LAURENTIAN BANK
FINANCIAL GROUP

FIRST QUARTER 2018

Report to Shareholders

For the period ended January 31, 2018

HIGHLIGHTS OF FIRST QUARTER 2018

- Adjusted net income [1] up 20% year-over-year, and reported net income up 23%
- Adjusted return on common shareholders' equity [1] of 11.5% and 10.8% on a reported basis
- Adjusted efficiency ratio of 64.8% and reported efficiency ratio of 66.5%
- Common Equity Tier 1 (CET1) ratio at 8.6%
- Loans to business customers up 22% year-over-year, from both organic growth and the acquisition of NCF [2]
- Residential mortgage loans through independent brokers and advisors up 19% year-over-year
- Common share issuance for gross proceeds of $143.8 million
- The review of the ineligible B2B Bank residential mortgage loans sold to the Third Party Purchaser and the Third Party Purchaser satisfactory confirmatory audit have been completed
- The internal review of the branch-underwritten residential mortgage loans sold to the Third Party Purchaser is progressing well
- The CMHC [3] (previously referred to as the Other Third Party Purchaser) has communicated that we are not required to perform a full review of the mortgages sold to the CMHC nor make material repurchases

In millions of Canadian dollars, except per share and percentage amounts (Unaudited)	For the three months ended January 31 2018	January 31 2017	Variance
Reported basis			
Net income	$ **59.7**	$ 48.5	23 %
Diluted earnings per share	$ **1.41**	$ 1.30	8 %
Return on common shareholders' equity	**10.8%**	10.7%	
Efficiency ratio	**66.5%**	69.4%	
Common Equity Tier 1 capital ratio – All-in basis	**8.6%**	8.2%	
Adjusted basis [1]			
Adjusted net income	$ **63.2**	$ 52.7	20 %
Adjusted diluted earnings per share	$ **1.49**	$ 1.43	4 %
Adjusted return on common shareholders' equity	**11.5%**	11.8%	
Adjusted efficiency ratio	**64.8%**	67.4%	

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

Laurentian Bank Financial Group reported net income of $59.7 million or $1.41 diluted per share for the first quarter of 2018, compared with net income of $48.5 million or $1.30 diluted per share for the same period last year. Return on common shareholders' equity was 10.8% for the first quarter of 2018, compared with 10.7% for the first quarter of 2017. On an adjusted basis, net income totalled $63.2 million or $1.49 diluted per share for the first quarter of 2018, up 20% and 4% respectively, compared with $52.7 million or $1.43 diluted per share for the same period in 2017. Adjusted return on common shareholders' equity was 11.5% for the first quarter of 2018, compared with 11.8% a year ago. Reported results included adjusting items, such as costs related to the reorganization of the branch network, as well as acquisition and integration costs related to CIT Canada and NCF, as detailed in the Non-GAAP and Key Performance Measures section.

François Desjardins, President and Chief Executive Officer, commented on the Bank's results and financial condition: "We end the quarter with good results and a strong capital base that provides flexibility to execute the transformation plan and pursue profitable growth. Furthermore, we are confident that our investments in our foundation - our processes, technology and people - will allow us to successfully navigate through an evolving environment."

HIGHLIGHTS

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)		For the three months ended January 31 2018		October 31 2017	Variance		January 31 2017	Variance
Profitability								
Total revenue	$	**267,002**	$	267,968	—%	$	241,633	10%
Net income	$	**59,747**	$	58,635	2%	$	48,456	23%
Diluted earnings per share	$	**1.41**	$	1.42	(1)%	$	1.30	8%
Return on common shareholders' equity (1)		**10.8%**		11.1%			10.7%	
Net interest margin		**1.77%**		1.75%			1.66%	
Efficiency ratio		**66.5%**		68.8%			69.4%	
Operating leverage		**3.3%**		(1.5)%			n. m.	
Per common share								
Share price – Close	$	**53.20**	$	60.00	(11)%	$	58.86	(10)%
Price / earnings ratio (trailing four quarters)		**9.7x**		11.1x			13.0x	
Book value	$	**52.08**	$	51.18	2%	$	48.87	7%
Market to book value		**102%**		117%			120%	
Dividends declared	$	**0.63**	$	0.62	2%	$	0.61	3%
Dividend yield		**4.7%**		4.1%			4.1%	
Dividend payout ratio		**44.3%**		44.3%			46.7%	
Adjusted financial measures (1)								
Adjusted net income	$	**63,217**	$	66,476	(5)%	$	52,741	20%
Adjusted diluted earnings per share	$	**1.49**	$	1.63	(9)%	$	1.43	4%
Adjusted return on common shareholders' equity		**11.5%**		12.7%			11.8%	
Adjusted efficiency ratio		**64.8%**		64.3%			67.4%	
Adjusted operating leverage		**(0.8)%**		2.2%			—%	
Adjusted dividend payout ratio		**41.7%**		38.7%			42.6%	
Financial position (in millions of Canadian dollars)								
Balance sheet assets	$	**47,424**	$	46,683	2%	$	43,115	10%
Loans and acceptances	$	**36,754**	$	36,696	—%	$	33,739	9%
Deposits	$	**29,435**	$	28,930	2%	$	26,699	10%
Average earning assets	$	**40,109**	$	40,056	—%	$	36,769	9%
Key growth drivers (in millions of Canadian dollars)								
Loans to business customers	$	**12,329**	$	12,171	1%	$	10,096	22%
Residential mortgage loans through independent brokers and advisors	$	**8,664**	$	8,571	1%	$	7,305	19%
Assets under management at Laurentian Bank Securities	$	**3,995**	$	3,904	2%	$	3,722	7%
Assets under management from Retail Services clients	$	**10,986**	$	11,049	(1)%	$	11,185	(2)%
Total deposits from clients	$	**25,622**	$	25,173	2%	$	24,181	6%
Basel III regulatory capital ratios — All-in basis								
Common Equity Tier 1		**8.6%**		7.9%			8.2%	
Total		**11.7%**		11.6%			11.6%	
Leverage ratio		**4.3%**		4.2%			4.2%	
Other information								
Number of full-time equivalent employees		**3,771**		3,732			3,698	
Number of branches		**104**		104			144	
Number of automated banking machines		**318**		341			395	

(1) Refer to the Non-GAAP and Key Performance 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 our financial condition as at January 31, 2018 and performance during the three-month period then ended. This MD&A, dated February 27, 2018, should be read in conjunction with the condensed interim consolidated financial statements (unaudited) for the period ended January 31, 2018, prepared in accordance with IAS 34 *Interim financial reporting*, as issued by the International Accounting Standards Board (IASB) and set out in the CPA Canada Handbook. Supplemental information on risk management, critical accounting policies and estimates, and off-balance sheet arrangements is also provided in our 2017 Annual Report.

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

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ABOUT LAURENTIAN BANK FINANCIAL GROUP

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

With more than 3,700 employees guided by the values of proximity, simplicity and honesty, we provide a broad range of advice-based solutions and services to our customers through our businesses: Retail Services, Business Services, B2B Bank and Capital Markets. With pan-Canadian activities and a presence in the U.S., we are an important player in numerous market segments.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

By their very nature, forward-looking statements are based on assumptions and involve inherent risks and uncertainties, both general and specific in nature. It is therefore possible that the forecasts, projections and other forward-looking statements will not be achieved or will prove to be inaccurate. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurances that these expectations will prove to be correct. Certain important assumptions by us in making forward-looking statements include, but are not limited to: our ability to execute our transformation plan and strategy; the expectation of regulatory stability; the continued favourable economic conditions; our ability to maintain sufficient liquidity and capital resources; the absence of material unfavorable changes in competition, market conditions or in government monetary, fiscal and economic policies; the maintenance of credit ratings and our assumption that the in-depth review of the branch-underwritten mortgages described under the heading "Off-Balance Sheet Arrangements - Securitization Activities - Review of Mortgage Portfolios" of our 2017 Annual Report and in this document, will reveal a level of ineligible loans with documentation issues in line with the level discovered through the limited sample audit. See also "How the Bank Will Measure its Performance - Key assumptions supporting the Bank's medium-term objectives" in our 2017 Annual Report.

We caution readers against placing undue reliance on forward-looking statements when making decisions, as the actual results could differ considerably from the opinions, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements due to various material factors. Among other things, these factors include: changes in capital market conditions, changes in government monetary, fiscal and economic policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, changes in competition, modifications to credit ratings, levels of branch-underwritten ineligible loans with documentation issues being in excess of levels identified during sample file audits or other related assumptions pertaining to the conduit requirements, scarcity of human resources, developments with respect to labour relations, as well as developments in the technological environment. Furthermore, these factors include the ability to execute our transformation plan and in particular the successful reorganization of retail branches, the modernization of the core banking system and the adoption of the Advanced Internal Ratings-Based Approach to credit risk (the AIRB Approach).

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

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

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

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

NON-GAAP AND KEY PERFORMANCE MEASURES

NON-GAAP MEASURES

Management uses both generally accepted accounting principles (GAAP) and certain non-GAAP measures to assess our performance. Non-GAAP measures presented throughout this document exclude the effect of certain amounts designated as adjusting items due to their nature or significance. These non-GAAP measures are considered useful to readers in obtaining a better understanding of how management analyzes our results and in assessing underlying business performance and related trends. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are unlikely to be comparable to any similar measures presented by other issuers.

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

IMPACT OF ADJUSTING ITEMS

	For the three months ended		
In thousands of Canadian dollars, except per share amounts (Unaudited)	**January 31 2018**	October 31 2017	January 31 2017
Impact on net income			
Reported net income	**$ 59,747**	$ 58,635	$ 48,456
Adjusting items, net of income taxes			
Restructuring charges [1]			
Severance charges	**—**	2,364	—
Other restructuring charges	**673**	1,791	692
	673	4,155	692
Items related to business combinations			
Amortization of net premium on purchased financial instruments [2]	**480**	519	758
Amortization of acquisition-related intangible assets [3]	**1,878**	2,226	178
Other costs related to business combinations [4]	**439**	941	2,657
	2,797	3,686	3,593
	3,470	7,841	4,285
Adjusted net income	**$ 63,217**	$ 66,476	$ 52,741
Impact on diluted earnings per share			
Reported diluted earnings per share	**$ 1.41**	$ 1.42	$ 1.30
Adjusting items			
Restructuring charges	**0.02**	0.11	0.02
Items related to business combinations	**0.07**	0.09	0.11
	0.09	0.21	0.13
Adjusted diluted earnings per share [5]	**$ 1.49**	$ 1.63	$ 1.43

(1) Restructuring charges result from the optimization of our Retail Services activities and mostly relate to salaries, communication expenses and professional fees. They have been designated as adjusting items due to their nature and the significance of the amounts.

