

## PROSPECTUS SUPPLEMENT

### *To a Short Form Base Shelf Prospectus dated December 20, 2016*

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered hereby are not for offer or sale in any jurisdiction where to do so would be a violation of securities or other laws.

This prospectus supplement, together with the short form base shelf prospectus dated December 20, 2016 to which it relates, as amended or supplemented, and each document incorporated by reference into this prospectus supplement or the accompanying short form base shelf prospectus dated December 20, 2016, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

The securities offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and, may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the U.S. Securities Act) absent registration or an applicable exemption from such registration requirements.

Information has been incorporated by reference in this prospectus supplement and the accompanying short form base shelf prospectus dated December 20, 2016 from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Laurentian Bank of Canada, 1981 McGill College Avenue, 20<sup>th</sup> Floor, Montréal, Québec, H3A 3K3 (Telephone: (514) 284-4500, ext. 3254), and are also available electronically at [www.sedar.com](http://www.sedar.com).

New Issue

June 15, 2017



**\$350,000,000**

### **4.25% Notes Due June 22, 2027 (Non-Viability Contingent Capital (NVCC)) (subordinated indebtedness)**

Laurentian Bank of Canada ("we", "us" or the "Bank") is hereby qualifying for distribution (the "Offering") the subordinated indebtedness evidenced by the 4.25% Notes due June 22, 2027 (Non-Viability Contingent Capital (NVCC)) (the "Notes") which will be dated June 22, 2017 (the "Issue Date") and will mature on June 22, 2027 (the "Maturity Date"). From and including the Issue Date to, but excluding, June 22, 2022 (the "Interest Reset Date"), interest will be payable at 4.25% per annum (the "Initial Interest Rate") semi-annually in arrears on the 22<sup>nd</sup> day of each of June and December with the first such payment on December 22, 2017. From and including the Interest Reset Date to, but excluding, the Maturity Date, if not redeemed by the Bank, interest on the Notes will be payable at the Three-month CDOR (as defined below) plus 2.73% (the "Floating Rate") quarterly in arrears on the 22<sup>nd</sup> day of each of March, June, September and December, with the first such payment on September 22, 2022. See "Description of the Notes".

The Bank may, at its option, with the prior approval of the Superintendent of Financial Institutions (Canada) (the "Superintendent"), redeem the Notes, in whole at any time, or in part from time to time, on not less than 30 days' and not more than 60 days' prior notice to the registered holders of the Notes, at any time on or after the Interest Reset Date at par, together with accrued and unpaid interest to, but excluding, the date fixed for redemption. See "Description of the Notes - Redemption".

|   | Price to the<br>Public | Dealers'<br>Fee | Net Proceeds<br>to the Bank <sup>(1)(2)</sup> |
|---|------------------------|-----------------|---|
| Per \$1,000 principal amount of Notes ..... | \$ 1,000               | \$ 3.50         | \$ 996.50                                     |
| Total .....                                 | \$ 350,000,000         | \$ 1,225,000    | \$ 348,775,000                                |

(1) Plus accrued interest, if any, from June 22, 2017 to the date of delivery.

(2) Before deducting the expenses of the Offering, which are estimated to be approximately \$500,000.

Laurentian Bank Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., TD Securities Inc., Desjardins Securities Inc., National Bank Financial Inc. and Scotia Capital Inc. (the “Dealers”), as agents, have agreed to use their reasonable best efforts to solicit offers to purchase the Notes offered by this prospectus supplement if, as and when issued by the Bank and accepted by the Dealers in accordance with the terms of the dealer agreement referred to under “Plan of Distribution”, subject to approval of certain legal matters on behalf of the Bank by Norton Rose Fulbright Canada LLP and on behalf of the Dealers by Fasken Martineau DuMoulin LLP, at a price of \$1,000 per \$1,000 principal amount of Notes, and will receive an aggregate fee of \$1,225,000, assuming the full amount of the Notes offered is sold. If the full amount of the Notes is not sold, the fee paid to the Dealers will be pro-rated accordingly. While the Dealers have agreed to use their reasonable best efforts to solicit offers to purchase Notes, they are not obliged to purchase any Notes which are not sold.

**It is not currently anticipated that the Notes will be listed on any stock exchange or quotation system and, consequently, there is no market through which the Notes may be sold and purchasers may not be able to resell the Notes purchased under this prospectus supplement. This may affect the pricing of the Notes in the secondary market, the transparency and availability of their trading prices, the liquidity of the Notes and the extent of issuer regulation. See “Risk Factors”.**

The Notes offered by this prospectus supplement will be direct unsecured obligations of the Bank, constituting subordinated indebtedness for the purposes of the *Bank Act* (Canada) (the “Bank Act”) ranking at least equally with all other subordinated indebtedness of the Bank from time to time issued and outstanding and will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* (Canada) or any other deposit insurance regime.

The estimated net proceeds from the Offering, after deducting the Dealers’ Fee (as defined below) and the expenses of the Offering payable by the Bank, will be approximately \$348,275,000. The Bank will add the net proceeds from this offering to its general funds and will use them for general banking purposes. See “Use of Proceeds”.

Subscriptions for Notes will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. One or more global certificates representing the Notes will be issued in registered form to CDS Clearing and Depository Services Inc. (“CDS”) or its nominee and held by, or on behalf of, CDS, as depository of the Notes certificates for the participants of CDS. Alternatively, the Notes will be issued and deposited in electronic form with CDS or its nominee pursuant to the book-based system administered by CDS. In either such case, a purchaser of Notes will receive only a client confirmation from the registered dealer from or through whom Notes are purchased and who is a CDS depository service participant. CDS will record the CDS participants who hold Notes on behalf of owners who have purchased them in accordance with the book-based system. No certificates will be issued to purchasers of Notes. Closing of the Offering (the “Offering Closing”) is expected to occur on June 22, 2017, or such later date as the Bank and the Dealers may agree, but in any event, no later than July 12, 2017. See “Description of the Notes” and “Plan of Distribution”.

