

2016 ANNUAL REPORT



LAURENTIAN
BANK

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MINDSET

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



WHY INVEST IN LAURENTIAN BANK?

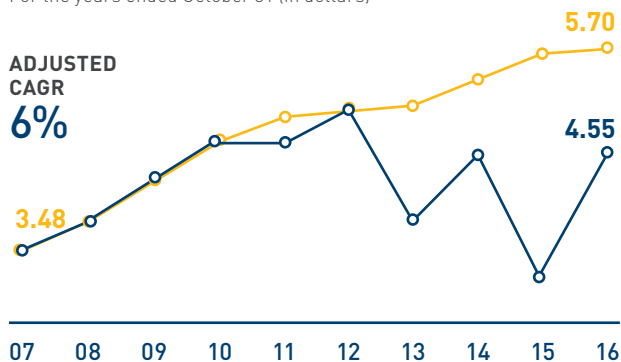
With a market value of over \$1.7 billion as at October 31, 2016, we are a small cap financial institution that chooses to invest in select core businesses that have strong growth potential.

- We seek to generate consistent and sustainable earnings growth.
- We look to reward our shareholders with regular dividend increases.
- Our shares provide investors with an attractive dividend yield.
- Our status as a safe harbour rests on our history of good credit quality.
- Our client-focus is 100% Canadian.

Our strategic plan positions Laurentian Bank for success. It will drive returns and create long-term shareholder value.

DILUTED EARNINGS PER SHARE (EPS)^{1,2}

For the years ended October 31 (in dollars)

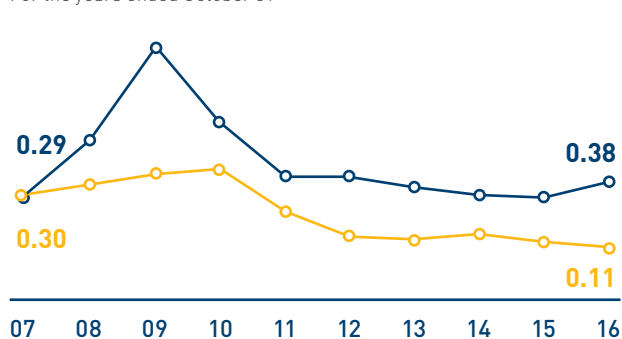


- ADJUSTED DILUTED EARNINGS PER SHARE (EPS)
- DILUTED EPS

PROVISION FOR CREDIT LOSSES^{1,2}

(as a percentage of average loans and acceptances)

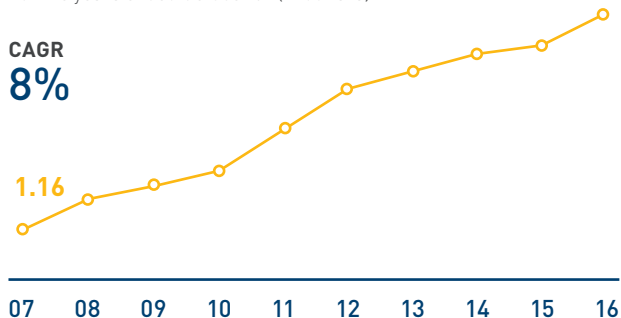
For the years ended October 31



- LAURENTIAN BANK
- CANADIAN BANKING INDUSTRY (BIG 6) – FOR A PERIOD OF 9 MONTHS IN 2016

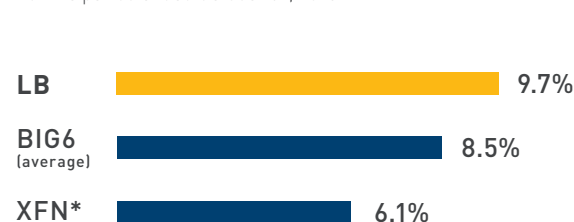
DIVIDENDS DECLARED PER COMMON SHARE

For the years ended October 31 (in dollars)