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

(3) The amortization of intangible assets related to the acquisition of CIT Canada and NCF is considered as an adjusting items since it represents, according to management, a significant non-cash and non-recurring adjustment. The amortization of acquisition-related intangible assets is included in the line item Other non-interest expenses in the Consolidated Statement of Income.

(4) Costs related to the integration of CIT Canada and transaction costs related to the acquisition of NCF.

(5) The impact of adjusting items on a per share basis does not add due to rounding for the three months ended January 31, 2018 and for the three months ended October 31, 2017.

KEY PERFORMANCE MEASURES

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

Return on common shareholders' equity

Return on common shareholders' equity is a profitability measure calculated as the net income available to common shareholders as a percentage of average common shareholders' equity. Common shareholders' equity is defined as the sum of the value of common shares, retained earnings and accumulated other comprehensive income (AOCI), excluding cash flow hedge reserves. The following table presents additional information about return on common shareholders' equity.

RETURN ON COMMON SHAREHOLDERS' EQUITY

	For the three months ended		
In thousands of Canadian dollars, except percentage amounts (Unaudited)	**January 31 2018**	October 31 2017	January 31 2017
Reported net income available to common shareholders	**$ 55,468**	$ 54,359	$ 44,184
Adjusting items, net of income taxes	**3,470**	7,841	4,285
Adjusted net income available to common shareholders	**$ 58,938**	$ 62,200	$ 48,469
Average common shareholders' equity	**$ 2,034,603**	$ 1,936,392	$ 1,633,653
Return on common shareholders' equity	**10.8%**	11.1%	10.7%
Adjusted return on common shareholders' equity	**11.5%**	12.7%	11.8%

EXTERNAL REPORTING CHANGES

COMMERCIAL LOANS

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

OUTLOOK

ECONOMIC OUTLOOK

Global economic growth remains strong despite the return of volatility in financial markets. The level of world trade activity stands at a record high, despite rising uncertainty in trade policies. As the business cycle enters the maturity stage, central banks have started to gradually withdraw some monetary stimulus, contributing to increases in interest rates globally. In the U.S., the Federal Reserve raised its policy rate by a cumulative 75 basis points in 2017 and financial markets expect the gradual pace of increase in the federal funds rate target to continue in 2018.

The U.S. has taken certain targeted protectionist measures relative to Canadian exports, which combined with the ongoing negotiations relative to the future of the North American Free Trade Agreement, have resulted in increasing uncertainty, particularly relative to business investment decision-making. Nevertheless, new markets are opening for Canada through the Canada-European Union trade agreement and the newly ratified Trans-Pacific Partnership agreement. Moreover, consolidation in the global oil market and the acceleration in global economic growth, particularly in the U.S., which should further benefit from the recently approved U.S. tax reform, are supportive to the Canadian economy.

The improvement in Canadian labour market conditions has been remarkable as full-time employment rose by 410 000 during the last year, the best showing in the current business cycle. Canada's unemployment rate stood at a four-decade low of 5.9% in January 2018, contributing to the acceleration in wage growth. Canadian housing demand has remained dynamic throughout 2017 despite the ongoing implementation of new regulatory reforms from federal authorities aiming at reducing household vulnerabilities in the insured and uninsured mortgage markets. The pace of homebuilding is at a five-year high, in line with stronger household formation, while employment growth and resale market conditions are also more robust in most major markets. However supply constraints continue to exist in the Toronto and Vancouver areas. Furthermore, following an active fall season, the Toronto housing market slowed down in January 2018 as the new mortgage stress test weighed on residential transactions.

A higher commodity price environment, robust U.S. demand for Canadian products and stimulative fiscal policies from the federal and provincial governments are expected to continue to support the Canadian economy. However, higher interest rates, the stronger Canadian dollar and the growing difficulty of Canadian companies to find employees and meet new demand, are poised to moderate the pace of economic growth. The impact of the newly applicable federal guidelines adding restrictions on borrowers to service their mortgage debt may also impact economic activity as both borrowers and lenders will need to adapt to the new requirements.

With increasing momentum in both real gross domestic product (GDP) and consumer inflation, the Bank of Canada raised its policy rate by 25 basis points in January 2018, following two similar increases over the last six months of 2017. Notwithstanding, market participants still expect further monetary tightening measures in Canada in 2018. The target for the overnight rate stands at 1.25%, the highest level since late 2008, and the Canadian dollar is currently trading around US$0.79. Altogether, Canadian real GDP is expected to grow at a respectable pace of 2.1% in 2018 and 1.8% in 2019, after reaching 2.9% in 2017.

TRANFORMATION PLAN

Optimization of Retail Services Activities

At the beginning of 2016, we announced our seven-year transformation plan, which included optimizing and simplifying retail operations. This strategy led to the initial decision, in September 2016, to reorganize the branch network. By the end of 2017, we have merged 46 branches and have converted an additional 23 branches into advice-only branches. We continue to monitor the impact of these actions on our core client base. The initial response from customers and employees has been positive and the impact on operations and results are in line with expectations. Building on this positive outcome, we decided to focus on delivering financial advice through our branch network, and on migrating customers to electronic and web-based platforms, thus progressing toward our objective to further digitize services. However, given uncertainty associated with the renewal of the collective bargaining agreement, which expired on December 31, 2017, we are reviewing the pace of the Retail Services transformation.

Strengthening our Foundation

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

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

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

INDUSTRY DEVELOPMENTS - MORTGAGE LENDING

As of January 1, 2018, the Office of the Superintendent of Financial Institutions Canada (OSFI) implemented changes to its Guideline B-20 "Residential Mortgage Underwriting Practices and Procedures" which introduces more stringent mortgage loan origination requirements, and could further affect access to mortgage financing. These measures combined with concerns about housing markets in the greater Toronto and Vancouver areas, have kept housing in the spotlight. Although we are still at the early stage of the adoption of the new guidance, we have witnessed a decrease in residential mortgage origination at the beginning of 2018. We continue to monitor the impact on the market as the behavior of current and future home owners adapt to the new regulations. Notwithstanding, our activities are well diversified and our growth opportunities remain attractive.

MANAGEMENT CHANGES

As of May 1, 2018, Francois Laurin will be appointed Executive Vice-President, Finance, Treasury, Capital Markets and Chief Financial Officer. This change comes as Michel Trudeau announced his retirement effective April 2018 from his role as President and Chief Executive Officer of Laurentian Bank Securities and Executive Vice President, Capital Markets, Laurentian Bank. Mr. Trudeau will be staying on as Vice-Chair of the Board of Directors of Laurentian Bank Securities.

ANALYSIS OF CONSOLIDATED RESULTS

CONDENSED CONSOLIDATED RESULTS

In thousands of Canadian dollars, except per share amounts (Unaudited)	For the three months ended January 31 2018	October 31 2017	January 31 2017
Net interest income	$ **178,635**	$ 176,220	$ 153,687
Other income	**88,367**	91,748	87,946
Total revenue	**267,002**	267,968	241,633
Amortization of net premium on purchased financial instruments	**653**	707	1,032
Provision for credit losses	**12,000**	11,500	9,000
Non-interest expenses [1]	**177,545**	184,365	167,696
Income before income taxes	**76,804**	71,396	63,905
Income taxes	**17,057**	12,761	15,449
Net income	$ **59,747**	$ 58,635	$ 48,456
Preferred share dividends, including applicable taxes	**4,279**	4,276	4,272
Net income available to common shareholders	$ **55,468**	$ 54,359	$ 44,184
Diluted earnings per share	$ **1.41**	$ 1.42	$ 1.30
Adjusted net income [2]	$ **63,217**	$ 66,476	$ 52,741
Adjusted diluted earnings per share [2]	$ **1.49**	$ 1.63	$ 1.43

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

THREE MONTHS ENDED JANUARY 31, 2018 COMPARED WITH THREE MONTHS ENDED JANUARY 31, 2017

Net income was $59.7 million or $1.41 diluted per share for the first quarter of 2018, compared with $48.5 million or $1.30 diluted per share for the first quarter of 2017. Adjusted net income was $63.2 million for the first quarter of 2018, up 20% from $52.7 million for the first quarter of 2017, while adjusted diluted earnings per share were $1.49, up 4% compared with $1.43 in the first quarter of 2017. Growth in earnings per share, compared with the first quarter of 2017, was impacted by the two recent common share issuances.

Total revenue

Total revenue increased by $25.4 million or 10% to $267.0 million for the first quarter of 2018 from $241.6 million for the first quarter of 2017, mainly driven by growth in net interest income stemming from strong volume growth in the commercial loan portfolio, in part from acquisitions.

Net interest income increased by $24.9 million or 16% to $178.6 million for the first quarter of 2018, from $153.7 million for the first quarter of 2017. The increase was mainly due to strong volume growth in the commercial loan portfolios, both organic and from acquisitions, as well as the higher margins earned on these loans. Net interest margin stood at 1.77% for the first quarter of 2018, an increase of 11 basis points compared with the first quarter of 2017, essentially due to the higher proportion of higher-yielding loans to business customers, as well as to recent increases in the prime rate.

Other income increased by $0.4 million amounting to $88.4 million for the first quarter of 2018, compared with $87.9 million for the first quarter of 2017. Income from sales of mutual funds increased by $1.3 million compared with the first quarter of 2017, mainly due to higher mutual fund volumes driven by good market performance. Fees and commissions on loans and deposits increased by $0.7 million, mainly driven by higher lending fees due to increased activity in the commercial portfolios compared with the first quarter of 2017. These increases were partly offset by a decrease in income from brokerage operations of $1.1 million, mostly related to fixed income activities, as well as a decrease in net insurance income of $1.0 million.