Prospective investors should be aware that the purchase of Notes may have tax consequences. This prospectus supplement may not describe these tax consequences fully. Prospective investors should read the tax discussion in this prospectus supplement and consult with a tax advisor. See “Certain Canadian Federal Income Tax Considerations”.

The registered and head office of the Bank is located at 1981 McGill College Avenue, 20<sup>th</sup> floor, Montréal, Québec, Canada, H3A 3K3.

**Laurentian Bank Securities Inc., one of the Dealers, is a wholly-owned subsidiary of the Bank. As a result, the Bank is a related and connected issuer of Laurentian Bank Securities Inc. under applicable securities legislation. See “Plan of Distribution”.**

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## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

In this prospectus supplement and in any documents incorporated by reference herein, the Bank may from time to time make written or oral forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements include, but are not limited to, statements regarding the Bank's business plan and financial objectives. These forward-looking statements are used to assist readers in obtaining a better understanding of the Bank's financial position and the results of operations as at and for the periods ended on the dates presented and may not be appropriate for other purposes. Forward-looking statements typically use the conditional, as well as words such as prospect, believe, estimate, forecast, project, expect, anticipate, plan, may, should, could and would, or the negative of these terms, variations thereof or similar terminology. Some of the specific forward-looking statements in this prospectus supplement and in any documents incorporated by reference herein include, but are not limited to: the Offering, including the use of proceeds from the Offering, the expected date of the Offering Closing, rating of the Notes and the Bank's capitalization following the closing of the Offering, the Subscription Receipt Offering (as defined below), the Private Placement of Subscription Receipts (as defined below) and the closing of the Acquisition (as defined below); expectations regarding the Bank's business model, transformation plan and strategy, optimization of retail banking activities and development of core banking system.

By their very nature, forward-looking statements are based on assumptions and involve inherent risks and uncertainties, both general and specific in nature. It is therefore possible that the forecasts, projections and other forward-looking statements will not be achieved or will prove to be inaccurate. Although the Bank believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. Certain important assumptions by the Bank in making forward-looking statements include, but are not limited to: the satisfaction of all conditions to the completion of the acquisition of all of the issued and outstanding equity interests in the capital of NCF Holdings LLC within the anticipated timeframe; the Bank's ability to execute its transformation plan and strategy; the expectation of regulatory stability; no downturn in economic conditions; sufficient liquidity and capital resources; no material changes in competition, market conditions or in government monetary, fiscal and economic policies; and the maintenance of credit ratings.

The Bank cautions readers against placing undue reliance on forward-looking statements when making decisions, as the actual results could differ considerably from the opinions, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements due to various material factors. Among other things, these factors include: changes in capital market conditions, changes in government monetary, fiscal and economic policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, changes in competition, modifications to credit ratings, scarcity of human resources, as well as developments in the technological environment. Furthermore, these factors include the ability to execute the Bank's 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).

The Bank further cautions that the foregoing list of factors is not exhaustive. For more information on the risks, uncertainties and assumptions that would cause the Bank's actual results to differ from current expectations, please also refer to the "Risk Appetite and Risk Management Framework" on page 37 of the 2016 MD&A (as defined below), as well as to other public filings available at [www.sedar.com](http://www.sedar.com).

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

## GENERAL MATTERS

Prospective investors should rely only on the information contained in or incorporated by reference into this prospectus supplement. Neither the Bank nor any of the Dealers has authorized any person to provide information that differs from the information contained herein. If anyone provides prospective investors with additional or different or inconsistent information, including information or statements in media articles about the Bank, prospective investors should not rely on it. The information contained on the Bank's corporate website is not included or incorporated by reference in this prospectus supplement and prospective investors should not rely on such information when deciding whether or not to invest in the Notes.

The Notes being offered for sale under this prospectus supplement may only be sold in those jurisdictions in which offers and sales of such securities are permitted. This prospectus is not an offer to sell or a solicitation of an offer to buy the Notes in any jurisdiction where it is unlawful. The information contained in this prospectus supplement (including the documents incorporated by reference herein) is accurate only as of the date of this prospectus supplement (or the date of the document incorporated by reference herein, as applicable), regardless of the time of delivery of this prospectus supplement or of any sale of the Notes.

References to dollars, "\$" or "C\$" are to Canadian currency.

## DOCUMENTS INCORPORATED BY REFERENCE

This prospectus supplement is deemed to be incorporated by reference into the accompanying short form base shelf prospectus of the Bank dated December 20, 2016 (the "**Prospectus**"). Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full particulars.

The following documents that have been filed by the Bank with the various securities regulatory authorities in each of the provinces of Canada and with the Superintendent are specifically incorporated by reference in, and form an integral part of, this prospectus supplement and the Prospectus:

- (a) the Unaudited Condensed Interim Consolidated Financial Statements for the three-month period ended April 30, 2017, together with the Management's Discussion and Analysis thereon;
- (b) the Management Proxy Circular dated January 17, 2017 in connection with the annual meeting of shareholders of the Bank held on March 1, 2017;
- (c) the material change report dated May 18, 2017 relating to the acquisition by the Bank of all of the issued and outstanding equity interests in the capital of NCF Holdings LLC (the "**Acquisition**"), the bought deal offering of subscription receipts to finance a portion of the purchase price of the Acquisition (the "**Subscription Receipt Offering**") and the concurrent private placement subscription receipts to a wholly-owned subsidiary of *Caisse de dépôt et placement du Québec* (the "**Private Placement of Subscription Receipts**");
- (d) the template version (as defined in Regulation 41-101 – *General Prospectus Requirements*) of the indicative term sheet dated June 15, 2017 (the "**Indicative Term Sheet**") in connection with the Offering of the Notes; and
- (e) the template version of the final term sheet dated June 15, 2017 (the "**Final Term Sheet**", and together with the Indicative Term Sheet, the "**Marketing Materials**") in connection with the Offering of the Notes.

Any document of the types referred to in the preceding paragraphs and any financial statements, information circulars, material change reports (excluding confidential material change reports), business acquisition reports, or news releases issued by the Bank that specifically states that it is to be incorporated by reference into this prospectus supplement and any other disclosure documents required to be incorporated by reference herein under applicable Canadian

securities laws which are filed by the Bank with the securities regulatory authorities in any of the provinces of Canada subsequent to the date of this prospectus supplement and prior to the termination of the distribution under the Offering shall be deemed to be incorporated by reference into this prospectus supplement.