10 YEAR TOTAL SHAREHOLDER RETURN

For the period ended October 31, 2016



*XFN: iShares S&P/TSX capped financials index ETF

1 Comparative figures prior to 2011 in accordance with previous Canadian GAAP.

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

WHO WE ARE

87%

of adjusted net income generated from pan-Canadian operations in 2016

Geographic diversification is at the heart of our strategies



LAURENTIAN BANK

Business Services

- Commercial business banking and equipment financing
- Real Estate financing

Retail Services

- Comprehensive line of financial services for retail customers

B2B BANK

- Products & services designed to enable independent brokers and advisors to build their client's wealth

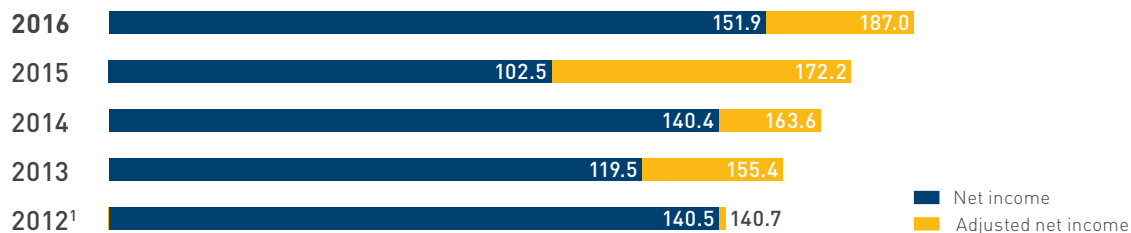
LAURENTIAN BANK SECURITIES

- Capital markets
- Integrated full-service investment dealer

HIGHLIGHTS

NET INCOME

In millions of dollars



TOTAL REVENUE

In millions of dollars

2016

\$915.5

2012	2013	2014	2015
796.6	865.3	874.1	897.1

DEPOSITS

In billions of dollars

2016

\$27.6

2012	2013	2014	2015
24.0	23.9	24.5	26.6

We set ambitious growth targets and made good progress in key business areas.

LOANS AND ACCEPTANCES

In billions of dollars

2016

\$33.4

2012	2013	2014	2015
26.8	27.2	27.4	30.1

PROVISION FOR CREDIT LOSSES

As a percentage of average loans and acceptances

2016

0.11%

2012	2013	2014	2015
0.14	0.13	0.15	0.12

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

PROGRESS ON OUR MEDIUM-TERM PERFORMANCE AND GROWTH TARGETS

PERFORMANCE

Adjusted ROE

12.0%

Narrow gap to 300 bps by 2019¹

Adjusted Efficiency Ratio

69.6%

< 68% by 2019

Adjusted Diluted EPS

\$5.70

Grow by 5% to 10% annually

Adjusted Operating Leverage

2.5%

Positive

GROWTH²

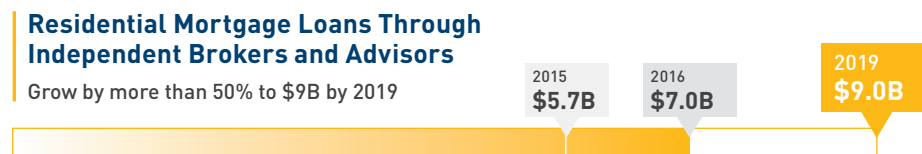
Loans to Business Customers

Grow by more than 60% to \$13B by 2019



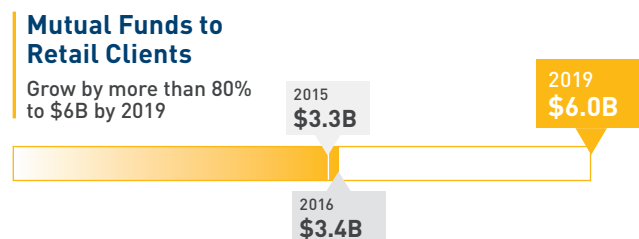
Residential Mortgage Loans Through Independent Brokers and Advisors

