets which are funded by long-term, stable funding. 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 control structural interest rate risk, which corresponds to the potential negative impact of interest rate movements on the Bank's net interest income and economic value of its capital. Dynamic management of structural risk is intended to maximize the Bank's profitability while preserving the economic value of common shareholders' equity. As at April 30, 2016, the effect on the economic value of common shareholders' equity and on net interest income before taxes of a sudden and sustained 1% increase in interest rates was as follows.

STRUCTURAL INTEREST RATE SENSITIVITY ANALYSIS

In thousands of Canadian dollars (Unaudited)	**AS AT APRIL 30 2016**	AS AT OCTOBER 31 2015
Effect of a 1% increase in interest rates		
Increase (decrease) in net interest income before taxes over the next 12 months	**$ 13,760**	$ 17,222
Increase (decrease) in the economic value of common shareholders' equity (net of income taxes)	**$ (32,244)**	$ (26,324)

As shown above, the Bank's net interest income sensitivity to sudden changes in interest rates has decreased as at April 30, 2016 compared with October 31, 2015, while the corresponding impact on the economic value of common shareholders' equity has increased. This reflects the Bank's effort to benefit from fluctuations in interest rates while maintaining the risk within approved limits. Management continues to expect that long term rates will remain within a narrow range for the near future.

Additional Financial Information - Quarterly Results

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	**APRIL 30 2016**	JANUARY 31 2016	OCTOBER 31 2015	JULY 31 2015	APRIL 30 2015	JANUARY 31 2015	OCTOBER 31 2014	JULY 31 2014
Net interest income	**$ 143,428**	$ 149,498	$ 150,667	$ 147,229	$ 137,691	$ 139,496	$ 140,149	$ 141,249
Other income	**83,375**	73,704	80,982	79,409	82,988	78,664	81,272	78,396
Total revenue	**226,803**	223,202	231,649	226,638	220,679	218,160	221,421	219,645
Amortization of net premium on purchased financial instruments	**1,337**	1,405	1,465	1,531	1,531	1,472	1,508	1,511
Provision for credit losses	**5,750**	9,100	9,400	7,000	8,000	10,500	10,500	10,500
Non-interest expenses	**160,066**	157,011	242,340	161,037	158,750	160,697	166,299	155,973
Income (loss) before income taxes	**59,650**	55,686	(21,556)	57,070	52,398	45,491	43,114	51,661
Income taxes (recovery)	**13,936**	13,010	(2,837)	12,904	11,210	9,656	9,360	11,564
Net income (loss)	**$ 45,714**	$ 42,676	$ (18,719)	$ 44,166	$ 41,188	$ 35,835	$ 33,754	$ 40,097
Earnings (loss) per share								
Basic	**$ 1.43**	$ 1.36	$ (0.73)	$ 1.44	$ 1.34	$ 1.16	$ 1.09	$ 1.27
Diluted	**$ 1.43**	$ 1.36	$ (0.73)	$ 1.44	$ 1.34	$ 1.15	$ 1.09	$ 1.27
Net interest margin (on average earning assets) [1]	**1.71%**	1.78%	1.84 %	1.85%	1.84%	1.83%	1.84%	1.89%
Return on common shareholders' equity [1]	**12.5%**	11.6%	(6.1)%	12.1%	11.8%	9.9%	9.5%	11.2%
Adjusted financial measures								
Adjusted net income [1]	**$ 46,696**	$ 43,708	$ 44,127	$ 45,291	$ 42,313	$ 40,468	$ 42,591	$ 42,355
Adjusted diluted earnings per share [1]	**$ 1.46**	$ 1.39	$ 1.44	$ 1.48	$ 1.38	$ 1.32	$ 1.39	$ 1.35
Adjusted return on common shareholders' equity [1]	**12.8%**	11.9%	12.1 %	12.4%	12.1%	11.3%	12.2%	11.9%
Adjusted non-interest expenses [1]	**$ 160,066**	$ 157,011	$ 163,931	$ 161,037	$ 158,750	$ 155,842	$ 155,747	$ 154,409

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

Corporate Governance and Changes in Internal Control over Financial Reporting

During the second quarter ended April 30, 2016, 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 of Laurentian Bank approved this document prior to its release.

Accounting Policies

A summary of the Bank's significant accounting policies is presented in Notes 2 and 3 of the 2015 audited annual consolidated financial statements. Pages 54 to 56 of the 2015 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 second quarter of 2016 have been prepared in accordance with these accounting policies, except for accounting changes detailed below.

Current accounting change

Effective November 1, 2015, the Bank reclassified the provision related to off-balance sheet exposures from non-interest expenses to the provision for credit losses to better reflect the nature of this expense. Additional information on the 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, leases 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.