**Any statement contained in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this prospectus supplement, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.**

## **MARKETING MATERIAL**

Any “template version” of “marketing materials” (as such terms are defined in Regulation 41-101 – *General Prospectus Requirements*), including the Marketing Materials, will not form part of this prospectus supplement to the extent that the contents of the template version of marketing materials are modified or superseded by a statement contained in this prospectus supplement. Any template version of marketing materials filed on SEDAR after the date of this prospectus supplement and before the termination of the distribution under the Offering will be deemed to be incorporated into this prospectus supplement.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Norton Rose Fulbright Canada LLP and Fasken Martineau DuMoulin LLP, the Notes to be issued under this prospectus supplement, if issued on the date hereof, would be, on such date, qualified investments under the Tax Act (Canada) and the regulations thereunder (the “**Tax Act**”) for trusts governed by registered retirement savings plans (“**RRSPs**”), registered retirement income funds (“**RRIFs**”), deferred profit sharing plans (other than a deferred profit sharing plan to which contributions are made by the Bank or by an employer with which the Bank does not deal at arm’s length within the meaning of the Tax Act) (“**DPSPs**”), tax-free savings accounts (“**TFSAs**”), registered education savings plans (“**RESPs**”) and registered disability savings plans (“**RDSPs**”).

The Notes will not be a “prohibited investment” for trusts governed by a TFSA, RRSP or RRIF on the date hereof unless the holder of such TFSA or the annuitant of such RRSP or RRIF, as applicable, (i) does not deal at arm’s length with the Bank for purposes of the Tax Act, or (ii) has a “significant interest” as defined in the Tax Act in the Bank. Pursuant to Proposals released on March 22, 2017, the rules in respect of “prohibited investments” are also proposed to apply to (i) RDSPs and the holders thereof and (ii) RESPs and the subscribers thereof. Annuitants of an RRSP or RRIF, holders of a TFSA or RDSP and subscribers of an RESP should consult their own tax advisors with respect to whether the Notes would be prohibited investments in their particular circumstances.

## LAURENTIAN BANK OF CANADA

Laurentian Bank of Canada is a pan-Canadian banking institution with balance sheet assets of \$45 billion and assets under administration of more than \$32 billion. Laurentian Bank of Canada, a chartered bank subject to the provisions of the Bank Act, was founded in Montréal in 1846 as a mutual savings company and became a share capital corporation under a charter issued on April 27, 1871 pursuant to an act of the Parliament of Canada concerning savings banks. The head office and executive offices of the Bank are at 1981 McGill College Avenue, 20<sup>th</sup> floor, Montréal, Québec, Canada, H3A 3K3. As of October 31, 2016, the Bank had nearly 3,600 employees on a full-time equivalent basis.

The Bank was known, before September 28, 1987, as the Montréal City and District Savings Bank. On that date, the Bank became a bank under Schedule II of the Bank Act pursuant to letters patent issued by the Minister of Finance (Canada). On January 1, 1994, Desjardins-Laurentian Financial Corporation became the majority shareholder of the Bank following its acquisition of the Bank's parent corporation, Laurentian Group Corporation. On November 12, 1997, the Bank continued as a bank named in Schedule I of the Bank Act following the secondary distribution by Desjardins-Laurentian Financial Corporation of its control block of approximately 57.5% of the common shares of the Bank ("**Common Shares**").

The Bank serves retail clients through its branch network in Québec, and serves small and medium-sized businesses and real estate developers through specialized teams across Canada, namely in Québec, Ontario, Alberta, British Columbia and Nova Scotia. Its wholly-owned subsidiary, B2B Bank, provides banking and investment products and services to independent financial advisors and brokers throughout the country. It also provides full-service brokerage solutions through Laurentian Bank Securities Inc., and, through its subsidiary LBC Capital, it provides equipment financing solutions for suppliers and businesses across the country. The list of the principal subsidiaries of the Bank is contained in the Bank's Annual Report for the year ended October 31, 2016 and in the Bank's Annual Information Form dated December 6, 2016.

## DESCRIPTION OF THE NOTES

The following summarizes material attributes and characteristics of the Notes, but does not describe every aspect of the Notes or the Indenture (as defined below). This summary is subject to and qualified in its entirety by reference to all the provisions of the Notes and the Indenture, including the definitions of certain terms that are not defined in this prospectus supplement. Purchasers must look to the Indenture for a complete description of what is summarized below. A copy of the Indenture will be made available on SEDAR at [www.sedar.com](http://www.sedar.com) following the Offering Closing.

### General

The Notes offered hereby will be issued under and pursuant to the provisions of an indenture (the "**Indenture**") dated as of September 13, 2010 between the Bank and Computershare Trust Company of Canada, as trustee (the "**Trustee**"). The Indenture is subject to the provisions of the Bank Act and governed by the laws of the Province of Québec and the federal laws of Canada applicable therein. The Indenture does not limit the aggregate principal amount of subordinated debt which may be issued thereunder. Subject to regulatory capital requirements applicable to the Bank, there is no limit on the amount of subordinated indebtedness that the Bank may issue. The Notes will be dated June 22, 2017 and will mature on June 22, 2027. The Notes will be issued in minimum denominations of \$1,000 (each a "**Note**") and authorized multiples thereof. The principal and interest on the Notes will be paid in lawful money of Canada in the manner and on terms set out in the Indenture.

### Depository Services

Except in limited circumstances, the Notes will be issued in "book-entry only" form and must be purchased, transferred, redeemed or exchanged through participants in the depository services of CDS. See "Book-entry Only Securities" in the Prospectus.