Grow by more than 50% to \$9B by 2019



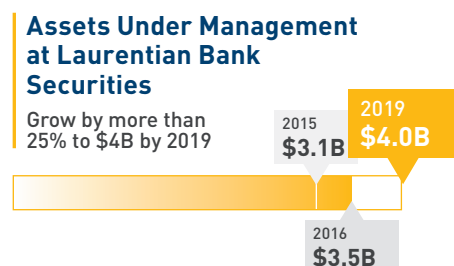
Mutual Funds to Retail Clients

Grow by more than 80% to \$6B by 2019



Assets Under Management at Laurentian Bank Securities

Grow by more than 25% to \$4B by 2019



1 Compared to the major Canadian banks and achieve a comparable ROE by 2022.

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

MESSAGE FROM THE CHAIR OF THE BOARD



Ms. Courville chairs the Board of Laurentian Bank since 2013 and has served on the Board of Directors since 2007. An engineer and lawyer by training, Ms. Courville was successively President of the Hydro-Québec TransÉnergie division and of the Distribution division from 2007 until 2013. Before joining the state-owned enterprise, she notably was President of Bell Canada's Enterprise Group and President and Chief Executive Officer of Bell Nordiq Group between 2001 and 2006.

The year 2016 has been pivotal both in terms of achievements that have created value for our shareholders and of initiatives which have been put in place to ensure future growth.

During the last fiscal year, our new senior management team, under the leadership of President and Chief Executive Officer, François Desjardins, have made a determined start on those elements planned in the first year of the strategic transformation plan. The Board of Directors supported the senior management in this regard by monitoring the main initiatives as well as by reviewing and approving major projects, including the acquisition of CIT's Canadian equipment financing and corporate financing activities (CIT Canada). It also approved a risk management framework updated to take into account the new strategic plan as well as regulatory requirements. The Board is satisfied with the progress made in recent months and is confident that the Bank will successfully achieve the transformation that will ensure its long term success.

The Board members completed a comprehensive exercise with the aim of enhancing the governance practices of the Bank. We believe that strong leadership in this area is critical to deal effectively with the number, complexity and variety of challenges shaping today's Canadian financial landscape. For this reason, we have set annual governance improvement targets which take into account the evolution of our industry as well as the interests and expectations of the various stakeholders of the Bank.

This year, the Board formalized its commitment towards diversity and adopted a policy for that purpose. Henceforth, when considering candidates for directorship, the application review process will take into account the candidate's combination of competencies and expertise, regional origin, industry background as well as gender and ethnicity. This diversity of backgrounds enriches the Board deliberations and therefore improves its overall effectiveness and that of its various committees.

For several years now, the Board has used a rigorous performance assessment process of its directors to maximise its performance. This year, we have also adopted a framework dealing with term limits for directors, committee chairs and chair of the Board. This will enhance Board performance by allowing, notably, the acquisition of the needed skills over time and will maintain the required independence for effective decision-making.

Finally, we have adopted a special executive incentive program for the senior executive team to support the Bank's transformation plan. This program aligns the performance measures and the strategic directions of the organization.

On behalf of my colleagues, I would like to thank Jean Bazin and Pierre Genest who left the Board of Directors this year. We have also welcomed a new Director, Sonia Baxendale, who has also joined the Audit Committee. She brings a wealth of experience from Saatchi & Saatchi, Amex Bank of Canada and more than 20 years at CIBC.

I would like to commend my fellow directors for their valuable contributions during the past year. On behalf of the entire Board I want to recognize the work of the management team whose expertise and leadership have helped the Bank to generate value. I also want to thank our employees whose dedicated work help our clients improve their financial health. Finally, I want to express my sincere appreciation to our shareholders and to our clients for the loyalty they show in support of the Bank.