Laurentian Bank of Canada

Unaudited Condensed Interim Consolidated Financial Statements

As at and for the period ended April 30, 2016

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Consolidated Balance Sheet

In thousands of Canadian dollars (Unaudited)	NOTES	**AS AT APRIL 30 2016**	AS AT OCTOBER 31 2015	AS AT APRIL 30 2015
ASSETS				
Cash and non-interest-bearing deposits with other banks		**$ 107,063**	$ 109,055	$ 106,540
Interest-bearing deposits with other banks		**121,329**	91,809	94,342
Securities	4			
Available-for-sale		**2,513,648**	2,368,757	2,573,806
Held-to-maturity		**337,590**	393,222	421,161
Held-for-trading		**2,046,693**	1,725,378	2,185,638
		4,897,931	4,487,357	5,180,605
Securities purchased under reverse repurchase agreements		**3,773,260**	3,911,439	3,320,127
Loans	5 and 6			
Personal		**6,931,274**	7,063,229	6,636,520
Residential mortgage		**16,036,050**	14,998,867	13,954,940
Commercial mortgage		**4,343,179**	4,248,761	4,012,783
Commercial and other		**3,598,455**	3,308,144	3,123,129
Customers' liabilities under acceptances		**504,158**	473,544	384,077
		31,413,116	30,092,545	28,111,449
Allowances for loan losses		**(105,999)**	(111,153)	(114,524)
		31,307,117	29,981,392	27,996,925
Other				
Derivatives		**267,472**	276,601	253,750
Premises and equipment		**41,602**	45,562	61,625
Software and other intangible assets		**138,298**	147,135	195,172
Goodwill		**34,853**	34,853	64,077
Deferred tax assets		**33,610**	17,450	4,003
Other assets		**301,599**	556,851	378,781
		817,434	1,078,452	957,408
		$ 41,024,134	$ 39,659,504	$ 37,655,947
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
Personal		**$ 20,589,373**	$ 19,377,716	$ 18,648,149
Business, banks and other		**6,696,077**	7,226,588	6,312,172
		27,285,450	26,604,304	24,960,321
Other				
Obligations related to securities sold short		**1,371,059**	1,839,837	1,689,862
Obligations related to securities sold under repurchase agreements		**2,752,816**	2,296,890	2,216,589
Acceptances		**504,158**	473,544	384,077
Derivatives		**171,188**	125,683	134,149
Deferred tax liabilities		**10,586**	8,294	441
Other liabilities		**776,079**	780,682	780,104
		5,585,886	5,524,930	5,205,222
Debt related to securitization activities	6	**6,165,694**	5,493,602	5,445,989
Subordinated debt	7	**199,736**	449,641	448,568
Shareholders' equity				
Preferred shares	8	**340,525**	219,633	219,633
Common shares	8	**535,747**	466,336	465,926
Retained earnings		**911,481**	886,656	888,718
Accumulated other comprehensive income		**(385)**	14,366	21,479
Share-based payment reserve	9	**—**	36	91
		1,787,368	1,587,027	1,595,847
		$ 41,024,134	$ 39,659,504	$ 37,655,947

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 APRIL 30 2016	JANUARY 31 2016	APRIL 30 2015	FOR THE SIX MONTHS ENDED APRIL 30 2016	APRIL 30 2015
Interest income						
Loans		**$ 260,089**	$ 264,781	$ 249,743	**$ 524,870**	$ 512,072
Securities		**8,565**	8,804	9,749	**17,369**	20,886
Deposits with other banks		**484**	434	151	**918**	366
Other, including derivatives		**15,735**	17,399	15,772	**33,134**	27,632
		284,873	291,418	275,415	**576,291**	560,956
Interest expense						
Deposits		**111,142**	111,568	105,568	**222,710**	218,594
Debt related to securitization activities		**28,315**	28,296	28,068	**56,611**	56,921
Subordinated debt		**1,587**	1,640	3,938	**3,227**	7,975
Other		**401**	416	150	**817**	279
		141,445	141,920	137,724	**283,365**	283,769
Net interest income		**143,428**	149,498	137,691	**292,926**	277,187
Other income						
Fees and commissions on loans and deposits		**36,047**	35,672	34,935	**71,719**	69,850
Income from brokerage operations		**21,020**	13,061	17,373	**34,081**	32,373
Income from sales of mutual funds		**9,686**	9,948	10,226	**19,634**	18,380
Income from investment accounts		**6,843**	7,035	7,731	**13,878**	15,250
Income from treasury and financial market operations		**3,900**	1,695	6,837	**5,595**	13,266
Insurance income, net		**4,110**	4,441	3,823	**8,551**	8,636
Other		**1,769**	1,852	2,063	**3,621**	3,897
		83,375	73,704	82,988	**157,079**	161,652
Total revenue		**226,803**	223,202	220,679	**450,005**	438,839
Amortization of net premium on purchased financial instruments	13	**1,337**	1,405	1,531	**2,742**	3,003
Provision for credit losses	5	**5,750**	9,100	8,000	**14,850**	18,500
Non-interest expenses						
Salaries and employee benefits		**85,324**	84,809	83,543	**170,133**	171,837
Premises and technology		**46,801**	45,337	48,782	**92,138**	97,178
Other		**27,941**	26,865	26,425	**54,806**	50,432
		160,066	157,011	158,750	**317,077**	319,447
Income before income taxes		**59,650**	55,686	52,398	**115,336**	97,889
Income taxes		**13,936**	13,010	11,210	**26,946**	20,866
Net income		**$ 45,714**	$ 42,676	$ 41,188	**$ 88,390**	$ 77,023
Preferred share dividends, including applicable taxes		**2,399**	2,398	2,398	**4,797**	4,797
Net income available to common shareholders		**$ 43,315**	$ 40,278	$ 38,790	**$ 83,593**	$ 72,226
Average number of common shares outstanding (in thousands)						
Basic		**30,344**	29,623	28,945	**29,980**	28,943
Diluted		**30,344**	29,624	28,952	**29,980**	28,951
Earnings per share						
Basic		**$ 1.43**	$ 1.36	$ 1.34	**$ 2.79**	$ 2.50
Diluted		**$ 1.43**	$ 1.36	$ 1.34	**$ 2.79**	$ 2.49
Dividends declared per share						
Common share		**$ 0.58**	$ 0.58	$ 0.54	**$ 1.16**	$ 1.08
Preferred share - Series 11		**$ 0.25**	$ 0.25	$ 0.25	**$ 0.50**	$ 0.50
Preferred share - Series 13		**$ 0.27**	$ 0.27	$ 0.27	**$ 0.54**	$ 0.54