## Status and Subordination

The Notes will be direct, unsecured subordinated indebtedness of the Bank, constituting subordinated indebtedness for the purposes of the Bank Act, ranking equally and rateably with all other subordinated indebtedness of the Bank from time to time issued and outstanding, and will be subordinate in right of payment to the prior payment in full of the deposit liabilities of the Bank except those which by their terms rank equally in right of payment with, or are subordinate to, such subordinated indebtedness. If a NVCC Automatic Conversion (as defined below) occurs, the rights, terms and conditions of the Notes, including with respect to priority and subordination, will no longer be relevant as all the Notes will have been converted into Common Shares which will rank on parity with all other outstanding Common Shares.

Notwithstanding any provision of the Indenture, the Bank may not, without the prior approval of the Superintendent, amend or vary terms of the Notes that would affect the recognition of the Notes as regulatory capital under capital adequacy requirements adopted by the Superintendent.

**The Notes will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* or any other deposit insurance regime.**

## Interest

From and including the Issue Date to, but excluding, the Interest Reset Date, interest will be payable at the Initial Interest Rate, semi-annually in arrears on the 22<sup>nd</sup> day of each of June and December with the first such payment on December 22, 2017. From and including the Interest Reset Date to, but excluding, the Maturity Date, interest will be payable at the Floating Rate, quarterly in arrears on the 22<sup>nd</sup> day of each of March, June, September and December, with the first such payment on September 22, 2022. If a day that would otherwise have been a date on which interest would have been paid is not a Business Day, interest will be paid on the first following Business Day. For the purposes of the foregoing:

“**Business Day**” means a day on which commercial banks are open for business in Toronto and Montréal, and which is not a Saturday or a Sunday;

“**Three-month CDOR**” means, for any quarterly interest period following the Interest Reset Date, the average bid rate of interest (expressed as an annual percentage rate) rounded to the nearest one-hundred-thousandth of 1.00% (with .000005% being rounded up) for Canadian dollar bankers’ acceptances with maturities of three months which appears on the Reuters Screen CDOR Page (as herein defined) as of 10:00 a.m., Montréal time, on the first business day of such quarterly interest period. If such rate does not appear on the Reuters Screen CDOR Page on such day, the Three-month CDOR for such period shall be the average of the bid rates of interest (expressed and rounded as set forth above) for Canadian dollar bankers’ acceptances with maturities of three months for same-day settlement as quoted by such of the Schedule I banks (as defined in the Bank Act) as may quote such a rate as of 10:00 a.m., Montréal time, on the first business day of such quarterly interest period; and

“**Reuters Screen CDOR Page**” means the display designated as page “CDOR” on the Reuters Monitor Money Rates Service (or such other page as may replace the CDOR page on that service) for purposes of displaying Canadian dollar bankers’ acceptance rates.

## Redemption

The Bank may, at its option, with the prior approval of the Superintendent, redeem the Notes, in whole at any time or in part from time to time, on not less than 30 days’ and not more than 60 days’ prior notice to the registered holders of the Notes, at any time on or after the Interest Reset Date at par, together with accrued and unpaid interest to, but excluding the date fixed for redemption. See “Risk Factors”.

In cases of partial redemption, the Notes to be redeemed will be selected by the Trustee on a *pro rata* basis or in such other manner as it shall deem equitable. Any Notes offered hereby that are redeemed by the Bank will be cancelled and will not be reissued.

## Purchase for Cancellation

The Bank may, at its option and at any time, with the approval of the Superintendent where applicable, purchase the Notes, in whole or in part, in the market, by tender (available to all holders of the Notes) or by private contract at any price or prices and upon such terms and conditions as the Bank in its absolute discretion may determine, subject, however, to any applicable law restricting the purchase of Notes. All Notes that are purchased by the Bank will be cancelled and will not be reissued. Notwithstanding the foregoing, any subsidiary of the Bank may purchase Notes in the ordinary course of its business of dealing in securities.

## NVCC Automatic Conversion

Upon the occurrence of a Trigger Event (as defined below), each outstanding Note will be automatically and immediately converted, on a full and permanent basis, without the consent of the holders thereof, into a number of fully-paid and freely-tradable Common Shares equal to  $(\text{Multiplier} \times \text{Note Value}) \div \text{Conversion Price}$  (an “**NVCC Automatic Conversion**”). For the purposes of the foregoing:

“**Conversion Price**” means the greater of (i) the Floor Price, and (ii) the Current Market Price.

“**Current Market Price**” means the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange (the “**TSX**”), if such shares are then listed on the TSX, for the 10 consecutive trading days ending on the trading day preceding the date of the Trigger Event. If the Common Shares are not then listed on the TSX, for the purpose of the foregoing calculation reference shall be made to the principal securities exchange or market on which the Common Shares are then listed or quoted or, if no such trading prices are available, “Current Market Price” shall be the Floor Price.

“**Floor Price**” means \$5.00 subject to adjustment in the event of (i) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all holders of Common Shares as a stock dividend, (ii) the subdivision, redivision or change of the Common Shares into a greater number of Common Shares, or (iii) the reduction, combination or consolidation of the Common Shares into a lesser number of Common Shares. The adjustment shall be computed to the nearest one-tenth of one cent provided that no adjustment of the Floor Price shall be required unless such adjustment would require an increase or decrease of at least 1% of the Floor Price then in effect; provided, however, that in such case, any adjustment that would otherwise be required to be made will be carried forward and will be made at the time of and together with the next subsequent adjustment which, together with any adjustments so carried forward, will amount to at least 1% of the Floor Price.

“**Multiplier**” means 1.5.

“**Note Value**” means, in respect of each Note, \$1,000 plus accrued and unpaid interest on such Note to, but excluding, the date upon which the Trigger Event occurred.

“**Trigger Event**” has the meaning set out in the Office of the Superintendent of Financial Institution Canada (“**OSFI**”) Guideline for Capital Adequacy Requirements (CAR), Chapter 2 Definition of Capital, effective November, 2016, as such term may be amended or superseded by OSFI from time to time, which term currently provides that each of the following constitutes a Trigger Event:

- (a) The Superintendent publicly announces that the Bank has been advised, in writing, that the Superintendent is of the opinion that the Bank has ceased, or is about to cease, to be viable and that, after the conversion or write-off, as applicable, of the Notes and all other contingent instruments issued by the Bank and taking into account any other factors or circumstances that are considered relevant or appropriate, it is reasonably likely that the viability of the Bank will be restored or maintained; or
- (b) A federal or provincial government in Canada publicly announces that the Bank has accepted or agreed to accept a capital injection, or equivalent support, from the federal government or any

provincial government of political subdivision or agent or agency thereof without which the Bank would have been determined by the Superintendent to be non-viable.