ISABELLE COURVILLE
Chair of the Board

BOARD OF DIRECTORS

LISE BASTARACHE

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

SONIA BAXENDALE

Corporate Director
Has served on the Board of Directors since August 2016
Member of the Audit Committee

RICHARD BÉLANGER, FCPA, FCA

President of Toryvel Group Inc.
Has served on the Board of Directors since March 2003
Member of the Human Resources and Corporate Governance Committee

MICHAEL T. BOYCHUK, FCPA, FCA

Corporate Director
Has served on the Board of Directors since August 2013
Chair of the Audit Committee and member of the Risk Management Committee

FRANÇOIS DESJARDINS

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

MICHEL LABONTÉ

Corporate Director
Has served on the Board of Directors since March 2009
Chair of the Risk Management Committee and member of the Human Resources and Corporate Governance Committee

A. MICHEL LAVIGNE, FCPA, FCA

Corporate Director
Has served on the Board of Directors since March 2013
Member of the Risk Management Committee and member of the Human Resources and Corporate Governance Committee

JACQUELINE C. ORANGE

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

MICHELLE R. SAVOY

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

JONATHAN I. WENER, C.M.

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

SUSAN WOLBURGH JENAH

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

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



François Desjardins was named President and Chief Executive Officer of Laurentian Bank on November 1, 2015. After joining Laurentian Bank in 1991, he quickly rose through the ranks. A seasoned manager, he was appointed President and Chief Executive Officer of B2B Bank in 2004 and Executive Vice President of Laurentian Bank in 2006.

One year ago, Laurentian Bank announced its seven-year transformation plan with clear objectives to accomplish by 2022: achieve a return on equity that is comparable to the Canadian banking industry, double the size of our organization and, build a solid strategic foundation.

After 12 months, we are well on our way to success. The work that the team has accomplished thus far is impressive.

PUTTING THE CUSTOMER FIRST

Looking towards the future, we see opportunity in the changing behaviors of consumers. Be it for personal or business needs, they are increasingly adopting a digital way of life. By staying true to our value proposition, which puts the needs of our customers first, we will stay relevant and competitive.

BUILDING THE TEAM THAT WILL GET US THERE

To deliver results, our teams' efforts, goals, aspirations and priorities must be aligned. To that end, we rebuilt the first layers of the executive team, optimized our decision-making process and recruited talent in key positions. We also adjusted the individual performance targets and compensation plans and shared our renewed mission, values and strategic objectives directly with team members across the country. These efforts will result in teams being even more engaged towards achieving their objectives.

GETTING THE CRITICAL INITIATIVES UNDERWAY

The transformation plan allows us to focus our efforts, reduce execution risk, cut redundancies and deliver tangible results. Early in the year, we started work on critical initiatives, which include:

- The implementation of a core banking system – the backbone to our digital offer.
- The migration to the AIRB approach – key to building a more robust credit risk management framework.
- The reduction of corporate expenses – essential to achieving a better efficiency ratio.

ENSURING GROWTH AND PERFORMANCE THROUGH LESS THAN IDEAL CONDITIONS

Economic and regulatory environments continue to be challenging, but the greatest test facing the industry is achieving revenue growth despite margin compression.

We set ambitious growth targets and made good progress in key areas of the business. This, combined with expense reductions and low loan losses, has allowed us to maintain our adjusted return on equity at 12% while the Canadian banking industry average fell by 2%, to 15%. As such, closing the gap on ROE is now our measurement of success.

The acquisition of CIT Canada represented a great opportunity for us. Indeed, our Business Services team had already been growing the equipment financing division, and the addition of a strong team, new customers and well-established processes brings us to a new level.

MAINTAINING THE COURSE IN 2017

We will deliver the planned activities related to critical initiatives started in 2016 to ensure on-time and on-budget delivery. I am confident this can be accomplished with the dedication and contribution of the teams in place. I sincerely thank all our team members for their hard work, commitment and trust.

On the next few pages, we highlight the reasons why you might be interested in our organization: what we stand for, what we aspire to become and how we plan to get there.

I invite you to join us as we build the next great Canadian financial institution.

FRANÇOIS DESJARDINS
President and Chief Executive Officer

EXECUTIVE COMMITTEE



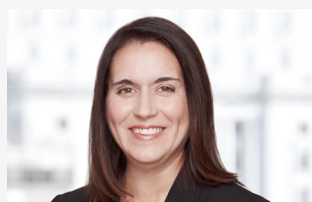
SUSAN KUDZMAN, FSA, FICA, CERA
Executive Vice President, Chief Risk Officer and Corporate Affairs

Since 2015, Susan Kudzman has been responsible for risk management, credit management, legal affairs, and corporate human resources. Drawing upon 30 years of experience, Susan Kudzman is an actuary and a specialist in the fields of risk management and human resources. She occupied the position of Chief Risk Officer at the Caisse de dépôt et placement du Québec and held a number of senior management positions at prominent organizations. She also serves on the Board of Directors of Transat and Yellow Pages.