Amortization of net premium on purchased financial instruments

For the first quarter of 2018, the amortization of net premium on purchased financial instruments amounted to $0.7 million, compared with $1.0 million for the first quarter of 2017. Refer to the Non-GAAP and Key Performance Measures section for additional information.

Provision for credit losses

The provision for credit losses amounted to $12.0 million for the first quarter of 2018 compared with $9.0 million for the first quarter of 2017. The increase reflects the evolution of the mix and overall growth in the loan portfolio. Notwithstanding, the continued low level of credit losses reflects the overall underlying good credit quality of the loan portfolios. Refer to the Risk Management section for additional information.

Non-interest expenses

Non-interest expenses amounted to $177.5 million for the first quarter of 2018, an increase of $9.8 million compared with the first quarter of 2017. Adjusted non-interest expenses increased by 6% to $173.0 million for the first quarter of 2018, compared with $162.9 million for the first quarter of 2017, mainly due to the acquisition of NCF, regular salary increases and higher professional fees to the support our transformation.

Salaries and employee benefits increased by $4.1 million or 5% to $93.7 million for the first quarter of 2018, compared with the first quarter of 2017, due to regular annual salary increases, and the addition of employees from NCF.

Premises and technology costs increased by $1.0 million to $47.3 million for the first quarter of 2018 compared with the first quarter of 2017, mainly as a result of higher technology costs related to newly outsourced agreements.

Other non-interest expenses amounted to $35.1 million for the first quarter of 2018, an increase of $7.8 million compared with the first quarter of 2017. This increase was mainly due to the amortization of acquisition-related intangibles, as well as higher professional fees.

Restructuring charges amounted to $0.9 million for the first quarter of 2018 and mainly included service costs to reorganize the branch network product offering in light of the transition to the advice-only model later in 2018.

Costs related to business combinations amounted to $0.6 million for the first quarter of 2018 and mainly included technology costs for the integration of CIT Canada's operations.

The adjusted efficiency ratio was 64.8% for the first quarter of 2018, showing good improvement compared with 67.4% for the first quarter of 2017. The adjusted operating leverage was positive year-over-year, driven by both revenue growth and expense control. However, we expect that the Bank's efficiency ratio will trend higher over the next few quarters as we continue to progress in our transformation plan. Nonetheless, we maintain our objective to achieve an adjusted efficiency ratio of 65% by 2020.

Income taxes

For the quarter ended January 31, 2018, the income tax expense was $17.1 million and the effective tax rate was 22.2%. The lower tax rate, compared to the statutory rate, mainly resulted from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income, as well as the lower taxation level on revenues from foreign operations. On December 22, 2017, the U.S. government enacted new comprehensive tax legislation, which makes significant changes to the U.S. tax code and will require time to interpret. The enacted reduction of the U.S. corporate tax rate has resulted in a decrease of $0.5 million of the Bank's U.S. net deferred tax assets and an equivalent one-time charge to the income statement. This charge is expected to be mostly offset during the remainder of 2018 by the positive effect on earnings of the lower corporate tax rate. For the quarter ended January 31, 2017, the income tax expense was $15.4 million and the effective tax rate was 24.2%. The lower tax rate, compared to the statutory rate, resulted mainly from the aforementioned factors.

THREE MONTHS ENDED JANUARY 31, 2018 COMPARED WITH THREE MONTHS ENDED OCTOBER 31, 2017

Net income was $59.7 million or $1.41 diluted per share for the first quarter of 2018 compared with $58.6 million or $1.42 diluted per share for the fourth quarter of 2017. Adjusted net income was $63.2 million or $1.49 diluted per share for the first quarter of 2018, compared with $66.5 million or $1.63 diluted per share for the fourth quarter of 2017. Diluted earnings per share compared to the fourth quarter of 2017 was impacted by the common share issuance at the beginning of fiscal 2018.

Total revenue decreased slightly by $1.0 million to $267.0 million for the first quarter of 2018, compared with $268.0 million for the previous quarter. Net interest income increased by $2.4 million sequentially to $178.6 million, mainly due to volume growth in the commercial loan portfolio, and the recent increases in interest rates. Net interest margin stood at 1.77% for the first quarter of 2018, an increase of 2 basis points compared with 1.75% for the fourth quarter of 2017, essentially due to the recent increases in rates and the higher proportion of higher-yielding loans to business customers.

Other income decreased by $3.4 million sequentially to $88.4 million for the first quarter of 2018. In the fourth quarter of 2017, other income included a $5.9 million gain on the sale of our investment in the mortgage broker company, Verico Financial Group Inc. This decrease was party offset by a $3.0 million increase in income from treasury and financial markets operations due to higher net securities gains, as well as a higher contribution from trading activities.

The line-item "Amortization of net premium on purchased financial instruments" amounted to $0.7 million for the first quarter of 2018, essentially unchanged from the fourth quarter of 2017. Refer to the Non-GAAP and Key Performance Measures section for additional information.

Provision for credit losses totalled $12.0 million for the first quarter of 2018, a $0.5 million increase compared with $11.5 million for the fourth quarter of 2017. As further detailed in the Risk Management section, the increase was largely due to the higher volumes resulting from growth initiatives. The continued low level of credit losses reflects the overall underlying good credit quality of the loan portfolios.

Non-interest expenses decreased by $6.8 million to $177.5 million for the first quarter of 2018 from $184.4 million in the fourth quarter of 2017. Adjusted non-interest expenses increased by $0.8 million and amounted to $173.0 million in the current quarter, compared with $172.3 million in the fourth quarter of 2017. The increase is mainly due to higher salaries from regular increases, higher employee benefits and an increase in technology costs.

FINANCIAL CONDITION

CONDENSED BALANCE SHEET

In thousands of Canadian dollars (Unaudited)		**As at January 31 2018**		As at October 31 2017		As at January 31 2017
ASSETS						
Cash and deposits with other banks	**$**	**318,498**	$	327,362	$	256,036
Securities		**5,390,110**		5,586,014		5,565,456
Securities purchased under reverse repurchase agreements		**3,903,086**		3,107,841		2,846,065
Loans and acceptances, net		**36,654,269**		36,596,971		33,632,416
Other assets		**1,157,953**		1,064,470		814,983
	$	**47,423,916**	$	46,682,658	$	43,114,956
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits	**$**	**29,435,119**	$	28,930,360	$	26,698,845
Other liabilities		**6,996,036**		6,842,540		6,929,739
Debt related to securitization activities		**8,242,959**		8,230,921		7,278,714
Subordinated debt		**348,509**		348,427		199,864
Shareholders' equity		**2,401,293**		2,330,410		2,007,794
	$	**47,423,916**	$	46,682,658	$	43,114,956

As at January 31, 2018, total assets amounted to $47.4 billion, an increase of $0.7 billion compared with $46.7 billion as at October 31, 2017. The increase mainly reflects an increase in liquid assets of $0.6 billion, and loan growth of $57.3 million, as well as an increase in other assets of $93.5 million as explained below.

LIQUID ASSETS

Liquid assets consist of cash, deposits with other banks, securities and securities purchased under reverse repurchase agreements. As at January 31, 2018, these assets totalled $9.6 billion, an increase of $0.6 billion compared with October 31, 2017. Overall, we continue to prudently manage the level of liquid assets and to hold sufficient cash resources from diversified sources in order to meet current and future financial obligations, under both normal and stressed conditions.

LOANS

Loans and bankers' acceptances, net of allowances, stood at $36.7 billion as at January 31, 2018, relatively unchanged from October 31, 2017.

Personal loans amounted to $5.9 billion and decreased by $184.0 million since October 31, 2017, mainly due to net repayments in the investment loan portfolio, reflecting consumer behaviour to accelerate repayment when capital markets are strong.

Residential mortgage loans stood at $18.6 billion as at January 31, 2018, an increase of $83.1 million since October 31, 2017. This reflects continued growth in residential mortgage loans distributed through independent brokers and advisors, as well as the acquisition of mortgage loans originated by third-parties as part of our program initiated in 2016 to optimize the usage of National Housing Act mortgage-backed securities (NHA MBS) allocations. Higher volumes in November and December were observed as buyers took advantage of the previous B-20 underwriting guideline. However, since January 1, 2018 growth was slowed by the newly applicable mortgage regulation, as discussed above.

Commercial loans amounted to $12.3 billion as at January 31, 2018, up 1% since October 31, 2017, this increase is mainly due to strong growth in inventory financing loans stemming from our recently acquired NCF business. Loans to business customers increased 22% year-over-year as a result of strong organic growth and the acquisition of NCF's $1.0 billion loan portfolio in the fourth quarter of 2017.

OTHER ASSETS

Other assets increased by $93.5 million as at January 31, 2018, compared with October 31, 2017, primarily reflecting an increase in receivables from securitization conduits, derivatives and internally developed intangibles as we continue to progress on the development of our new core banking system and project to adopt the AIRB Approach to credit risk.

LIABILITIES

Deposits increased by $0.5 billion to $29.4 billion as at January 31, 2018, compared with October 31, 2017. Personal deposits stood at $21.8 billion as at January 31, 2018, up $0.6 billion compared with October 31, 2017. The increase was mainly driven by higher term deposits sourced through independent brokers and advisors slightly offset by a decrease in deposits sourced through the branch network. Business and other deposits decreased by $52.0 million to $7.7 billion over the same period. Personal deposits represented 74% of total deposits as at January 31, 2018, compared with 73% as at October 31, 2017, and contribute to our good liquidity position.

Debt related to securitization activities was essentially unchanged compared with October 31, 2017 and stood at $8.2 billion as at January 31, 2018, as the repurchase of certain mortgage loans, as detailed below in the Review of Mortgage Portfolio section, and normal repayments, were offset by newly securitized loans.

SHAREHOLDERS' EQUITY

Shareholders' equity stood at $2,401.3 million as at January 31, 2018, compared with $2,330.4 million as at October 31, 2017. The increase mainly results from the 2,624,300 common share public offering completed in January 2018 for gross proceeds of $143.8 million and net proceeds of $139.2 million, which was partially offset by the $100.0 million Class A Preferred Shares Series 11 redemption in December 2017. During the quarter, shareholders' equity also increased as a result of the net income contribution, net of declared dividends, as well as by the issuance of common shares under the Shareholder Dividend Reinvestment and Share Purchase Plan.