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 **APRIL 30 2016**	JANUARY 31 2016	APRIL 30 2015	FOR THE SIX MONTHS ENDED **APRIL 30 2016**	APRIL 30 2015
Net income	**$ 45,714**	$ 42,676	$ 41,188	**$ 88,390**	$ 77,023
Other comprehensive income (loss), net of income taxes					
Items that may subsequently be reclassified to the statement of income					
Unrealized net gains (losses) on available-for-sale securities	**9,200**	(9,527)	(1,565)	**(327)**	(1,222)
Reclassification of net (gains) losses on available-for-sale securities to net income	**937**	2,246	(798)	**3,183**	(3,420)
Net change in value of derivatives designated as cash flow hedges	**(25,494)**	7,887	(24,071)	**(17,607)**	15,994
	(15,357)	606	(26,434)	**(14,751)**	11,352
Items that may not subsequently be reclassified to the statement of income					
Actuarial gains (losses) on employee benefit plans	**(5,159)**	(18,471)	1,271	**(23,630)**	(1,153)
Comprehensive income	**$ 25,198**	$ 24,811	$ 16,025	**$ 50,009**	$ 87,222

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 **APRIL 30 2016**	JANUARY 31 2016	APRIL 30 2015	FOR THE SIX MONTHS ENDED **APRIL 30 2016**	APRIL 30 2015
Income tax expense (recovery) on:					
Unrealized net gains (losses) on available-for-sale securities	**$ 3,420**	$ (3,398)	$ (665)	**$ 22**	$ (574)
Reclassification of net (gains) losses on available-for-sale securities to net income	**163**	837	(370)	**1,000**	(1,410)
Net change in value of derivatives designated as cash flow hedges	**(9,306)**	2,870	(8,773)	**(6,436)**	5,851
Actuarial gains (losses) on employee benefit plans	**(1,893)**	(6,775)	466	**(8,668)**	(423)
	$ (7,616)	$ (6,466)	$ (9,342)	**$ (14,082)**	$ 3,444

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

Consolidated Statement of Changes in Shareholders' Equity

FOR THE SIX MONTHS ENDED APRIL 30, 2016

In thousands of Canadian dollars (Unaudited)	PREFERRED SHARES (Note 8)	COMMON SHARES (Note 8)	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME AVAILABLE-FOR-SALE SECURITIES	CASH FLOW HEDGES	TOTAL	SHARE-BASED PAYMENT RESERVE (Note 9)	TOTAL SHARE-HOLDERS' EQUITY
Balance as at October 31, 2015	$ 219,633	$ 466,336	$ 886,656	$ (11,391)	$ 25,757	$ 14,366	$ 36	$ 1,587,027
Net income			88,390					88,390
Other comprehensive income (net of income taxes)								
Unrealized net gains on available-for-sale securities				(327)		(327)		(327)
Reclassification of net losses on available-for-sale securities to net income				3,183		3,183		3,183
Net change in value of derivatives designated as cash flow hedges					(17,607)	(17,607)		(17,607)
Actuarial losses on employee benefit plans			(23,630)					(23,630)
Comprehensive income			64,760	2,856	(17,607)	(14,751)		50,009
Issuance of share capital	120,892	69,411					(36)	190,267
Dividends								
Preferred shares, including applicable taxes			(4,797)					(4,797)
Common shares			(35,138)					(35,138)
Balance as at April 30, 2016	$ 340,525	$ 535,747	$ 911,481	$ (8,535)	$ 8,150	$ (385)	$ —	$ 1,787,368

FOR THE SIX MONTHS ENDED APRIL 30, 2015

In thousands of Canadian dollars (Unaudited)	PREFERRED SHARES (Note 8)	COMMON SHARES (Note 8)	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME AVAILABLE-FOR-SALE SECURITIES	CASH FLOW HEDGES	TOTAL	SHARE-BASED PAYMENT RESERVE (Note 9)	TOTAL SHARE-HOLDERS' EQUITY
Balance as at October 31, 2014	$ 219,633	$ 465,854	$ 848,905	$ 13,337	$ (3,210)	$ 10,127	$ 91	$ 1,544,610
Net income			77,023					77,023
Other comprehensive income (net of income taxes)								
Unrealized net gains on available-for-sale securities				(1,222)		(1,222)		(1,222)
Reclassification of net gains on available-for-sale securities to net income				(3,420)		(3,420)		(3,420)
Net change in value of derivatives designated as cash flow hedges					15,994	15,994		15,994
Actuarial losses on employee benefit plans			(1,153)					(1,153)
Comprehensive income			75,870	(4,642)	15,994	11,352		87,222
Issuance of share capital		72						72
Dividends								
Preferred shares, including applicable taxes			(4,797)					(4,797)
Common shares			(31,260)					(31,260)
Balance as at April 30, 2015	$ 219,633	$ 465,926	$ 888,718	$ 8,695	$ 12,784	$ 21,479	$ 91	$ 1,595,847