Fractions of Common Shares will not be issued or delivered pursuant to a NVCC Automatic Conversion and no cash payment will be made in lieu of a fractional Common Share. Notwithstanding any other provision of the Notes, the conversion of the Notes in connection with the NVCC Automatic Conversion shall not be an event of default and the only consequence of a Trigger Event under the provisions of the Notes will be the conversion of the Notes into Common Shares. Upon a NVCC Automatic Conversion, any accrued and unpaid interest, together with the principal amount of the Notes, will be deemed paid in full by the issuance of Common Shares upon such conversion and the holders of Notes shall have no further rights and the Bank shall have no further obligations under the Indenture. If tax is required to be withheld from such payment of interest in the form of Common Shares, the number of Common Shares received by a holder will reflect an amount net of any applicable withholding tax.

### **Common Share Corporate Event**

In the event of a capital reorganization, consolidation, merger or amalgamation of the Bank or comparable transaction affecting the Common Shares, the Bank will take necessary action to ensure that holders of the Notes receive, pursuant to an NVCC Automatic Conversion, the number of Common Shares or other securities that such holder would have received if the NVCC Automatic Conversion occurred immediately prior to the record date for such event.

### **Prohibited Owners**

Upon a NVCC Automatic Conversion, the Bank reserves the right not to (a) deliver some or all of the Common Shares issuable thereupon to any person whom the Bank or its transfer agent has reason to believe is an Ineligible Person or any person who, by virtue of a NVCC Automatic Conversion, would become a Significant Shareholder or (b) record in its securities register a transfer or issue of Common Shares to any person whom the Bank or its transfer agent has reason to believe is an Ineligible Government Holder based on a declaration submitted to the Bank or its transfer agent by or on behalf of such person. In such circumstances, the Bank will hold, as agent for such persons, the Common Shares that would have otherwise been delivered to such persons and will attempt to facilitate the sale of such Common Shares to parties other than the Bank and its affiliates on behalf of such persons through a registered dealer to be retained by the Bank on behalf of such persons. Those sales (if any) may be made at any time and at any price as the Bank (or its transfer agent as directed by the Bank), in its sole discretion, may determine. The Bank will not be subject to any liability for failure to sell such Common Shares on behalf of such persons or at any particular price on any particular day. The net proceeds received by the Bank from the sale of any such Common Shares will be divided among the applicable persons in proportion to the number of Common Shares that would otherwise have been delivered to them upon the NVCC Automatic Conversion after deducting the costs of sale and any applicable withholding taxes. For the purposes of the foregoing:

“**Ineligible Government Holder**” means any person who is the federal or a provincial government in Canada or agent or agency thereof, or the government of a foreign country or any political subdivision of a foreign country, or any agent or agency of a foreign government, in each case to the extent that the recording in the Bank’s securities register of a transfer or issue of any share of the Bank to such person would cause the Bank to contravene the Bank Act.

“**Ineligible Person**” means (i) any person whose address is in, or whom the Bank or its transfer agent has reason to believe is a resident of, any jurisdiction outside of Canada to the extent that the issuance of Common Shares by the Bank or delivery of Common Shares by its transfer agent to that person upon a NVCC Automatic Conversion would require the Bank to take any action to comply with securities, banking or analogous laws of that jurisdiction, or (ii) any person to the extent that the issuance of Common Shares by the Bank or delivery of Common Shares by its transfer agent to that person upon a NVCC Automatic Conversion would cause the Bank to be in violation of any law to which the Bank is subject.

“**Significant Shareholder**” means any person who beneficially owns directly, or indirectly through entities controlled by such person or persons associated with or acting jointly or in concert with such person, a percentage of the total number of outstanding shares of a class of the Bank that is in excess of that permitted by the Bank Act.

## Events of Default

The Indenture provides that an event of default in respect of a series of Notes will only occur: (i) if the Bank becomes insolvent or bankrupt or subject to the provisions of the *Winding-up and Restructuring Act* (Canada), or any act that may be substituted therefor, as from time to time amended, or (ii) if the Bank goes into liquidation, either voluntarily or under an order of a court of competent jurisdiction, passes a resolution for the winding-up, liquidation or dissolution of the Bank or otherwise acknowledges its insolvency. An NVCC Automatic Conversion upon the occurrence of a Trigger Event does not constitute an event of default.

If a Trigger Event occurs, the event of default provision described in the paragraph above will not be relevant to holders of the Notes since all Notes will have been converted into Common Shares which will rank on parity with all other Common Shares of the Bank.

If an event of default has occurred and is continuing and a Trigger Event has not occurred, the Trustee may, in its discretion and shall, upon the written request of holders of not less than 25% in principal amount of the Notes outstanding, declare the principal of and interest on all outstanding Notes to be immediately due and payable. There is no right of acceleration in the case of a default in the payment of interest or a default in the performance of any other covenant of the Bank in the Indenture, although a legal action could be brought to enforce such covenant. The *Winding-up and Restructuring Act* (Canada) provides that the Bank is deemed insolvent if, among other things, a creditor has served a written demand on the Bank to pay an amount due and the Bank has neglected to pay the sum for 90 days.

Upon an NVCC Automatic Conversion of the Notes into Common Shares, any accrued but unpaid interest will be added to the par value of the Notes and will be deemed paid in full by the issuance of Common Shares upon such conversion.