Our book value per common share appreciated to $52.08 as at January 31, 2018 from $51.18 as at October 31, 2017. There were 41,720,706 common shares outstanding as at February 21, 2018.

REVIEW OF MORTGAGE PORTFOLIO

In late September 2017, we were advised by a third-party purchaser (the "TPP"), following an audit, that certain mortgages previously sold to this TPP did not meet documentation and eligibility criteria. This section provides an update on the review of mortgages sold to the TPP, as well as to another third-party purchaser, the Canadian Mortgage and Housing Corporation ("CMHC", previously referred to as the "Other Third-Party Purchaser") and the repurchase of these mortgages.

Based on the information provided below, and as previously stated, the repurchases from the TPP and CMHC are not expected to be material to our operations, funding or capital.

Third Party Purchaser

In regards to the B2B Bank underwritten mortgages sold to the TPP, we completed a full review of these mortgages, as previously disclosed, and identified $89 million of ineligible loans with documentation issues, which were repurchased in the first quarter of 2018. Furthermore, the TPP has now completed a confirmatory audit of our review of these mortgages and no further repurchases are required. In addition, approximately $17 million out of the $40 million additional indemnity cash reserve, that was deposited with the TPP in relation to the B2B Bank underwritten mortgages, will be released to the Bank. The remainder will be kept by the TPP as additional credit enhancement and will be remitted to the Bank over time as the B2B Bank underwritten mortgages amortize. Consequently, the situation with the B2B Bank underwritten mortgages sold to the TPP is now resolved.

In regards to the branch-underwritten mortgages sold to the TPP, we began an internal review during the first quarter of 2018 after defining the scope of the audit with the TPP. Accordingly, we are presently conducting the review of approximately 1,900 mortgages sold to the TPP. To the extent that this review uncovers additional mortgages that do not conform with the requirements of the TPP facility, we will either fix such mortgages or repurchase them. Given that they were considered to represent a lower risk, the mortgages not forming part of the 1,900 mortgages being reviewed will either be assessed at the time of their renewal or not be subject to any review. This internal review is expected to be completed towards the end of the second quarter of 2018, at which time the TPP will perform a confirmatory audit of our internal review. As disclosed previously, we conducted a limited sample review of these mortgages. By applying the percentage of ineligible loans with documentation issues identified in the limited sample review to the entire $1,157 million branch-underwritten mortgage portfolio sold to the TPP, we estimated that a total of approximately $124 million of ineligible loans with documentation issues would be identified, although the definitive amount will only be determinable upon completion of the above-mentioned review. We provided a cash reserve deposit in the amount of $61 million to the TPP in relation to the branch-underwritten mortgage portfolio, the release of which is subject to the repurchase by the Bank of all ineligible loans with documentation issues and the confirmatory audit by the TPP.

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

Since November 1, 2017, we implemented improved quality control and underwriting procedures at B2B Bank and in the branch network. We are confident that these enhanced controls and procedures will prove to be satisfactory and we expect the TPP's future confirmatory audit to support our assessment.

CMHC

With respect to CMHC securitization programs, as previously stated, $88 million of inadvertently insured mortgage loans were identified. These mortgages were repurchased in the second quarter of 2018. After discussions with CMHC, we are not required to perform a full review of the mortgages sold to CMHC securitization programs nor make material repurchases. We continue to work with CMHC on reviewing and ensuring solid controls are in place, in addition to our continued engagement in the normal course audits by CMHC from time to time. This securitization program remains available and we continue to securitize mortgage loans.

The following table summarizes the review of the mortgage portfolio as at September 30, 2017.

	Third Party Purchaser			
In millions of Canadian dollars (Unaudited)	B2B Bank	Branch network	CMHC	Total
Total mortgage loans sold [1]	$ 655	$ 1,157	$ 5,157	**$ 6,969**
Ineligible mortgage loans identified [2]	$ 89	$ —	$ —	**$ 89**
Mortgage loans inadvertently sold [2]	1	90	—	**91**
Mortgage loans inadvertently insured and sold [3]	—	—	88	**88**
Total ineligible mortgage loans identified and repurchased	$ 90	$ 90	$ 88	**$ 268**
Ineligible mortgage loans extrapolated [4]	$ —	$ 124	$ —	**$ 124**
Total ineligible mortgage loans identified and extrapolated	$ 90	$ 214	$ 88	**$ 392**

(1) As reported in our 2017 Annual Report dated December 4, 2017, excluding the impact of repurchases to both third parties, and new securitizations to CMHC. As at January 31, 2018, mortgage loans sold to the TPP by B2B Bank and the branch network totaled $535 million and $994 million respectively, the variations from what was previously disclosed are due net repayments and the aforementioned repurchases. As at January 31, 2018 mortgage loans sold to CMHC totaled $5,118 million the variation from what was previously disclosed is due to new securitizations and net repayments.

(2) Repurchased in the first quarter of 2018.

(3) Repurchased in the second quarter of 2018.

(4) The $124 million in branch-originated ineligible mortgages sold to the TPP is an estimate based on extrapolating the results of a limited sample review.

CAPITAL MANAGEMENT

REGULATORY CAPITAL

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

As detailed in the table below, the Common Equity Tier 1 (CET1), Tier 1 and Total capital ratios stood at 8.6%, 9.7% and 11.7%, respectively, as at January 31, 2018. These ratios exceeded all current requirements.

REGULATORY CAPITAL (1)

In thousands of Canadian dollars, except percentage amounts (Unaudited)	**As at January 31 2018**	As at October 31 2017	As at January 31 2017
Regulatory capital			
Common Equity Tier 1 capital	**$ 1,770,460**	$ 1,612,299	$ 1,473,844
Tier 1 capital	**$ 2,014,498**	$ 1,953,899	$ 1,815,444
Total capital	**$ 2,420,761**	$ 2,364,589	$ 2,087,615
Total risk-weighted assets (2)	**$ 20,677,239**	$ 20,426,719	$ 17,936,838
Regulatory capital ratios			
Common Equity Tier 1 capital ratio	**8.6%**	7.9%	8.2%
Tier 1 capital ratio	**9.7%**	9.6%	10.1%
Total capital ratio	**11.7%**	11.6%	11.6%

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

The CET1 ratio stood at 8.6% as at January 31, 2018, compared with 7.9% as at October 31, 2017 and 8.2% as at January 31, 2017. As mentioned above, the Bank completed a common share offering in January for net proceeds of $139.2 million. As the Bank moves through an evolving economic environment, we made the prudent decision to replace the preferred share issue that was redeemed on December 15, 2017 with common equity. This further strengthens our capital base and provides greater flexibility to pursue organic growth, as well as to continue to invest in the implementation of our core banking system and the Advanced Internal Ratings-Based Approach. Lower growth in risk-weighted exposures and net growth in retained earnings also contributed to the improvement in capital ratios, although offset by the additional deductions to capital for intangible assets related to ongoing projects.

Regulatory capital developments

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

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

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

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

BASEL III LEVERAGE RATIO

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

As detailed in the table below, the leverage ratio stood at 4.3% as at January 31, 2018 and exceeded current requirements.

BASEL III LEVERAGE RATIO

In thousands of Canadian dollars, except percentage amounts (Unaudited)	**As at January 31 2018**	As at October 31 2017	As at January 31 2017
Tier 1 capital	**$ 2,014,498**	$ 1,953,899	$ 1,815,444
Total exposures	**$ 47,288,202**	$ 46,673,239	$ 42,829,962
Basel III leverage ratio	**4.3%**	4.2%	4.2%

DIVIDENDS

On February 20, 2018, the Board of Directors declared the regular dividend on the various series of preferred shares to shareholders of record on March 7, 2018.

On February 27, 2018, the Board of Directors declared a quarterly dividend of $0.63 per common share, payable on May 1, 2018, to shareholders of record on April 2, 2018. This quarterly dividend is up 3% compared with the dividend declared one year ago. The Board of Directors also determined that shares attributed under the Shareholder Dividend Reinvestment and Share Purchase Plan will be made in common shares issued from treasury at a 2% discount.

COMMON SHARE DIVIDENDS AND PAYOUT RATIO

	For the three months ended			For the years ended		
In Canadian dollars, except payout ratios (Unaudited)	**January 31 2018**	October 31 2017	January 31 2017	October 31 2017	October 31 2016	October 31 2015
Dividends declared per common share	**$ 0.63**	$ 0.62	$ 0.61	$ 2.46	$ 2.36	$ 2.20
Dividend payout ratio	**44.3%**	44.3%	46.7%	45.7%	53.1%	68.6%
Adjusted dividend payout ratio [1]	**41.7%**	38.7%	42.6%	40.5%	42.4%	39.2%

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

RISK MANAGEMENT

We are exposed to various types of risks owing to the nature of our activities. These risks are mainly related to the use of financial instruments. In order to manage these risks, controls such as risk management policies and various risk limits have been implemented. These measures aim to optimize the risk/return ratio in all operating segments. Refer to the section "Risk Appetite and Risk Management Framework" on page 44 of our 2017 Annual Report for additional information.

CREDIT RISK

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

PROVISION FOR CREDIT LOSSES

In thousands of Canadian dollars, except percentage amounts (Unaudited)	For the three months ended **January 31 2018**	October 31 2017	January 31 2017
Personal	**$ 6,970**	$ 3,851	$ 8,574
Residential mortgage	**1,584**	788	906
Commercial [1]	**3,446**	6,861	(480)
	$ 12,000	$ 11,500	$ 9,000
As a % of average loans and acceptances	**0.13%**	0.13%	0.11%

(1) Including customers' liabilities under acceptances and finance lease receivables.

The provision for credit losses amounted to $12.0 million in the first quarter of 2018, increasing by $3.0 million when compared with the same quarter a year ago and $0.5 million sequentially, and includes the impact of the evolution of the mix and overall growth in the loan portfolio. At 13 basis points, compared to average loans and acceptances, the current level of provisions continues to reflect the underlying good credit quality of our loan portfolios.

Personal loans

Credit losses on personal loans decreased by $1.6 million compared with the first quarter of 2017 and stood at $7.0 million in the first quarter of 2018. On a sequential basis, credit losses on personal loans increased by $3.1 million, as the fourth quarter of 2017 included favorable adjustments to risk allowance models. In addition, the first quarter of 2018 had higher write-offs than the prior quarter, in part due to seasonality.