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

Consolidated Statement of Cash Flows

In thousands of Canadian dollars (Unaudited)	FOR THE THREE MONTHS ENDED **APRIL 30 2016**	JANUARY 31 2016	APRIL 30 2015	FOR THE SIX MONTHS ENDED **APRIL 30 2016**	APRIL 30 2015
Cash flows relating to operating activities					
Net income	**$ 45,714**	$ 42,676	$ 41,188	**$ 88,390**	$ 77,023
Adjustments to determine net cash flows relating to operating activities:					
Provision for credit losses	**5,750**	9,100	8,000	**14,850**	18,500
Net gains (losses) on disposal of available-for-sale securities	**1,100**	2,490	(1,220)	**3,590**	(5,231)
Deferred income taxes	**(318)**	499	(446)	**181**	(1,072)
Depreciation of premises and equipment	**2,525**	2,572	3,565	**5,097**	7,222
Amortization of software and other intangible assets	**7,066**	7,069	9,766	**14,135**	19,409
Change in operating assets and liabilities:					
Loans	**(727,658)**	(610,961)	(359,828)	**(1,338,619)**	(704,192)
Securities at fair value through profit and loss	**101,620**	(422,935)	284,009	**(321,315)**	(205,202)
Securities purchased under reverse repurchase agreements	**104,194**	33,985	(93,992)	**138,179**	(123,346)
Accrued interest receivable	**(2,715)**	878	(3,715)	**(1,837)**	(2,238)
Derivative assets	**81,333**	(72,204)	81,840	**9,129**	(120,941)
Deposits	**504,768**	176,378	313,077	**681,146**	437,295
Obligations related to securities sold short	**(373,685)**	(95,093)	(84,661)	**(468,778)**	127,385
Obligations related to securities sold under repurchase agreements	**139,344**	316,582	(370,602)	**455,926**	624
Accrued interest payable	**25,315**	(19,158)	(21,929)	**6,157**	(65,304)
Derivative liabilities	**(6,770)**	52,275	(43,973)	**45,505**	43,309
Other, net	**(81,330)**	270,083	(56,694)	**188,753**	(29,123)
	(173,747)	(305,764)	(295,615)	**(479,511)**	(525,882)
Cash flows relating to financing activities					
Change in acceptances	**111,987**	(81,373)	13,619	**30,614**	18,620
Change in debt related to securitization activities	**242,950**	429,142	383,688	**672,092**	582,141
Repurchase of subordinated debt	**—**	(250,000)	—	**(250,000)**	—
Net proceeds from issuance of preferred shares	**120,892**	—	—	**120,892**	—
Net proceeds from issuance of common shares	**(86)**	64,645	—	**64,559**	31
Dividends	**(16,339)**	(17,299)	(2,344)	**(33,638)**	(20,277)
	459,404	145,115	394,963	**604,519**	580,515
Cash flows relating to investing activities					
Change in available-for-sale securities					
Acquisitions	**(562,476)**	(350,018)	(679,179)	**(912,494)**	(1,105,409)
Proceeds on sale and at maturity	**282,543**	483,286	543,354	**765,829**	1,108,791
Change in held-to-maturity securities					
Acquisitions	**(15,717)**	(235)	(47,422)	**(15,952)**	(151,629)
Proceeds at maturity	**9,201**	62,383	46,748	**71,584**	53,475
Additions to premises and equipment and software	**(3,236)**	(3,211)	(3,466)	**(6,447)**	(7,834)
Change in interest-bearing deposits with other banks	**1,161**	(30,681)	3,995	**(29,520)**	28,266
	(288,524)	161,524	(135,970)	**(127,000)**	(74,340)
Net change in cash and non-interest-bearing deposits with other banks	**(2,867)**	875	(36,622)	**(1,992)**	(19,707)
Cash and non-interest-bearing deposits with other banks at beginning of period	**109,930**	109,055	143,162	**109,055**	126,247
Cash and non-interest-bearing deposits with other banks at end of period	**$ 107,063**	$ 109,930	$ 106,540	**$ 107,063**	$ 106,540
Supplemental disclosure about cash flows relating to operating activities:					
Interest paid during the period	**$ 115,256**	$ 162,460	$ 156,235	**$ 277,716**	$ 346,831
Interest received during the period	**$ 279,174**	$ 296,024	$ 258,953	**$ 575,198**	$ 552,468
Dividends received during the period	**$ 2,504**	$ 3,206	$ 2,551	**$ 5,710**	$ 5,028
Income taxes paid during the period	**$ 9,274**	$ 11,163	$ 9,824	**$ 20,437**	$ 29,007

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 Montreal, 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 April 30, 2016 were approved for issuance by the Board of Directors on June 1, 2016.

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, 2015 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 current accounting and presentation 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 controlled, reviewed and consistently applied over time. Management believes that the estimates of the value of the Bank's assets and liabilities are appropriate.

Current accounting and presentation changes

Segmented information

As of November 1, 2015, the Bank reports as one business entity and not as four distinct reportable segments as was previously done. This change in disclosure was applied prospectively to better present the nature and financial effects of the Bank's business activities.

Provision for off-balance sheet exposures

As of November 1, 2015, the provision for off-balance sheet exposures, such as letters of guarantee and certain undrawn amounts under approved credit facilities, which was previously reported as part of other non-interest expenses was reclassified to the provision for credit losses to better reflect the nature of this expense. This change in presentation was applied prospectively and did not have any significant impact on the Bank's financial position or results.

Multi-unit residential mortgage loans

Multi-unit residential mortgage loans which were previously reported in residential mortgage loans in the consolidated balance sheet were reclassified to commercial mortgage loans to better reflect the nature of these loans and associated risks. This reclassification amounted to $1.2 billion as at October 31, 2015 and $1.1 billion as at April 30, 2015 and November 1, 2014. Corresponding reclassifications of provision for credit losses as well as impaired loans and allowances for credit losses were made.

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 consolidated 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 (FRE) 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.

In December 2015, the Basel Committee on Banking Supervision (BCBS) issued its final version of the *Guidance on credit risk and accounting for expected credit losses*. The guidance sets out supervisory expectations on sound credit risk practices associated with the implementation of expected credit loss accounting models as required under IFRS 9.