FRANÇOIS LAURIN, FCPA, FCA, CFA
Executive Vice President, Chief Financial Officer

François Laurin is responsible for the Bank's activities in the areas of finance, accounting, treasury, taxation, investor relations, mergers and acquisitions, and internal audit. He has held this role since 2015. With 30 years of experience in corporate financing and financial accounting, François Laurin has worked at a number of large organizations operating within the finance, mining and telecommunications sectors.



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

Deborah Rose joined B2B Bank in 2011. In 2015, she was appointed President and Chief Executive Officer of B2B Bank and Chief Information Officer for Laurentian Bank, where she oversees the development and management of information technologies. Prior to joining B2B Bank, Deborah Rose was Senior Vice President, Business Operations at International Financial Data Services. Her career in financial services spans over 20 years.



STÉPHANE THERRIEN
Executive Vice President, Personal & Commercial Banking and President and Chief Executive Officer of LBC Financial Services

Stéphane Therrien has led the Business Services unit since 2012, the year he joined Laurentian Bank. In 2015, he was also appointed to head the Bank's Retail Services. He is a seasoned manager with almost 30 years of experience in the financing sector. He has previously worked for 18 years at GE Capital where he has successfully occupied various senior management positions including seven years as Chief Commercial Officer, Canada.



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

Michel Trudeau joined Laurentian Bank Securities in 1999 and has served as President and Chief Executive Officer since 2003. In 2009, his role was expanded to include overseeing Laurentian Bank's activities related to capital markets. Michel Trudeau has previously worked for more than 15 years within the institutional and fixed income sectors, including 10 years at Merrill Lynch where he successively occupied various senior management positions.

WE ARE ON A MISSION

PUTTING THE NEEDS OF OUR CUSTOMERS FIRST

Our customers inspire us to build the next great Canadian financial institution.



MISSION

We help customers improve their financial health



VISION

Everyone should have access to a financial professional

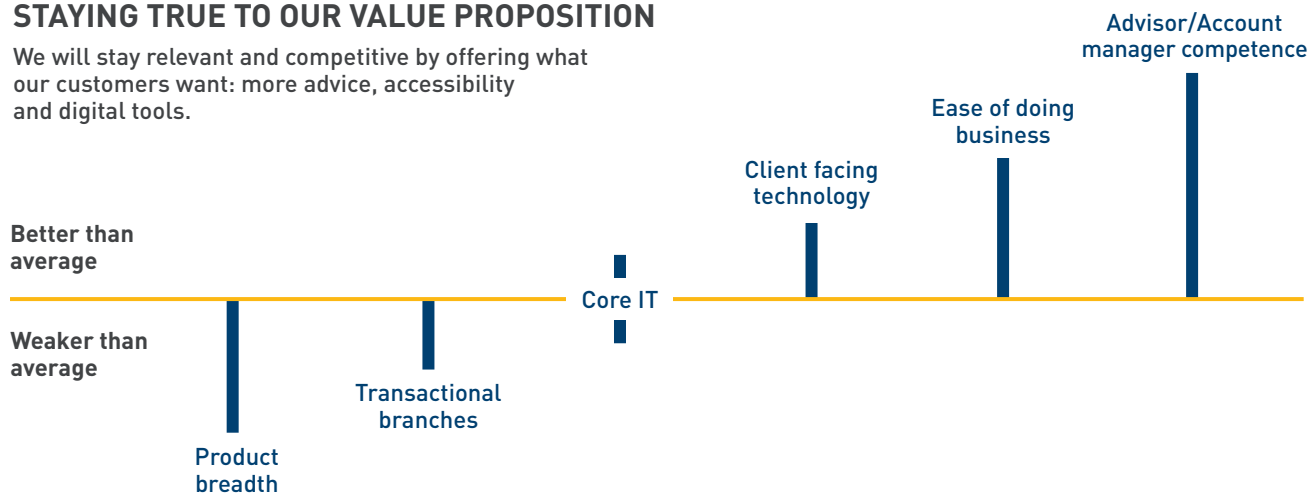


VALUES

Proximity • Simplicity • Honesty

STAYING TRUE TO OUR VALUE PROPOSITION

We will stay relevant and competitive by offering what our customers want: more advice, accessibility and digital tools.