Residential mortgage loans

Credit losses on residential mortgage loans amounted to $1.6 million for the first quarter of 2018, an increase of $0.7 million compared with the first quarter of 2017. On a sequential basis, credit losses on residential mortgage loans increased by $0.8 million. The increase reflects the strong growth in residential mortgage loans distributed through independent brokers and advisors.

Commercial loans

Credit losses on commercial loans amounted to $3.4 million in the first quarter of 2018, compared to negative $0.5 million in the first quarter of 2017. Credit losses in the first quarter of 2017 included improvements on certain exposures due to favorable credit conditions. On a sequential basis, credit losses in this portfolio decreased by $3.4 million due to favorable improvements and settlements of several accounts. Credit losses on these portfolios tend to fluctuate more as they can relate, in part, to isolated larger exposures.

IMPAIRED LOANS

In thousands of Canadian dollars, except percentage amounts (Unaudited)		As at January 31 2018		As at October 31 2017		As at January 31 2017
Gross impaired loans						
Personal	$	22,809	$	20,874	$	19,430
Residential mortgages		33,405		30,326		29,948
Commercial [1]		97,590		100,691		84,005
		153,804		151,891		133,383
Allowances for loan losses against impaired loans						
Individual allowances		(21,832)		(24,801)		(20,938)
Collective allowances		(18,205)		(17,828)		(17,229)
		(40,037)		(42,629)		(38,167)
Net impaired loans	$	113,767	$	109,262	$	95,216
Impaired loans as a % of loans and acceptances						
Gross		0.42%		0.41%		0.40%
Net		0.31%		0.30%		0.28%
Collective allowances against other loans		(59,229)		(56,557)		(68,080)

(1) Including customers' liabilities under acceptances and finance lease receivables.

Gross impaired loans amounted to $153.8 million as at January 31, 2018, up $1.9 million or 1% compared with October 31, 2017. This increase was mainly due to higher impaired residential mortgage loans, offset by credit improvements of impaired commercial loans.

Since the beginning of the year, individual allowances on commercial loans decreased by $3.0 million to $21.8 million. Collective allowances against impaired loans increased by $0.4 million over the same period, mainly for personal loans.

We remain well provisioned, as indicated by the 0.31% net impaired loan ratio as at January 31, 2018, relatively unchanged from 0.30% as at October 31, 2017.

LIQUIDITY AND FUNDING RISK

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

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

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

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

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

Regulatory requirements concerning liquidity

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

The Bank remained compliant with the LAR Guideline throughout the three months ended January 31, 2018.

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 2019. The NSFR measures the proportion of long-term assets which are funded by long-term, stable funding. The Bank monitors these developments as they unfold.

Maturity of financial liabilities

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

MATURITY OF FINANCIAL LIABILITIES[1]

As at January 31, 2018

In thousands of Canadian dollars (Unaudited)	Demand and notice	Term: Under 1 year	Term: 1 to 3 years	Term: 3 to 5 years	Term: Over 5 years	Total
Deposits						
Personal	$ 4,842,089	$ 7,324,528	$ 7,230,914	$ 2,237,587	$ 120,616	$ 21,755,734
Business, banks and other	2,179,829	2,994,115	1,837,202	664,877	3,362	7,679,385
Obligations related to securities sold short	—	2,948,400	—	—	—	2,948,400
Obligations related to securities sold under repurchase agreements	—	2,115,817	—	—	—	2,115,817
Debt related to securitization activities	—	1,528,500	3,198,136	3,232,924	372,336	8,331,896
Subordinated debt	—	—	—	350,000	—	350,000
Derivatives [2]	—	24,681	30,501	11,997	6,967	74,146
	$ 7,021,918	$ 16,936,041	$ 12,296,753	$ 6,497,385	$ 503,281	$ 43,255,378

As at October 31, 2017

In thousands of Canadian dollars (Unaudited)	Demand and notice	Term: Under 1 year	Term: 1 to 3 years	Term: 3 to 5 years	Term: Over 5 years	Total
Deposits						
Personal	$ 5,026,606	$ 7,654,161	$ 6,626,628	$ 1,802,599	$ 88,988	$ 21,198,982
Business, banks and other	2,199,952	3,288,287	1,579,623	660,771	2,745	7,731,378
Obligations related to securities sold short	—	2,165,097	—	—	—	2,165,097
Obligations related to securities sold under repurchase agreements	—	2,678,629	—	—	—	2,678,629
Debt related to securitization activities	—	1,519,688	3,436,269	2,780,775	436,394	8,173,126
Subordinated debt	—	—	—	350,000	—	350,000
Derivatives [2]	—	16,889	18,430	8,292	5,913	49,524
	$ 7,226,558	$ 17,322,751	$ 11,660,950	$ 5,602,437	$ 534,040	$ 42,346,736

(1) Excluding the impact of premium and discounts and basis adjustments.
(2) The obligations related to derivatives represent solely the theoretical payments related to derivatives designated as cash flow hedges and used for interest rate risk management whose net fair values were negative as at January 31, 2018 and October 31, 2017.

Credit ratings

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

On December 20, 2017, Standard and Poor's (S&P) placed our BBB long-term and A-2 short-term issuer credit ratings, as well as our issue-level ratings on CreditWatch[1] with negative implications.

Management strives to optimize its business mix and its capital structure in order to produce an acceptable return for shareholders while endeavoring to maintain solid credit ratings. The revision of trends has had no significant impact on our funding costs and has had no effect on requirements with regard to guarantees and collateral.

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

MARKET RISK

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

The purpose of ALM activities is to control structural interest rate risk, which corresponds to the potential negative impact of interest rate movements on our net interest income and economic value of its capital. Dynamic management of structural risk is intended to maximize our profitability while preserving the economic value of common shareholders' equity. As at January 31, 2018, the effect on the economic value of common shareholders' equity and on net interest income before taxes of a sudden and sustained 1% increase in interest rates was as follows.

STRUCTURAL INTEREST RATE SENSITIVITY ANALYSIS

In thousands of Canadian dollars (Unaudited)	As at January 31 2018	As at October 31 2017
Effect of a 1% increase in interest rates		
Increase in net interest income before taxes over the next 12 months	**$ 13,721**	$ 21,149
(Decrease) in the economic value of common shareholders' equity (net of income taxes)	**$ (36,211)**	$ (49,266)

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

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

RISK RELATED TO LABOUR RELATIONS

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

ADDITIONAL FINANCIAL INFORMATION - QUARTERLY RESULTS

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	January 31 2018	October 31 2017	July 31 2017	April 30 2017	January 31 2017	October 31 2016	July 31 2016	April 30 2016
Net interest income	**$ 178,635**	$ 176,220	$ 157,707	$ 150,476	$ 153,687	$ 148,727	$ 147,991	$ 143,428
Other income	**88,367**	91,748	90,295	88,331	87,946	87,642	81,086	83,375
Total revenue	**267,002**	267,968	248,002	238,807	241,633	236,369	229,077	226,803
Amortization of net premium on purchased financial instruments	**653**	707	766	878	1,032	1,181	1,267	1,337
Provision for credit losses	**12,000**	11,500	6,400	10,100	9,000	10,300	8,200	5,750
Non-interest expenses	**177,545**	184,365	168,364	168,934	167,696	201,998	160,474	160,066
Income before income taxes	**76,804**	71,396	72,472	58,895	63,905	22,890	59,136	59,650
Income taxes	**17,057**	12,761	17,674	14,323	15,449	4,507	13,999	13,936
Net income	**$ 59,747**	$ 58,635	$ 54,798	$ 44,572	$ 48,456	$ 18,383	$ 45,137	$ 45,714
Earnings per share								
Basic	**$ 1.41**	$ 1.42	$ 1.48	$ 1.19	$ 1.30	$ 0.45	$ 1.34	$ 1.43
Diluted	**$ 1.41**	$ 1.42	$ 1.48	$ 1.19	$ 1.30	$ 0.45	$ 1.34	$ 1.43

CORPORATE GOVERNANCE AND CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

In November 2017, we initiated the first phase of the core banking system implementation by migrating B2B Bank's investment loan portfolio onto the new platform. The evaluation of the ensuing changes to the internal control over financial reporting supported that the design is appropriate with respect to financial reporting.

With the exception of the above, during the first quarter ended January 31, 2018 there have been no other changes to internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

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

ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies and estimates are outlined in Notes 2 and 3 of the 2017 annual consolidated financial statements. The condensed interim consolidated financial statements (unaudited) for the first quarter of 2018 have been prepared in accordance with these accounting policies.

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

FUTURE CHANGES TO ACCOUNTING POLICIES

There are no significant updates to the future changes to accounting policies disclosed in Note 4 of the 2017 annual consolidated financial statements and in the section"Future Changes to Accounting Policies" on pages 68 to 70 of our 2017 Annual Report.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the period ended January 31, 2018