In March 2016, the OSFI issued a draft version of the *IFRS 9 Financial Instruments and Disclosures Guideline*, which reflects the aforementioned BCBS guidance and instructs FRE on the application of IFRS 9. The guideline is to be finalized in 2016 and will take effect when IFRS 9 is applicable to each FRE.

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 must be 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 16: *Leases*

In January 2016, the IASB issued IFRS 16, *Leases*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces the previous leases standard, IAS 17 *Leases*, and related interpretations. The most significant effect of the new requirements will be an increase in lease assets and financial liabilities as IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. All leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. IFRS 16 is effective January 1, 2019, which will be November 1, 2019 for the Bank. Early application is permitted for entities that also apply IFRS 15, *Revenue from Contracts with Customers*.

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 SIX MONTHS ENDED	
	APRIL 30 2016	JANUARY 31 2016	APRIL 30 2015	**APRIL 30 2016**	APRIL 30 2015
Realized net gains (losses)	**$ (1,100)**	$ (2,490)	$ 1,220	**$ (3,590)**	$ 5,231
Write-downs for impairment	**—**	(593)	(52)	**(593)**	(401)
	$ (1,100)	$ (3,083)	$ 1,168	**$ (4,183)**	$ 4,830

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

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

	AS AT APRIL 30, 2016			
	AMORTIZED COST	**UNREALIZED GAINS**	**UNREALIZED LOSSES**	**FAIR VALUE**
Securities issued or guaranteed				
by Canada [1]	**$ 863,504**	**$ 127**	**$ 247**	**$ 863,384**
by provinces	**1,268,266**	**1,886**	**471**	**1,269,681**
Other debt securities	**157,757**	**3,967**	**231**	**161,493**
Asset-backed securities	**21,922**	**307**	**—**	**22,229**
Preferred shares	**110,892**	**900**	**15,559**	**96,233**
Common shares and other securities	**99,365**	**2,120**	**857**	**100,628**
	$ 2,521,706	**$ 9,307**	**$ 17,365**	**$ 2,513,648**

[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, 2015	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Securities issued or guaranteed				
by Canada [1]	$ 785,445	$ 154	$ 14	$ 785,585
by provinces	1,173,156	2,185	915	1,174,426
Other debt securities	146,449	4,129	332	150,246
Asset-backed securities	32,945	749	—	33,694
Preferred shares	120,511	164	15,697	104,978
Common shares and other securities	120,718	3,851	4,741	119,828
	$ 2,379,224	$ 11,232	$ 21,699	$ 2,368,757

AS AT APRIL 30, 2015	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Securities issued or guaranteed				
by Canada [1]	$ 897,492	$ 176	$ 267	$ 897,401
by provinces	1,203,991	2,694	127	1,206,558
Other debt securities	176,878	7,005	43	183,840
Asset-backed securities	34,030	1,048	—	35,078
Preferred shares	114,628	1,156	5,211	110,573
Common shares and other securities	130,171	10,953	768	140,356
	$ 2,557,190	$ 23,032	$ 6,416	$ 2,573,806

[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 APRIL 30 2016	AS AT OCTOBER 31 2015	AS AT APRIL 30 2015
Securities issued or guaranteed by Canada [1]	**$ 337,590**	$ 393,222	$ 421,161

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

5. Loans

Allowances for credit losses

FOR THE SIX MONTHS ENDED APRIL 30, 2016

	BALANCE AT BEGINNING OF PERIOD	PROVISION FOR CREDIT LOSSES [3]	WRITE-OFFS	RECOVERIES	INTEREST ACCRUED ON IMPAIRED LOANS	BALANCE AT END OF PERIOD
Personal	**$ 41,466**	**$ 13,717**	**$ (19,408)**	**$ 3,769**	**$ (340)**	**$ 39,204**
Residential mortgage	**11,995**	**1,569**	**(1,046)**	**(154)**	**(769)**	**11,595**
Commercial mortgage	**25,077**	**(1,706)**	**(120)**	**(33)**	**(554)**	**22,664**
Commercial and other [1]	**37,732**	**1,270**	**(1,150)**	**17**	**(293)**	**37,576**
Total allowances for credit losses	**$ 116,270**	**$ 14,850**	**$ (21,724)**	**$ 3,599**	**$ (1,956)**	**$ 111,039**
Individual allowances	**$ 23,690**	**$ 434**	**$ (1,259)**	**$ (16)**	**$ (629)**	**$ 22,220**
Collective allowances against impaired loans	**18,676**	**16,383**	**(20,465)**	**3,615**	**(1,327)**	**16,882**
Collective allowances against other loans	**68,787**	**(1,890)**	**—**	**—**	**—**	**66,897**
Total allowances for loan losses	**111,153**	**14,927**	**(21,724)**	**3,599**	**(1,956)**	**105,999**
Allowances for off-balance sheet exposures [2]	**5,117**	**(77)**	**—**	**—**	**—**	**5,040**
Total allowances for credit losses	**$ 116,270**	**$ 14,850**	**$ (21,724)**	**$ 3,599**	**$ (1,956)**	**$ 111,039**