## Covenant

The Bank will, among other things: (i) duly and punctually pay or cause to be paid the principal of and interest accrued on the Notes, in accordance with the Indenture and the Notes; (ii) prior to each due date of the principal of or any premium or interest on the Notes, deposit with the paying agent a sum sufficient to pay such amount, such sum to be held in accordance with the Indenture, and (unless such paying agent is the Trustee) the Bank will promptly notify the Trustee of its action; (iii) deliver to the Trustee within 120 days after the end of each fiscal year of the Bank an officers' certificate, stating whether or not to the best knowledge of the signers thereof the Bank is in default in the performance and observance of any of the terms, provisions and conditions of the Indenture; and (iv) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

## Mergers and Similar Events

Under the Indenture, the Bank is generally permitted to consolidate or merge with another entity. The Bank is also permitted to sell or lease substantially all of its assets to another entity, or to buy or lease substantially all of the assets of another entity. However, the Bank may not take any of these actions unless all the following conditions are met:

- (a) in case the Bank shall consolidate or amalgamate with or merge into another person or convey, transfer or lease its properties and assets substantially as an entirety to any person, the person formed by, or resulting from, such consolidation or amalgamation or into which the Bank is merged or the person that acquires by conveyance or transfer, or which leases, the properties and assets of the Bank substantially as an entirety shall be a corporation, partnership or trust, shall be organized and validly existing and shall be legally responsible for the Notes, whether by agreement, operation of law or otherwise;
- (b) the consolidation, amalgamation, merger, conveyance, transfer or lease must not cause an Event of Default (as such term is defined in the Indenture) including any event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and
- (c) the Bank has delivered to the Trustee an officers' certificate and an opinion of counsel, each stating that such consolidation, amalgamation, merger, conveyance, transfer or lease, and, if a

supplemental indenture is required in connection with such transaction, such supplemental indenture comply with relevant the provisions of the Indenture and that all conditions precedent provided for therein relating to such transaction have been complied with.

If the conditions described above are satisfied with respect to the Notes, the Bank will not need to obtain the approval of the holders of the Notes in order to merge, amalgamate or consolidate or to sell its assets. Also, these conditions will apply only if the Bank wishes to merge, amalgamate or consolidate with another entity or sell substantially all of its assets to another entity. The Bank will not need to satisfy these conditions if the Bank enters into other types of transactions, including any transaction in which the Bank acquires the stock or assets of another entity, any transaction that involves a change of control, but in which the Bank does not merge or consolidate and any transaction in which the Bank sells less than substantially all of its assets. It is possible that this type of transaction may result in a reduction in the Bank's credit ratings, may negatively affect its operating results or may impair its financial condition. Holders of the Bank's Notes, however, will have no approval right with respect to any transaction of this type.

### **Modification of the Notes**

The Indenture and the rights of the holders of Notes may in certain circumstances be modified. For that purpose, among others, the Indenture contains provisions making extraordinary resolutions binding upon all holders of Notes. “**Extraordinary resolution**” is defined, in effect, as a resolution passed at a meeting of holders of the Notes by the favourable votes of the holders of not less than 66  $\frac{2}{3}$ % of the principal amount of Notes voted on the resolution at such meeting at which a quorum, as specified in the Indenture, is present or as one or more instruments in writing signed by the holders of not less than 66  $\frac{2}{3}$ % in principal amount of all the outstanding Notes. In certain cases, the modifications will require separate approval by the holders of the required percentage of Notes of the series affected thereby. In addition, modifications affecting the recognition of Notes as regulatory capital are subject to the prior approval of the Superintendent.

### **DESCRIPTION OF THE COMMON SHARES**

The authorized common share capital of the Bank consists of an unlimited number of Common Shares, without par value, of which 34,071,638 were issued and outstanding on June 14, 2017, the last trading day on the TSX prior to the date of filing of this prospectus supplement. The holders of Common Shares are entitled to one vote for each share held at all meetings of shareholders, except meetings at which only holders of preferred shares of one or more series are entitled to vote. The holders of Common Shares are entitled to receive dividends if, as and when declared by the Board of Directors, subject to the rights of holders of preferred shares. In the event of any liquidation, dissolution or winding-up of the Bank, subject to the rights of holders of preferred shares, the holders of Common Shares are entitled to participate rateably in any distribution of the remaining property of the Bank.

### **BANK ACT RESTRICTIONS AND APPROVALS**

Under the Bank Act, the Bank, with the prior consent of the Superintendent, may redeem or purchase any of its shares, unless there are reasonable grounds for believing that the Bank is, or the redemption or purchase would cause the Bank to be, in contravention of any regulation made under the Bank Act respecting the maintenance by banks of adequate capital and adequate and appropriate forms of liquidity, or any directive to the Bank issued by the Superintendent pursuant to subsection 485(3) of the Bank Act regarding its capital or its liquidity. No such directive to the Bank has been issued to date.

The Bank is also prohibited under the Bank Act from paying or declaring a dividend if there are reasonable grounds for believing that the Bank is, or the payment would cause the Bank to be, in contravention of any regulation made under the Bank Act respecting the maintenance by banks of adequate capital and adequate and appropriate forms of liquidity, or any directive to the Bank issued by the Superintendent pursuant to subsection 485(3) of the Bank Act regarding its capital or its liquidity. No such directive to the Bank has been issued to date.

## RESTRAINTS ON BANK SHARES UNDER THE BANK ACT

The Bank Act contains restrictions on the issue, transfer, acquisition and beneficial ownership of all shares of a chartered bank. By way of summary, no person, or persons acting jointly or in concert, shall be a major shareholder of a bank if such bank has equity of \$12 billion or more. While the equity of the Bank is less than \$12 billion and the Bank Act would otherwise permit a person to own up to 100% of any class of shares of the Bank, the Bank is deemed to be a bank to which the ownership restrictions for banks with equity of \$12 billion or more apply until the Minister of Finance (Canada) specifies, on application by the Bank, that these restrictions no longer apply to the Bank. A person is a major shareholder of a bank where: (i) the aggregate shares of any class of voting shares beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 20% of that class of voting shares; or (ii) the aggregate shares of any class of non-voting shares beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 30% of that class of non-voting shares.

No person shall have a significant interest in any class of shares of a bank, including the Bank, unless the person first receives the approval of the Minister of Finance (Canada). For purposes of the Bank Act, a person has a significant interest in a class of shares of a bank where the aggregate shares of the class beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person exceeds 10% of all of the outstanding shares of that class of shares of such bank.