ACHIEVING OUR 2022 STRATEGIC OBJECTIVES



Performance

Achieve an ROE that is comparable to the Canadian banking industry



Growth*

Double the size of our organization



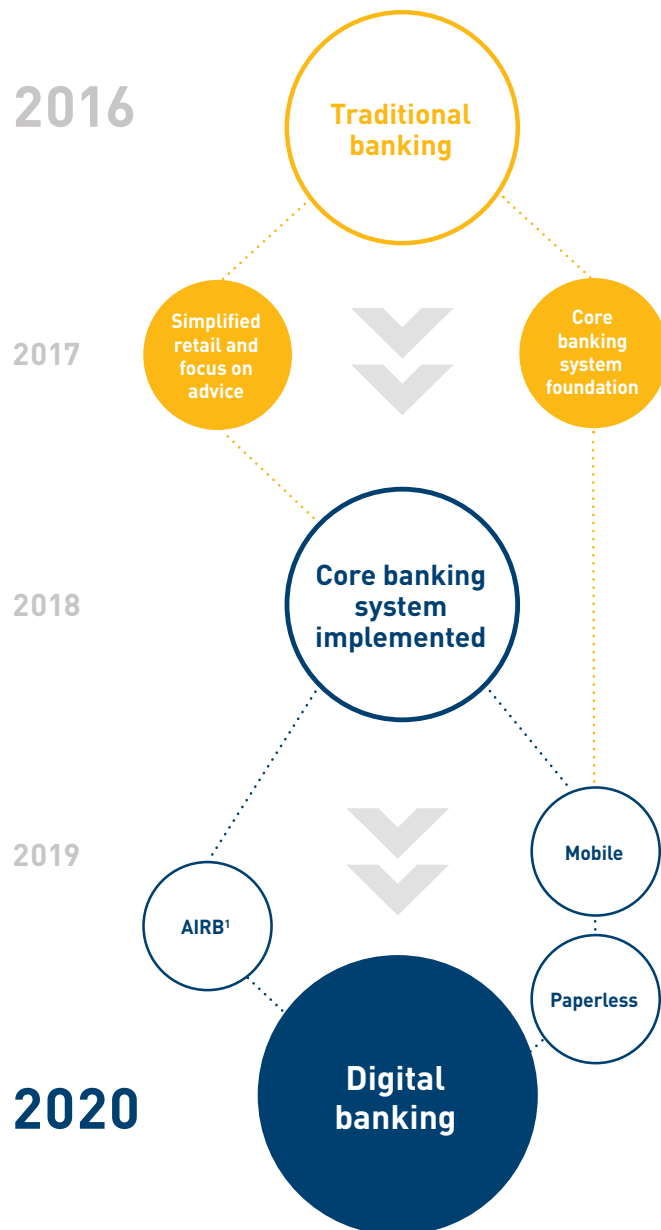
Foundation

Build a solid strategic foundation

* Compared with October 31, 2015.

PATH TO OUR TRANSFORMATION

We intend to transform by rigorously following our seven-year plan.