FOR THE SIX MONTHS ENDED APRIL 30, 2015

	BALANCE AT BEGINNING OF PERIOD	PROVISION FOR CREDIT LOSSES [3]	WRITE-OFFS	RECOVERIES	INTEREST ACCRUED ON IMPAIRED LOANS	BALANCE AT END OF PERIOD
Personal	$ 38,411	$ 13,265	$ (16,703)	$ 3,428	$ (194)	$ 38,207
Residential mortgage	10,169	2,184	(837)	(221)	(192)	11,103
Commercial mortgage	27,944	1,195	(2,621)	(63)	(461)	25,994
Commercial and other [1]	42,847	1,856	(5,355)	50	(178)	39,220
Total allowances for loan losses	$ 119,371	$ 18,500	$ (25,516)	$ 3,194	$ (1,025)	$ 114,524
Individual allowances	$ 21,951	$ 495	$ (7,908)	$ 50	$ (62)	$ 14,526
Collective allowances against impaired loans	17,238	25,292	(17,608)	3,144	(963)	27,103
Collective allowances against other loans	80,182	(7,287)	—	—	—	72,895
Total allowances for loan losses	$ 119,371	$ 18,500	$ (25,516)	$ 3,194	$ (1,025)	$ 114,524

[1] Including customers' liabilities under acceptances.

[2] The allowances for off-balance sheet exposures, such as letters of guarantee and certain undrawn amounts under approved credit facilities, are recognized in other liabilities.

[3] The provision for off-balance sheet exposures, which was previously reported as part of non-interest expenses, was reclassified to the provision for credit losses as of November 1, 2015. Refer to Note 2 for further information.

Impaired loans

AS AT APRIL 30, 2016

	GROSS AMOUNT	INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES AGAINST IMPAIRED LOANS	NET AMOUNT
Personal	**$ 19,082**	**$ —**	**$ 9,949**	**$ 9,133**
Residential mortgage	**33,440**	**—**	**4,756**	**28,684**
Commercial mortgage	**23,521**	**8,092**	**445**	**14,984**
Commercial and other [1]	**38,724**	**14,128**	**1,732**	**22,864**
	$ 114,767	**$ 22,220**	**$ 16,882**	**$ 75,665**

[1] Including customers' liabilities under acceptances.

5. Loans [Cont'd]

AS AT OCTOBER 31, 2015	GROSS AMOUNT	INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES AGAINST IMPAIRED LOANS	NET AMOUNT
Personal	$ 18,703	$ —	$ 11,156	$ 7,547
Residential mortgage	32,760	—	4,721	28,039
Commercial mortgage	49,431	9,536	265	39,630
Commercial and other [1]	37,747	14,154	2,534	21,059
	$ 138,641	$ 23,690	$ 18,676	$ 96,275

AS AT APRIL 30, 2015	GROSS AMOUNT	INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES AGAINST IMPAIRED LOANS	NET AMOUNT
Personal	$ 18,316	$ —	$ 8,949	$ 9,367
Residential mortgage	32,136	—	4,065	28,071
Commercial mortgage	47,576	2,398	10,483	34,695
Commercial and other [1]	33,825	12,128	3,606	18,091
	$ 131,853	$ 14,526	$ 27,103	$ 90,224

[1] Including customers' liabilities under acceptances.

Loans past due but not impaired

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

AS AT APRIL 30, 2016	**1 DAY-31 DAYS**	**32 DAYS-90 DAYS**	**OVER 90 DAYS**	**TOTAL**
Personal	**$ 91,656**	**$ 28,140**	**$ 8,676**	**$ 128,472**
Residential mortgage	**271,120**	**37,936**	**24,334**	**333,390**
	$ 362,776	**$ 66,076**	**$ 33,010**	**$ 461,862**

AS AT OCTOBER 31, 2015	1 DAY-31 DAYS	32 DAYS-90 DAYS	OVER 90 DAYS	TOTAL
Personal	$ 104,407	$ 28,609	$ 9,944	$ 142,960
Residential mortgage	268,341	35,146	25,241	328,728
	$ 372,748	$ 63,755	$ 35,185	$ 471,688

AS AT APRIL 30, 2015	1 DAY-31 DAYS	32 DAYS-90 DAYS	OVER 90 DAYS	TOTAL
Personal	$ 90,230	$ 27,859	$ 7,347	$ 125,436
Residential mortgage	239,892	39,896	32,007	311,795
	$ 330,122	$ 67,755	$ 39,354	$ 437,231

6. Transfer of Financial Assets

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 APRIL 30 2016		AS AT OCTOBER 31 2015		AS AT APRIL 30 2015
Residential mortgage loans	**$**	**5,221,636**	$	4,558,477	$	4,689,872
Replacement Assets						
Cash and deposits with other banks		**11,494**		13,463		13,989
Securities purchased under reverse repurchase agreements		**476,762**		397,169		184,932
Other securities		**337,590**		393,222		421,161
Debt related to securitization activities	**$**	**(6,165,694)**	$	(5,493,602)	$	(5,445,989)

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

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2016	JANUARY 31 2016	APRIL 30 2015	**APRIL 30 2016**	APRIL 30 2015
Carrying amounts of mortgages transferred during the period related to new financing	**$ 346,410**	$ 903,096	$ 616,682	**$1,249,506**	$ 836,621
Carrying amounts of mortgages transferred during the period as Replacement Assets	**$ 112,474**	$ 111,071	$ 109,862	**$ 223,545**	$ 211,863
Initial carrying amounts of new issuances of debt related to Canada Mortgage Bonds transactions	**$ 331,587**	$ 174,176	$ 307,099	**$ 505,763**	$ 526,664
Initial carrying amounts of new issuances of debt related to a multi-seller conduit	**$ —**	$ 696,692	$ 300,396	**$ 696,692**	$ 300,396

7. Subordinated Debt

Redemption of subordinated debt

On November 2, 2015 the Bank redeemed all of its Series 2010-1 subordinated Medium Term Notes maturing in 2020, with an aggregate notional amount of $250.0 million. The Series 2010-1 subordinated Medium Term Notes were redeemed at par plus accrued and unpaid interest to the date of redemption.