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CONSOLIDATED BALANCE SHEET

In thousands of Canadian dollars (Unaudited)	Notes	**As at January 31 2018**	As at October 31 2017	As at January 31 2017
ASSETS				
Cash and non-interest-bearing deposits with other banks		**$ 132,122**	$ 111,978	$ 126,559
Interest-bearing deposits with other banks		**186,376**	215,384	129,477
Securities	4			
Available-for-sale		**2,871,767**	3,032,159	2,628,315
Held-to-maturity		**451,209**	405,088	330,176
Held-for-trading		**2,067,134**	2,148,767	2,606,965
		5,390,110	5,586,014	5,565,456
Securities purchased under reverse repurchase agreements		**3,903,086**	3,107,841	2,846,065
Loans	5 and 6			
Personal		**5,854,733**	6,038,692	6,449,831
Residential mortgage		**18,569,531**	18,486,449	17,192,986
Commercial		**11,636,467**	11,464,007	9,558,813
Customers' liabilities under acceptances		**692,804**	707,009	537,033
		36,753,535	36,696,157	33,738,663
Allowances for loan losses		**(99,266)**	(99,186)	(106,247)
		36,654,269	36,596,971	33,632,416
Other				
Derivatives		**140,429**	104,426	167,481
Premises and equipment		**37,410**	35,214	31,304
Software and other intangible assets		**306,313**	293,422	154,828
Goodwill		**115,435**	118,100	55,812
Deferred tax assets		**38,219**	38,702	32,485
Other assets		**520,147**	474,606	373,073
		1,157,953	1,064,470	814,983
		$ 47,423,916	$ 46,682,658	$ 43,114,956
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
Personal		**$ 21,755,734**	$ 21,198,982	$ 20,523,425
Business, banks and other		**7,679,385**	7,731,378	6,175,420
		29,435,119	28,930,360	26,698,845
Other				
Obligations related to securities sold short		**2,948,400**	2,165,097	1,697,772
Obligations related to securities sold under repurchase agreements		**2,115,817**	2,678,629	3,696,779
Acceptances		**692,804**	707,009	537,033
Derivatives		**253,791**	217,785	133,997
Deferred tax liabilities		**20,111**	22,112	32,315
Other liabilities		**965,113**	1,051,908	831,843
		6,996,036	6,842,540	6,929,739
Debt related to securitization activities	6	**8,242,959**	8,230,921	7,278,714
Subordinated debt		**348,509**	348,427	199,864
Shareholders' equity				
Preferred shares	7	**244,038**	341,600	341,600
Common shares	7	**1,099,533**	953,536	702,262
Retained earnings		**1,069,398**	1,035,770	956,974
Accumulated other comprehensive income		**(11,676)**	(496)	6,958
		2,401,293	2,330,410	2,007,794
		$ 47,423,916	$ 46,682,658	$ 43,114,956

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

CONSOLIDATED STATEMENT OF INCOME

In thousands of Canadian dollars, except per share amounts (Unaudited)	Notes	For the three months ended January 31 2018	October 31 2017	January 31 2017
Interest income				
Loans		$ 340,629	$ 325,714	$ 280,674
Securities		13,621	11,591	10,215
Deposits with other banks		551	461	126
Other, including derivatives		5,706	7,617	12,393
		360,507	345,383	303,408
Interest expense				
Deposits		134,060	124,665	114,823
Debt related to securitization activities		40,526	36,780	32,457
Subordinated debt		3,835	5,256	1,619
Other		3,451	2,462	822
		181,872	169,163	149,721
Net interest income		178,635	176,220	153,687
Other income				
Fees and commissions on loans and deposits		38,077	39,640	37,370
Income from brokerage operations		18,586	18,726	19,685
Income from sales of mutual funds		12,229	12,242	10,904
Income from investment accounts		5,730	4,880	5,669
Insurance income, net		3,547	4,493	4,580
Income from treasury and financial market operations		5,622	2,607	5,127
Other		4,576	9,160	4,611
		88,367	91,748	87,946
Total revenue		267,002	267,968	241,633
Amortization of net premium on purchased financial instruments		653	707	1,032
Provision for credit losses	5	12,000	11,500	9,000
Non-interest expenses				
Salaries and employee benefits		93,662	94,203	89,586
Premises and technology		47,306	45,466	46,306
Other		35,060	36,161	27,223
Restructuring charges	12	918	5,673	945
Costs related to business combinations	13	599	2,862	3,636
		177,545	184,365	167,696
Income before income taxes		76,804	71,396	63,905
Income taxes		17,057	12,761	15,449
Net income		$ 59,747	$ 58,635	$ 48,456
Preferred share dividends, including applicable taxes		4,279	4,276	4,272
Net income available to common shareholders		$ 55,468	$ 54,359	$ 44,184
Average number of common shares outstanding (in thousands)				
Basic		39,459	38,228	33,876
Diluted		39,459	38,228	33,876
Earnings per share				
Basic		$ 1.41	$ 1.42	$ 1.30
Diluted		$ 1.41	$ 1.42	$ 1.30
Dividends declared per share				
Common share		$ 0.63	$ 0.62	$ 0.61
Preferred share - Series 11		$ 0.25	$ 0.25	$ 0.25
Preferred share - Series 13		$ 0.27	$ 0.27	$ 0.27
Preferred share - Series 15		$ 0.37	$ 0.37	$ 0.37

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of Canadian dollars (Unaudited)	For the three months ended January 31 2018	October 31 2017	January 31 2017
Net income	**$ 59,747**	$ 58,635	$ 48,456
Other comprehensive income, net of income taxes			
Items that may subsequently be reclassified to the statement of income			
Net change in available-for-sale securities			
Unrealized net gains (losses) on available-for-sale securities	**985**	4,679	2,333
Reclassification of net (gains) losses on available-for-sale securities to net income	**(1,902)**	(368)	(3,152)
	(917)	4,311	(819)
Net change in value of derivatives designated as cash flow hedges	**(2,986)**	10,565	(4,096)
Net foreign currency translation adjustments			
Net unrealized foreign currency translations gains (losses) on investments in foreign operations	**(14,936)**	5,257	—
Unrealized net gains (losses) on hedges of investments in foreign operations	**7,659**	(3,309)	—
	(7,277)	1,948	—
	(11,180)	16,824	(4,915)
Items that may not subsequently be reclassified to the statement of income			
Remeasurement gains (losses) on employee benefit plans	**5,146**	(6,134)	8,575
Comprehensive income	**$ 53,713**	$ 69,325	$ 52,116

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 January 31 2018	October 31 2017	January 31 2017
Income tax expense (recovery) on:			
Net change in available-for-sale securities			
Unrealized net gains (losses) on available-for-sale securities	**$ 414**	$ 1,743	$ 984
Reclassification of net (gains) losses on available-for-sale securities to net income	**(587)**	(471)	(1,155)
	(173)	1,272	(171)
Net change in value of derivatives designated as cash flow hedges	**(1,082)**	(345)	(1,477)
Net foreign currency translation adjustments			
Unrealized net gains (losses) on hedges of investments in foreign operations	**1,183**	(204)	—
Remeasurement gains (losses) on employee benefit plans	**1,873**	(2,278)	3,133
	$ 1,801	$ (1,555)	$ 1,485

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

				For the three months ended January 31, 2018				
				Accumulated other comprehensive income				
In thousands of Canadian dollars (Unaudited)	Preferred shares (Note 7)	Common shares (Note 7)	Retained earnings	Available-for-sale securities	Cash flow hedges	Translation of foreign operations	Total	Total shareholder's equity
Balance as at October 31, 2017	$ 341,600	$ 953,536	$ 1,035,770	$ 4,849	$ (7,293)	$ 1,948	$ (496)	$ 2,330,410
Net income			59,747					59,747
Other comprehensive income (net of income taxes)								
Unrealized net gains on available-for-sale securities				985			985	985
Reclassification of net (gains) on available-for-sale securities to net income				(1,902)			(1,902)	(1,902)
Net change in value of derivatives designated as cash flow hedges					(2,986)		(2,986)	(2,986)
Net unrealized foreign currency translation gains (losses) on investments in foreign operations						(14,936)	(14,936)	(14,936)
Unrealized net gains (losses) on hedges of investments in foreign operations						7,659	7,659	7,659
Remeasurement of gains on employee benefit plans			5,146					5,146
Comprehensive income			64,893	(917)	(2,986)	(7,277)	(11,180)	53,713
Issuance of share capital		145,997						145,997
Repurchase of share capital	(97,562)		(2,438)					(100,000)
Dividends								
Preferred shares, including applicable taxes			(4,279)					(4,279)
Common shares			(24,548)					(24,548)
Balance as at January 31, 2018	$ 244,038	$ 1,099,533	$ 1,069,398	$ 3,932	$ (10,279)	$ (5,329)	$ (11,676)	$ 2,401,293
Balance as at October 31, 2016	$ 341,600	$ 696,493	$ 924,861	$ 203	$ 11,670	$ —	$ 11,873	$ 1,974,827
Net income			48,456					48,456
Other comprehensive income (net of income taxes)								
Unrealized net gains on available-for-sale securities				2,333			2,333	2,333
Reclassification of net losses on available-for-sale securities to net income				(3,152)			(3,152)	(3,152)
Net change in value of derivatives designated as cash flow hedges					(4,096)		(4,096)	(4,096)
Remeasurement of gain on employee benefit plans			8,575					8,575
Comprehensive income			57,031	(819)	(4,096)	—	(4,915)	52,116
Issuance of share capital	—	5,769						5,769
Dividends								
Preferred shares, including applicable taxes			(4,272)					(4,272)
Common shares			(20,646)					(20,646)
Balance as at January 31, 2017	$ 341,600	$ 702,262	$ 956,974	$ (616)	$ 7,574	$ —	$ 6,958	$ 2,007,794

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the three months ended		
In thousands of Canadian dollars (Unaudited)	**January 31 2018**	October 31 2017	January 31 2017
Cash flows relating to operating activities			
Net income	**$ 59,747**	$ 58,635	$ 48,456
Adjustments to determine net cash flows relating to operating activities:			
Provision for credit losses	**12,000**	11,500	9,000
Net (gains) losses on disposal of available-for-sale securities	**(2,490)**	(839)	(4,306)
Deferred income taxes	**(1,046)**	(11,027)	1,939
Depreciation of premises and equipment	**1,668**	2,601	2,090
Amortization of software and other intangible assets	**8,385**	9,668	6,257
Change in operating assets and liabilities:			
Loans	**(68,372)**	(906,772)	(366,909)
Change in acceptances	**(14,205)**	12,811	(92,792)
Securities at fair value through profit and loss	**81,633**	1,940	(172,458)
Securities purchased under reverse repurchase agreements	**(795,245)**	184,030	33,921
Accrued interest receivable	**4,876**	(17,357)	197
Derivative assets	**(36,003)**	48,944	65,310
Deposits	**504,759**	698,231	(874,500)
Obligations related to securities sold short	**783,303**	623,692	(9,521)
Obligations related to securities sold under repurchase agreements	**(562,812)**	(539,109)	1,171,338
Accrued interest payable	**(9,344)**	35,583	(18,228)
Derivative liabilities	**36,006**	5,945	(16,502)
Change in debt related to securitization activities	**12,038**	366,937	34,260
Other, net	**(128,433)**	59,967	13,482
	(113,535)	645,380	(168,966)
Cash flows relating to financing activities			
Net proceeds from issuance of subordinated debt	**—**	(565)	—
Repurchase of subordinated debt	**—**	(200,000)	—
Repurchase of preferred shares	**(100,000)**	—	—
Net proceeds from issuance of common shares	**139,223**	230,465	2
Dividends	**(21,115)**	(18,995)	(19,648)
	18,108	10,905	(19,646)
Cash flows relating to investing activities			
Change in available-for-sale securities			
Acquisitions	**(1,279,114)**	(963,502)	(708,147)
Proceeds on sale and at maturity	**1,440,610**	1,597,121	804,437
Change in held-to-maturity securities			
Acquisitions	**(230,883)**	(351,697)	(207,634)
Proceeds at maturity	**184,763**	106,433	379,893
Proceeds on sale of commercial loans	**—**	153,594	—
Additions to premises and equipment and intangible assets	**(28,813)**	(42,883)	(11,000)
Cash paid for business combinations	**—**	(1,173,421)	—
Change in interest-bearing deposits with other banks	**29,008**	(10,080)	(66,094)
	115,571	(684,435)	191,455
Net change in cash and non-interest-bearing deposits with other banks	**20,144**	(28,150)	2,843
Cash and non-interest-bearing deposits with other banks at beginning of period	**111,978**	140,128	123,716
Cash and non-interest-bearing deposits with other banks at end of period	**$ 132,122**	$ 111,978	$ 126,559
Supplemental disclosure about cash flows relating to operating activities:			
Interest paid during the period	**$ 189,918**	$ 128,468	$ 172,177
Interest received during the period	**$ 368,678**	$ 325,488	$ 304,724
Dividends received during the period	**$ 2,446**	$ 2,612	$ 2,050
Income taxes paid during the period	**$ 34,291**	$ 16,261	$ 28,891