The Bank Act also prohibits the registration of a transfer or issue of any shares of the Bank to Her Majesty in right of Canada or of a province or any agent or agency of Her Majesty in either of those rights, or to the government of a foreign country or any political subdivision, agent or agency of any of them except for certain cases that require the approval of the Minister of Finance (Canada).

## CREDIT RATINGS

The Notes will be rated “BBB (low)” by DBRS Limited (“**DBRS**”). “BBB” is the fourth highest of DBRS’s ten rating categories for long-term debt obligations. DBRS uses a “(high)” or “(low)” modifier to indicate relative strength within a rating category, with the absence of such a modifier indicating a rating in the middle of a category.

The Notes will be rated “BB+” by S&P Global Ratings (“**S&P**”). “BB” is the fifth highest of the ten rating categories used by S&P for long term debt obligations. A “+” or “-” modifier indicates relative strength within the rating category, with the absence of such a modifier indicating a rating in the middle of the category.

The credit ratings assigned to the Notes are not recommendations to purchase, hold or sell the Notes. The credit ratings do not address the market price or suitability of the Notes for a particular investor. The credit ratings assigned to the Notes may not reflect the potential impact of all risks on the value of the Notes. In addition, real or anticipated changes in the credit ratings assigned to the Notes will generally affect the market value of the Notes. There can be no assurance that these ratings will remain in effect for any given period of time or that the ratings will not be revised or withdrawn entirely in the future by DBRS or S&P if in their judgment circumstances so warrant. Prospective investors should consult the relevant rating organization with respect to the interpretation and implications of the foregoing credit ratings. Ratings may be revised or withdrawn at any time by the respective rating organizations.

The Bank has paid customary fees to DBRS and S&P in connection with obtaining ratings for certain of its securities, including the above-mentioned ratings. In addition, the Bank has made customary payments in respect of certain other services provided to the Bank by each of DBRS and S&P during the last two years.

### *Update on credit ratings*

S&P announced on May 12, 2017 that it affirmed its 'BBB/A-2' long- and short-term issuer credit ratings on the Bank. At the same time, S&P revised its outlook on the Bank to negative from stable. See “Risk Factors – Credit Ratings”.

## CONSOLIDATED CAPITALIZATION

The following table sets out the Bank's capitalization as at April 30, 2017 on an actual basis and on an adjusted basis to give effect to this Offering, the Subscription Receipt Offering, the Private Placement of Subscription Receipts and the Acquisition. See "Use of Proceeds". The following table should be read in conjunction with the Bank's unaudited interim consolidated financial statements as at and for the period ended April 30, 2017 and the Management's Discussion and Analysis thereon incorporated by reference herein.

|  | As at April 30, 2017 |   |  |
|--|----------------------|---|--|
|  | Actual               | As Adjusted to Give Effect to this Offering | As Adjusted to Give Effect to this Offering, the Subscription Receipt Offering, the Private Placement of Subscription Receipts and the closing of the Acquisition <sup>(1)</sup> |
| <i>(in thousands of Canadian dollars)</i>    |                      |   |  |
| <b>Subordinated Debt</b> .....               | \$ 199,911           | \$ 548,186                                  | \$ 548,186   |
| <b>Shareholders' Equity</b>                  |                      |   |  |
| Common Shares .....                          | 709,629              | 709,629                                     | 939,919  |
| Class A Preferred Shares .....               | 341,600              | 341,600                                     | 341,600  |
| Retained Earnings .....                      | 975,462              | 975,462                                     | 975,462  |
| Accumulated Other Comprehensive Income ..... | 9,725                | 9,725                                       | 9,725  |
| <b>Total Shareholders' Equity</b> .....      | <b>2,036,416</b>     | <b>2,036,416</b>                            | <b>2,266,706</b>   |
| <b>Total Capitalization</b> .....            | <b>\$ 2,236,327</b>  | <b>\$ 2,584,602</b>                         | <b>\$ 2,814,892</b>  |

- (1) This column assumes and gives effect to this Offering, the Subscription Receipt Offering and the Private Placement of Subscription Receipts and the respective uses of proceeds therefrom, and the completion of the Acquisition. Based on (i) the issuance of 4,171,000 subscription receipts pursuant to the Subscription Receipt Offering (including the exercise of the over-allotment option granted to the underwriters), (ii) the issuance of 483,560 subscription receipts pursuant to the Private Placement of Subscription Receipts, and (iii) the issuance of \$350,000,000 aggregate principal amount of Notes. Net proceeds to the Bank from the Subscription Receipt Offering and the Private Placement of Subscription Receipts will be approximately \$230.290 million after deducting the underwriters' fees in respect of the Subscription Receipt Offering of approximately \$8.626 million, the subscription fee in respect of the Private Placement of Subscription Receipts of approximately \$0.625 million and aggregate estimated expenses of the Subscription Receipt Offering and the Private Placement of Subscription Receipts of approximately \$1.100 million. Net proceeds to the Bank from this Offering will be approximately \$348.275 million after deducting the Dealers' Fees of approximately \$1.225 million and aggregate estimated expenses of the Offering of approximately \$0.500 million.

## PLAN OF DISTRIBUTION

Pursuant to a dealer agreement dated June 15, 2017 (the "Dealer Agreement") between the Bank and the Dealers, the Bank has agreed to sell and the Dealers have agreed to use their reasonable best efforts to solicit offers to purchase Notes on June 22, 2017 or such later date as may be agreed upon, but in any event, no later than July 12, 2017, subject to the terms and conditions stated therein, up to \$350,000,000 principal amount of Notes at a price of \$1,000 per \$1,000 principal amount of Notes for total consideration of up to \$350,000,000 plus accrued interest, if any, from June 22, 2017 to the date of delivery, payable to Bank against delivery of such Notes. The offering price of the Notes was established by negotiation between Bank and the Dealers. The Dealer Agreement provides that the Bank will pay to the Dealers a fee of \$3.50 per \$1,000 principal amount of Notes on account of services rendered, for an aggregate fee of \$1,225,000, assuming the full amount of the Notes offered is sold. If the full amount of Notes is not sold, the fee paid to the Dealers will be pro-rated accordingly.