8. Share Capital

Preferred shares

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

	FOR THE SIX MONTHS ENDED					
	APRIL 30, 2016			APRIL 30, 2015		
	NUMBER OF SHARES		**AMOUNT**	NUMBER OF SHARES		AMOUNT
Non-Cumulative Class A Preferred Shares						
Series 11						
Outstanding at beginning 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**	5,000,000	$	122,071
Series 15						
Outstanding at beginning of period	**—**	**$**	**—**	n.a.		n.a.
Issuance of shares	**5,000,000**		**125,000**	n.a.		n.a.
Net issuance cost	**n.a.**		**(4,108)**	n.a.		n.a.
Outstanding at end of period	**5,000,000**	**$**	**120,892**	n.a.		n.a.
	14,000,000	**$**	**340,525**	9,000,000	$	219,633

There were no outstanding Non-Cumulative Class A Preferred Shares Series 12, Series 14 and Series 16 as at April 30, 2016 (no outstanding preferred shares Series 12 and Series 14 as at April 30, 2015).

Issuance of preferred shares

On March 17, 2016, the Bank issued 5,000,000 Non-Cumulative Class A Preferred Shares, Series 15 (the “Preferred Shares Series 15”), at a price of $25.00 per share for gross proceeds of $125 million. For the initial five-year period ending on, but excluding, June 15, 2021, the holders of Preferred Shares Series 15 will be entitled to receive non-cumulative preferential quarterly dividends yielding 5.85% annually, as and when declared by the board of directors of the Bank. Thereafter, the dividend rate will reset every five years to be equal to the then current 5-Year Government of Canada bond yield plus 5.13%. Subject to certain conditions, holders may elect to convert any or all of their Preferred Shares Series 15 into an equal number of Non-Cumulative Class A Preferred Shares, Series 16 (the “Preferred Shares Series 16”) on June 15, 2021 and on June 15 every five years thereafter. Holders of the Preferred Shares Series 16 will be entitled to receive non-cumulative preferential floating rate quarterly dividends, as and when declared by the board of directors of the Bank, equal to the then 3-month Government of Canada treasury bill yield plus 5.13%. The Bank may be required to convert any or all of the Preferred Shares Series 15 into a variable number of common shares upon the occurrence of a non-viability trigger event.

Common shares

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

	FOR THE SIX MONTHS ENDED					
	APRIL 30, 2016			APRIL 30, 2015		
	NUMBER OF SHARES		**AMOUNT**	NUMBER OF SHARES		AMOUNT
Common shares						
Outstanding at beginning of period	**28,956,619**	**$**	**466,336**	28,942,999	$	465,854
Issuance under a common share offering	**1,297,200**		**67,454**	—		—
Issuance under the employee share purchase option plan (see note 9)	**8,000**		**273**	—		—
Issuance under the Shareholder Dividend Reinvestment and Share Purchase Plan	**130,758**		**6,194**	1,620		80
Net issuance costs	**n.a.**		**(4,510)**	n.a.		(8)
	30,392,577	**$**	**535,747**	28,944,619	$	465,926

8. Share Capital [Cont'd]

Issuance under a common share offering

On December 17, 2015, the Bank completed the issuance of 1,297,200 common shares for gross proceeds of $67.5 million.

Dividend reinvestment and share purchase plan

The Bank determined that as of February 25, 2016, reinvestments related to the dividend declared would be made in Common Shares issued from treasury at a 2% discount. During the second quarter of 2016, 73,308 shares (57,450 shares during the first quarter of 2016) were legally issued under the Plan and are reported in the table above.

Dividends declared

On May 18, 2016, the Board of Directors declared the regular dividend on the Preferred Shares Series 11 and Preferred Shares Series 13, as well as the initial dividend on the Preferred Shares Series 15 to shareholders of record on June 7, 2016. On June 1, 2016, the Board of Directors declared a dividend of $0.60 per common share, payable on August 1, 2016, to shareholders of record on July 4, 2016.

Capital management

Regulatory capital

OSFI requires banks to meet minimum risk-based capital ratios drawn on the BCBS capital framework, commonly referred to as Basel III. Under OSFI’s Capital Adequacy Requirements guideline, minimum Common Equity Tier 1, Total Tier 1 and Total capital ratios were set at 5.125%, 6.625% and 8.625% respectively for 2016. These ratios include the phase-in of the capital conservation buffer and of certain regulatory adjustments through 2019 and phase-out of non-qualifying capital instruments through 2022, (the “transitional” basis). The guideline also provides for annual increases in minimum capital ratio requirements, which will reach 7.0%, 8.5% and 10.5% respectively in 2019, including the 2.5% capital conservation buffer.

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

Under OSFI's Leverage Requirements Guideline, federally regulated deposit-taking institutions are expected to maintain a Basel III leverage ratio that meets or exceeds 3% at all times. The leverage ratio is defined as the Tier 1 capital divided by unweighted on-balance sheet assets and off-balance sheet commitments, derivatives and securities financing transactions, as defined within the requirements.

8. Share Capital [Cont'd]

The Bank has complied with regulatory capital requirements throughout the six-month period ended April 30, 2016. Regulatory capital is detailed below.