REMINDER OF OUR 2019 TARGETS²

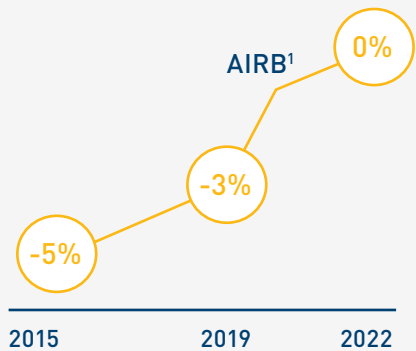
GROWTH*

1. Grow loans to business customers by more than 60% to \$13B
2. Grow mortgage loans through independent brokers and advisors by more than 50% to \$9B
3. Grow mutual funds to retail clients by more than 80% to \$6B
4. Grow assets under management at LBS by more than 25% to \$4B

* Compared with October 31, 2015

PERFORMANCE

Adjusted ROE gap target³



1 Advanced internal ratings-based (AIRB) approach. Based on the Bank's assessment of current regulatory requirements.

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

3 Compared to the major Canadian banks.

OUR ACHIEVEMENTS AND PRIORITIES

OUR ACHIEVEMENTS IN 2016

OUR PRIORITIES FOR 2017

PERFORMANCE



- Strong commitment to optimize Retail banking activities
- Progress towards reducing corporate expenses:
 - Agreement with IBM Canada to manage infrastructure and storage operations
- Optimization of securitization financing

- Optimize Retail banking activities by merging branches, simplifying the product line, and increasing the size and effectiveness of our team of advisors
- Complete the integration of CIT Canada into LBC Capital
- Revamp product offering directed at independent brokers and advisors
- Continue improving efficiency by reducing expenses

GROWTH



- Growth of residential mortgage loans through independent brokers and advisors up 23% year-over-year
- Growth of loans to business customers up 25% year-over-year
- Acquisition of CIT Canada's activities to advance our commercial footprint and expand our pan-Canadian presence

- Continue targeted market approach fueling strong and profitable growth
- Focus on financial advice and distribution of mutual funds in Retail Services
- Continue profitable growth and increase assets under management at LBS

FOUNDATION



- New core banking system:
 - Agreement with Temenos
- Resume activities for migration to the AIRB approach
- Lease signed for new premises to centralize corporate offices in Montreal, realize synergies and promote a culture based on performance

- Continue executing the development of:
 - The core banking platform
 - A more robust credit framework by continuing to work towards migration to the AIRB approach
 - Collaborative spaces for new corporate premises in Montreal

2016 PERFORMANCE

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

	2016	2015	2014
ADJUSTED FINANCIAL MEASURES ¹			
Adjusted net income	\$187,013	\$172,199	\$ 163,582
Adjusted diluted earnings per share	\$5.70	\$5.62	\$5.31
Adjusted return on common shareholders' equity	12.0%	12.0%	11.9%
Adjusted efficiency ratio	69.6%	71.3%	71.0%
Adjusted operating leverage	2.5%	(0.4)%	2.4%
Adjusted dividend payout ratio	42.4%	39.2%	38.7%
FINANCIAL MEASURES			
Total revenue	\$915,451	\$897,126	\$874,065
Net income	\$151,910	\$102,470	\$140,365
Diluted earnings per share	\$4.55	\$3.21	\$4.50
Return on common shareholders' equity ¹	9.6%	6.8%	10.1%
Efficiency ratio ¹	74.2%	80.6%	73.4%
Operating leverage ¹	8.0%	(10.1)%	5.9%
Dividend payout ratio	53.1%	68.6%	45.7%
PER COMMON SHARE			
Share price – Close	\$49.57	\$52.97	\$49.58
Book value	\$47.92	\$46.33	\$45.89
Dividends declared	\$2.36	\$2.20	\$2.06
Dividend yield	4.8%	4.2%	4.2%
FINANCIAL POSITION			
Balance sheet assets	\$43,006,340	\$39,659,504	\$36,482,785
Loans and acceptances	\$33,378,723	\$30,092,545	\$27,429,579
Deposits	\$27,573,345	\$26,604,304	\$24,523,026
Common shareholders' equity	\$1,621,557	\$1,341,637	\$1,328,187
QUALITY OF ASSETS			
Provision for credit losses as a percentage of average loans and acceptances	0.11%	0.12%	0.15%
BASEL III REGULATORY CAPITAL RATIO – ALL-IN BASIS			
Common Equity Tier 1 (under the standardized approach)	8.0%	7.6%	7.9%

¹ Refer to the non-GAAP financial measures section in the Management's Discussion and Analysis.