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

1. GENERAL INFORMATION

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

The condensed interim consolidated financial statements (unaudited) for the period ended January 31, 2018 were approved for issuance by the Board of Directors on February 27, 2018.

2. BASIS OF PRESENTATION

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

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

Use of estimates and judgment

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

Current presentation changes

Commercial loans

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

3. FUTURE ACCOUNTING CHANGES

There are no significant updates to the future accounting changes disclosed in Note 4 of the audited annual consolidated financial statements.

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		
	January 31 2018	October 31 2017	January 31 2017
Realized net gains (losses)	**$ 2,490**	$ 839	$ 4,306

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

				As at January 31, 2018
	Amortized cost	**Unrealized gains**	**Unrealized losses**	**Fair value**
Securities issued or guaranteed				
by Canada [1]	**$ 1,019,627**	**$ 3**	**$ 479**	**$ 1,019,151**
by provinces	**1,381,856**	**3,224**	**571**	**1,384,509**
by municipalities	**203,292**	**—**	**2,085**	**201,207**
Other debt securities	**68,720**	**369**	**980**	**68,109**
Asset-backed securities	**3,069**	**1**	**—**	**3,070**
Preferred shares	**154,553**	**6,849**	**290**	**161,112**
Common shares and other securities	**34,505**	**646**	**542**	**34,609**
	$ 2,865,622	**$ 11,092**	**$ 4,947**	**$ 2,871,767**

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

				As at January 31, 2017
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Securities issued or guaranteed				
by Canada [1]	$ 1,197,577	$ 428	$ 542	$ 1,197,463
by provinces	1,030,838	1,720	637	1,031,921
by municipalities	152,261	66	839	151,488
Other debt securities	112,589	2,317	444	114,462
Asset-backed securities	7,168	64	—	7,232
Preferred shares	110,755	2,668	4,163	109,260
Common shares and other securities	16,359	302	172	16,489
	$ 2,627,547	$ 7,565	$ 6,797	$ 2,628,315

(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 three months ended January 31, 2018

	Balance at beginning of period	Provision for credit losses	Write-offs	Recoveries and other [1]	Interest accrued on impaired loans	Balance at end of period
Personal	$ 30,600	$ 6,970	$ (9,492)	$ 1,842	$ (208)	$ 29,712
Residential mortgage	10,818	1,584	(135)	(147)	(381)	11,739
Commercial [2]	63,474	3,446	(2,988)	48	(337)	63,643
Total allowances for credit losses	$ 104,892	$ 12,000	$ (12,615)	$ 1,743	$ (926)	$ 105,094
Individual allowances	$ 24,801	$ 7	$ (2,978)	$ 90	$ (88)	$ 21,832
Collective allowances against impaired loans	17,828	9,199	(9,637)	1,653	(838)	18,205
Collective allowances against other loans	56,557	2,672	—	—	—	59,229
Total allowances for loan losses	99,186	11,878	(12,615)	1,743	(926)	99,266
Allowances for off-balance sheet exposures [3]	5,706	122	—	—	—	5,828
Total allowances for credit losses	$ 104,892	$ 12,000	$ (12,615)	$ 1,743	$ (926)	$ 105,094

For the three months ended January 31, 2017

	Balance at beginning of period	Provision for credit losses	Write-offs	Recoveries and other	Interest accrued on impaired loans	Balance at end of period
Personal	$ 36,452	$ 8,574	$ (8,366)	$ 1,623	$ (169)	$ 38,114
Residential mortgage	11,018	906	(413)	(38)	(329)	11,144
Commercial [2]	63,094	(480)	(1,018)	(7)	(294)	61,295
Total allowances for credit losses	$ 110,564	$ 9,000	$ (9,797)	$ 1,578	$ (792)	$ 110,553
Individual allowances	$ 19,208	$ 2,767	$ (938)	$ (7)	$ (92)	$ 20,938
Collective allowances against impaired loans	15,977	9,226	(8,859)	1,585	(700)	17,229
Collective allowances against other loans	69,824	(1,744)	—	—	—	68,080
Total allowances for loan losses	$ 105,009	$ 10,249	$ (9,797)	$ 1,578	$ (792)	$ 106,247
Allowances for off-balance sheet exposures [3]	5,555	(1,249)	—	—	—	4,306
Total allowances for credit losses	$ 110,564	$ 9,000	$ (9,797)	$ 1,578	$ (792)	$ 110,553

(1) Includes impact of foreign exchange movements.
(2) Including customers' liabilities under acceptances and finance lease receivables.
(3) The allowances for off-balance sheet exposures, such as letters of guarantee and certain undrawn amounts under approved credit facilities, are recognized in other liabilities.

Impaired loans

As at January 31, 2018

	Gross amount	Individual allowances	Collective allowances against impaired loans	Net amount
Personal	$ 22,809	$ —	$ 12,168	$ 10,641
Residential mortgage	33,405	—	3,123	30,282
Commercial [1]	97,590	21,832	2,914	72,844
	$ 153,804	$ 21,832	$ 18,205	$ 113,767

(1) Including customers' liabilities under acceptances and finance lease receivables.

5. LOANS (CONT'D)

As at October 31, 2017

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

As at January 31, 2017

		Gross amount		Individual allowances		Collective allowances against impaired loans		Net amount
Personal	$	19,430	$	—	$	11,834	$	7,596
Residential mortgage		29,948		—		3,396		26,552
Commercial [1]		84,005		20,938		1,999		61,068
	$	133,383	$	20,938	$	17,229	$	95,216

(1) Including customers' liabilities under acceptances and finance lease receivables.

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 January 31, 2018

		1 day-31 days		**32 days-90 days**		**Over 90 days**		**Total**
Personal	**$**	**82,262**	**$**	**24,225**	**$**	**8,740**	**$**	**115,227**
Residential mortgage		**250,666**		**45,317**		**17,633**		**313,616**
	$	**332,928**	**$**	**69,542**	**$**	**26,373**	**$**	**428,843**

As at October 31, 2017

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

As at January 31, 2017

		1 day-31 days		32 days-90 days		Over 90 days		Total
Personal	$	90,077	$	34,994	$	8,061	$	133,132
Residential mortgage		255,813		49,771		21,969		327,553
	$	345,890	$	84,765	$	30,030	$	460,685

Finance lease receivables

The Commercial line item includes net investment in leases of $1,007.8 million as at January 31, 2018 ($808.3 million as at October 31, 2017 and $795.4 million as at January 31, 2017).

6. SECURITIZATION AND STRUCTURED ENTITIES

6.1 TRANSFER OF FINANCIAL ASSETS

Financial assets not qualifying for derecognition and associated financial liabilities

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

	As at January 31 2018	As at October 31 2017	As at January 31 2017
Residential mortgage loans	**$ 6,994,072**	$ 7,063,929	$ 6,541,355
Replacement Assets			
Cash and deposits with other banks	**3,270**	10,069	2,760
Securities purchased under reverse repurchase agreements	**80,820**	1,118	45
Other securities	**451,209**	405,088	330,176
Debt related to securitization activities	**$ (7,590,703)**	$ (7,524,885)	$ (6,938,198)

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

	For the three months ended		
	January 31 2018	October 31 2017	January 31 2017
Carrying amounts of mortgages transferred during the period related to new financing	**$ 504,858**	$ 260,658	$ 635,390
Carrying amounts of mortgages transferred during the period as Replacement Assets	**$ 149,264**	$ 204,523	$ 155,560

Securitized Mortgage Review

Third Party Purchaser
In late September 2017, the Bank was advised by a third-party purchaser (the "TPP"), following an audit, that certain mortgages previously sold to this TPP did not meet documentation and eligibility criteria. As a result, based on a review of B2B Bank underwritten mortgages sold to the TPP, the Bank identified and repurchased $89 million of ineligible loans with documentation issues in the first quarter of 2018. Furthermore, the TPP has now completed a confirmatory audit of our review of these mortgages and no further repurchases are required. In addition, approximately $17 million out of a $40 million additional indemnity cash reserve that was deposited with the TPP in relation to the B2B Bank underwritten mortgages, will be released to the Bank. The remainder will be kept by the TPP as additional credit enhancement and will be remitted to the Bank over time as the B2B Bank underwritten mortgages amortize. The indemnity cash reserve is presented as part of other assets.

An additional review is ongoing for branch-underwritten mortgages sold to the TPP. To the extent that this review uncovers additional mortgages that do not conform with the requirements of the TPP facility, such mortgages will either be fixed by completing documentation or repurchased. This review is expected to be completed towards the end of the second quarter of 2018, at which time the TPP will perform a confirmatory audit of the Bank's review. A limited sample review of these mortgages was completed by the Bank to date.