	AS AT APRIL 30, 2016		AS AT OCTOBER 31, 2015	
	ALL-IN BASIS	**TRANSITIONAL BASIS**	ALL-IN BASIS	TRANSITIONAL BASIS
Common shares	**$ 535,747**	**$ 535,747**	$ 466,336	$ 466,336
Share-based payment reserve	**—**	**—**	36	36
Retained earnings	**911,481**	**911,481**	886,656	886,656
Accumulated other comprehensive income, excluding cash flow hedge reserve	**(8,535)**	**(8,535)**	(11,391)	(11,391)
Deductions from Common Equity Tier 1 capital [1]	**(149,504)**	**(85,760)**	(166,399)	(59,270)
Common Equity Tier 1 capital	**1,289,189**	**1,352,933**	1,175,238	1,282,367
Non-qualifying preferred shares [2]	**97,377**	**97,377**	97,562	97,562
Qualifying preferred shares	**243,148**	**243,148**	122,071	122,071
Deductions from Tier 1 capital	**n.a.**	**(17,883)**	n.a.	(28,201)
Additional Tier 1 capital	**340,525**	**322,642**	219,633	191,432
Tier 1 capital	**1,629,714**	**1,675,575**	1,394,871	1,473,799
Subordinated debt	**199,736**	**199,736**	199,641	199,641
Collective allowances	**71,937**	**71,937**	73,904	73,904
Deductions from Tier 2 capital	**(1,067)**	**(640)**	—	—
Tier 2 capital	**270,606**	**271,033**	273,545	273,545
Total capital	**$ 1,900,320**	**$ 1,946,608**	$ 1,668,416	$ 1,747,344

[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.

9. Share-Based Compensation

Share purchase option plan

During the second quarter of 2016, no new share options were granted. The last 8,000 share options were exercised during the first quarter of 2016. Information relating to outstanding number of options is as follows.

Number of options	**AS AT APRIL 30 2016**	AS AT OCTOBER 31 2015	AS AT APRIL 30 2015
Share purchase options outstanding and exercisable at end of period	**—**	8,000	20,000

Restricted share unit plans

During the first quarter of 2016, under the restricted share unit plan, annual bonuses for certain employees amounting to $2.5 million were converted into 45,102 entirely vested restricted share units. Simultaneously, the Bank also granted 27,308 additional restricted share units valued at $54.90 each that will vest in December 2018. There were no new grants during the second quarter of 2016.

During the first quarter of 2016, under the restricted share unit plan for employees of the Capital Markets sector, annual bonuses for certain employees amounting to $1.6 million were converted into 28,545 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 quarter of 2016.

Performance-based share unit plan

During the first quarter of 2016, under the performance-based share unit plan, the Bank granted 140,675 performance-based share units valued at $54.90 each. The rights to these units will vest in December 2018 and upon meeting certain financial objectives. During the second quarter of 2016, the Bank granted 633 additional performance-based share units valued at $47.36 each, which will vest in December 2018.

9. Share-Based Compensation [Cont'd]

Share-based compensation plans expense and related liability

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

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2016	JANUARY 31 2016	APRIL 30 2015	**APRIL 30 2016**	APRIL 30 2015
Expense arising from cash-settled share-based compensation transactions	**$ 2,794**	$ (2,736)	$ 3,544	**$ 58**	$ 6,027
Effect of hedges	**(1,935)**	4,468	(1,862)	**2,533**	208
	$ 859	$ 1,732	$ 1,682	**$ 2,591**	$ 6,235

The carrying amount of the liability relating to the cash-settled plans was $38.0 million as at April 30, 2016 ($54.7 million as at October 31, 2015 and $44.6 million as at April 30, 2015).

10. Post-Employment Benefits

Expense for post-employment benefits

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

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED	
	APRIL 30 2016	JANUARY 31 2016	APRIL 30 2015	**APRIL 30 2016**	APRIL 30 2015
Defined benefit pension plans	**$ 3,586**	$ 3,710	$ 4,095	**$ 7,296**	$ 8,328
Defined contribution pension plans	**1,680**	1,637	1,630	**3,317**	3,260
Other plans	**244**	250	357	**494**	726
	$ 5,510	$ 5,597	$ 6,082	**$ 11,107**	$ 12,314

11. Financial Instruments – Fair Value

Determining fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of financial instruments is best evidenced by an independent quoted market price for the same instrument in an active market when available. Otherwise, fair value is measured using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of valuation inputs (Level 1, 2 or 3). Additional information on the fair value hierarchy and the valuation methodologies used by the Bank to measure the fair value of financial instruments can be found in Note 23 of the 2015 audited annual consolidated financial statements. There were no changes in fair value measurement methods in the period.

Financial instruments recorded at fair value in the financial statements are classified in Level 2 of the fair value hierarchy, except for securities of $284.3 million which are classified in Level 1 as at April 30, 2016. 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.

12. Contingent Liabilities and Provisions

In the ordinary course of business, the Bank is involved in various legal actions and claims, including some with regulatory bodies. Many of these disputes are related to loans granted by the Bank and are in reaction to steps taken to collect delinquent loans and realize the underlying collateral. Certain claims have also been brought against the Bank, particularly with respect to trustee operations related to portfolio administration and the charging of certain bank fees.

When applicable criteria are met, management considers that adequate provisions have been set aside to cover losses and any amounts that might not be recoverable from insurance companies, as the case may be, in connection with these actions.

13. 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 amounting to $10.5 million as at April 30, 2016 is being amortized in net income over the estimated remaining term of the purchased financial instruments. The amortization expense was $1.3 million for the three-month period ended April 30, 2016 ($1.4 million for the three-month period ended January 31, 2016 and $1.5 million for the three-month period ended April 30, 2015).

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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. 4926.

Media
Journalists may contact the Executive Office 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
Series 15	51925D 79 1 LB.PR.J	**	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