By applying the percentage of ineligible loans with documentation issues identified in the limited sample review to the entire $1,157 million branch-underwritten mortgage portfolio sold to the TPP, the Bank estimated that a total of approximately $124 million of ineligible loans with documentation issues would be identified, although the definitive amount will only be determinable upon completion of the above mentioned review. A second cash reserve deposit in the amount of $61 million was deposited with the TPP in relation to the branch-underwritten mortgage portfolio and is presented as part of other assets. The release of this cash reserve deposit is subject to the repurchase by the Bank of all ineligible loans with documentation issues and the confirmatory audit by the TPP. As part of the review, the Bank also identified certain low loan-to-value (LTV) mortgages that were sold to the TPP and did not meet the eligibility criteria amounting to $91 million. These mortgages were also repurchased in the first quarter of 2018.

Canadian Mortgage and Housing Corporate (CMHC)
With respect to CMHC securitization programs, $88 million of inadvertently insured mortgage loans were identified. These mortgages were repurchased in the second quarter of 2018. After discussions with CMHC, the Bank is not required to make material repurchases of mortgages.

6. SECURITIZATION AND STRUCTURED ENTITIES (CONT'D)

6.2 STRUCTURED ENTITIES SECURITIZATON VEHICLES

Financial assets securitized through structured entities

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

	As at January 31 2018	As at October 31 2017	As at January 31 2017
Personal loans	**$ 914,186**	$ 949,104	$ —
Commercial loans [1]	**502,395**	562,421	374,617
Debt related to securitization activities involving structured entities	**$ (652,256)**	$ (706,036)	$ (340,516)

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

The following table summarizes the securitization activities carried out by the Bank's consolidated structured entities.

	For the three months ended		
	January 31 2018	October 31 2017	January 31 2017
Carrying amounts of personal loans transferred during the period related to new financing	**$ —**	$ —	$ —
Carrying amounts of finance lease receivables transferred during the period related to new financing	**$ —**	$ 320,204	$ —

7. SHARE CAPITAL

Preferred shares

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

	For the three months ended			
	January 31 2018		January 31 2017	
	Number of shares	**Amount**	Number of shares	Amount
Non-Cumulative Class A Preferred Shares				
Series 11				
Outstanding at beginning of period	**4,000,000**	**$ 97,562**	4,000,000	$ 97,562
Repurchase of shares	**(4,000,000)**	**(97,562)**	—	—
Outstanding at the end of period	**—**	**—**	4,000,000	97,562
Series 13				
Outstanding at beginning and end of period	**5,000,000**	**$ 122,071**	5,000,000	$ 122,071
Series 15				
Outstanding at beginning and end of period	**5,000,000**	**$ 121,967**	5,000,000	121,967
	10,000,000	**$ 244,038**	14,000,000	$ 341,600

There were no outstanding Non-Cumulative Class A Preferred Shares Series 14 and Series 16 as at January 31, 2018 and as at January 31, 2017.

Repurchase of preferred shares

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

7. SHARE CAPITAL (CONT'D)

Common shares

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

	For the three months ended					
			January 31 2018			January 31 2017
	Number of shares		**Amount**	Number of shares		Amount
Common shares						
Outstanding at beginning of period	**38,966,473**	**$**	**953,536**	33,842,170	$	696,493
Issuance under a common share offering	**2,624,300**		**143,812**	—		—
Issuance under the Shareholder Dividend Reinvestment and Share Purchase Plan	**129,914**		**6,793**	99,184		5,785
Net issuance costs	**n.a.**		**(4,608)**	n.a.		(16)
	41,720,687	**$**	**1,099,533**	33,941,354	$	702,262

Issuance under a public offering

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

Dividend reinvestment and share purchase plan

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

Dividends declared

On February 20, 2018, the Board of Directors declared the regular dividend on the various series of preferred shares to shareholders of record on March 7, 2018.

On February 27, 2018, the Board of Directors declared a quarterly dividend of $0.63 per common share, payable on May 1, 2018, to shareholders of record on April 2, 2018.

Capital management

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

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

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

7. SHARE CAPITAL (CONT'D)

The Bank has complied with regulatory capital requirements throughout the three-month period ended January 31, 2018. Regulatory capital on an "all-in basis" is detailed below.

		As at January 31 2018		As at October 31 2017
Common shares	**$**	**1,099,533**	$	953,536
Retained earnings		**1,069,398**		1,035,770
Accumulated other comprehensive income, excluding cash flow hedge reserve		**(1,397)**		6,797
Deductions from Common Equity Tier 1 capital [1]		**(397,074)**		(383,804)
Common Equity Tier 1 capital		**1,770,460**		1,612,299
Non-qualifying preferred shares [2]		**—**		97,562
Qualifying preferred shares		**244,038**		244,038
Additional Tier 1 capital		**244,038**		341,600
Tier 1 capital		**2,014,498**		1,953,899
Qualifying subordinated debt		**348,509**		348,427
Collective allowances		**65,057**		62,263
Deductions from Tier 2 capital [1]		**(7,303)**		—
Tier 2 capital		**406,263**		410,690
Total capital		**2,420,761**		2,364,589
Common Equity Tier 1 capital ratio		**8.6%**		7.9%
Tier 1 capital ratio		**9.7%**		9.6%
Total capital ratio		**11.7%**		11.6%

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

8. SHARE-BASED COMPENSATION

Performance-based share unit plans

Performance-based share units

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

Transformation performance-based share units

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

Restricted share unit plans

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

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

8. SHARE-BASED COMPENSATION (CONT'D)

Share-based compensation plans expense and related liability

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

	For the three months ended		
	January 31 2018	October 31 2017	January 31 2017
Expense arising from cash-settled share-based compensation transactions	**$ (3,714)**	$ 7,065	$ 9,990
Effect of hedges	**4,898**	(4,980)	(8,062)
	$ 1,184	$ 2,085	$ 1,928

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

The carrying amount of the liability relating to the cash-settled plans was $38.0 million as at January 31, 2018 ($49.4 million as at October 31, 2017 and $40.6 million as at January 31, 2017). The intrinsic value of the total liability related to fully vested rights and units was $25.4 million as at January 31, 2018 ($25.9 million as at October 31, 2017 and $25.0 million as at January 31, 2017).

9. POST-EMPLOYMENT BENEFITS

Expense for post-employment benefits

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

	For the three months ended		
	January 31 2018	October 31 2017	January 31 2017
Defined benefit pension plans	**$ 4,331**	$ 4,355	$ 4,798
Defined contribution pension plans	**1,925**	1,905	1,873
Other plans	**219**	187	219
	$ 6,475	$ 6,447	$ 6,890

10. FINANCIAL INSTRUMENTS – FAIR VALUE

Determining fair value

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

Financial instruments recorded at fair value in the financial statements are classified in Level 2 of the fair value hierarchy, except for securities of $329.0 million which are classified in Level 1 as at January 31, 2018. Financial instruments recorded at fair value classified in Level 3 are not significant. There were no significant transfers between Level 1 and Level 2 of the hierarchy in the period.

11. CONTINGENT LIABILITIES

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

12. RESTRUCTURING CHARGES

The following table details the restructuring charges line item.

	For the three months ended		
	January 31 2018	October 31 2017	January 31 2017
Severance charges	**$ —**	$ 3,228	$ —
Other restructuring charges	**918**	2,445	945
	$ 918	$ 5,673	$ 945

Restructuring charges

In September 2016, the Bank announced that it would merge a number of its branches over the following 18 months. This decision resulted from the strategic analysis initiated in 2015, as well as changes to the economic landscape. As part of the planned restructuring, provisions related to lease contracts of $11.9 million and severance charges of $4.4 million were initially recorded on the line item restructuring charges in 2016. In 2017, the Bank incurred additional charges $10.5 million including salaries, communication expenses and professional fees related to the optimization of the Bank's Retail Services activities and branch mergers. In addition, charges of $0.9 million were recorded for the first quarter of 2018 related to service costs to reorganize the branch network product offering in light of the transition to the advice-only model.

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

	For the three months ended	
	January 31 2018	January 31 2017
Balance at beginning of the period	**$ 9,411**	$ 16,231
Restructuring charges incurred during the period	**918**	945
Payments made during the period	**(2,414)**	(1,981)
Balance at end of the period	**$ 7,915**	$ 15,195

13. BUSINESS COMBINATIONS

Acquisition of Northpoint Commercial Finance

On May 18, 2017, the Bank entered into a definitive agreement under which it agreed to acquire 100% of the ownership interests in Northpoint Commercial Finance ("NCF"), a U.S. based non-bank inventory finance lender with a portfolio of US$819 million (C$1,039 million). The transaction closed on August 11, 2017. The purchase price of US$257 million (C$326 million) was based on the book value of the net assets of NCF as at the closing date. As part of the transaction, the Bank has also reimbursed previous credit facilities of NCF for US$668 million (C$848 million).The Bank acquired NCF to further develop its equipment financing business and diversify revenue streams.

The financial statements reflect the preliminary estimated fair value of the assets acquired and liabilities assumed on August 11, 2017, as disclosed in Note 31 of the 2017 audited annual consolidated financial statements. The allocation of the purchase price for NCF is subject to refinement as the Bank completes the valuation of the assets acquired and liabilities assumed.

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

Acquisition of CIT Canada

On October 1, 2016, the Bank acquired from CIT Group Inc. ("CIT") their Canadian equipment financing and corporate financing activities ("CIT Canada"). In relation to this transaction, the Bank incurred integration related technology costs, professional fees and salaries of $0.6 million in the first quarter of 2018, $1.1 million in the fourth quarter of 2017, and $3.6 million in the first quarter of 2017. These costs were recognized directly in net income, under Costs related to business combinations.

SHAREHOLDER INFORMATION

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

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

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Montréal, Québec H3A 3K3
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or 1 800 479-1244
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Change of address and inquiries
Shareholders should notify the transfer agent of any change of address. Inquiries or requests may be directed to the Corporate Secretary's Office by calling 514 284-4500 ext. 7521.

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

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.

Social media

STOCK SYMBOL AND DIVIDEND RECORD AND PAYMENT DATES

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

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

LAURENTIAN BANK
FINANCIAL GROUP