The obligations of the Dealers under the Dealer Agreement may be terminated at their discretion upon the occurrence of certain stated events.

While the Dealers have agreed to use their best efforts to solicit offers to purchase the Notes offered hereby, they are not obligated to purchase any Notes which are not sold.

There is currently no market through which the Notes may be sold and investors may not be able to resell the Notes purchased under this prospectus supplement. The TSX has conditionally approved the listing of the Common Shares into which the Notes will be converted upon the occurrence of a NVCC Automatic Conversion, subject to the Bank fulfilling all of the listing requirements of the TSX on or before September 10, 2017.

Pursuant to the rules and policy statements of certain Canadian securities regulators, the Dealers may not, at any time during the period ending on the date the selling process for the Notes ends and all stabilization arrangements relating to the Notes are terminated, bid for or purchase securities of the Bank for their own account or for accounts over which they exercise control or direction. The foregoing restrictions are subject to certain exceptions including a bid for or purchase of securities of the Bank: (i) if the bid or purchase is made through the facilities of the TSX, in accordance with the Universal Market Integrity Rules of the Investment Industry Regulatory Organization of Canada; (ii) made for or on behalf of a client, other than certain prescribed clients, provided that the client's order was not solicited by the Dealers, or if the client's order was solicited, the solicitation occurred before the commencement of a prescribed restricted period; and (iii) to cover a short position entered into prior to the commencement of a prescribed restricted period. The Dealers may engage in market stabilization or market balancing activities on the TSX where the bid for or purchase of securities of the Bank is for the purpose of maintaining a fair and orderly market in such securities of the Bank, subject to price limitations applicable to such bids or purchases. Such transactions, if commenced, may be discontinued at any time.

The Offering is being made concurrently in all of the provinces of Canada.

Laurentian Bank Securities Inc., one of the Dealers, is a wholly-owned subsidiary of the Bank. By virtue of such ownership, the Bank is a related and connected issuer of Laurentian Bank Securities Inc. under applicable securities legislation. The decision to distribute the Notes and the determination of the terms of the distribution, including the price of the Notes, were made through negotiations between the Bank on the one hand and the Dealers on the other hand. CIBC World Markets Inc., a Dealer, in respect of which the Bank is not a related or connected issuer, has participated in the structuring and pricing of the offering and in the due diligence activities performed by the Dealers for the offering. Laurentian Bank Securities Inc. will not receive a benefit in connection with the offering, other than its share of the Dealers' fee payable by the Bank.

## PRIOR SALES

Other than as described below or in the documents incorporated by reference herein, during the 12-month period before the date of this prospectus supplement, the Bank has not issued any Common Shares or any securities that are convertible into or exercisable for Common Shares.

| <u>Date of Issue</u> | <u>Type of Securities</u> | <u>No. of Common Shares</u> | <u>Issue or Exercise Price per Security</u> | <u>Reason for Issue</u>  |
|----------------------|---------------------------|-----------------------------|---|--|
| June 30, 2016        | Common Shares             | 1,352                       | \$48.99                                     | Common Share issuance pursuant to the Bank's Dividend Reinvestment and Share Purchase Plan |
| July 20, 2016        | Subscriptions Receipts    | 3,247,600                   | \$47.85                                     | Prospectus Offering  |
| August 1, 2016       | Common Shares             | 101,808                     | \$47.60                                     | Common Share issuance pursuant to the Bank's Dividend Reinvestment and Share Purchase Plan |
| August 1, 2016       | Common Shares             | 206                         | \$48.57                                     | Common Share issuance pursuant to the Bank's Dividend Reinvestment and Share Purchase Plan |
| August 31, 2016      | Common Shares             | 135                         | \$49.02                                     | Common Share issuance pursuant to the Bank's Dividend Reinvestment and Share Purchase Plan |

| <u>Date of Issue</u> | <u>Type of Securities</u>   | <u>No. of Common Shares</u> | <u>Issue or Exercise Price per Security</u> | <u>Reason for Issue</u>  |
|----------------------|---|-----------------------------|---|--|
| September 30, 2016   | Common Shares   | 1,562                       | \$48.12                                     | Common Share issuance pursuant to the Bank's Dividend Reinvestment and Share Purchase Plan |
| September 30, 2016   | Common Shares   | 72                          | \$49.11                                     | Common Share issuance pursuant to the Bank's Dividend Reinvestment and Share Purchase Plan |
| October 3, 2016      | Common Shares underlying the Subscriptions Receipts issued on July 20, 2016 | 3,247,600                   | Nil   | Prospectus Offering  |
| November 1, 2016     | Common Shares   | 96,422                      | \$48.61                                     | Common Share issuance pursuant to the Bank's Dividend Reinvestment and Share Purchase Plan |
| November 1, 2016     | Common Shares   | 202                         | \$49.60                                     | Common Share issuance pursuant to the Bank's Dividend Reinvestment and Share Purchase Plan |
| November 30, 2016    | Common Shares   | 115                         | \$53.35                                     | Common Share issuance pursuant to the Bank's Dividend Reinvestment and Share Purchase Plan |
| December 30, 2016    | Common Shares   | 1,462                       | \$57.37                                     | Common Share issuance pursuant to the Bank's Dividend Reinvestment and Share Purchase Plan |
| December 30, 2016    | Common Shares   | 38                          | \$58.54                                     | Common Share issuance pursuant to the Bank's Dividend Reinvestment and Share Purchase Plan |
| February 1, 2017     | Common Shares   | 97,367                      | \$58.37                                     | Common Share issuance pursuant to the Bank's Dividend Reinvestment and Share Purchase Plan |
| February 1, 2017     | Common Shares   | 177                         | \$59.56                                     | Common Share issuance pursuant to the Bank's Dividend Reinvestment and Share Purchase Plan |
| February 28, 2017    | Common Shares   | 227                         | \$60.06                                     | Common Share issuance pursuant to the Bank's Dividend Reinvestment and Share Purchase Plan |
| March 31, 2017       | Common Shares   | 1,378                       | \$57.52                                     | Common Share issuance pursuant to the Bank's Dividend Reinvestment and Share Purchase Plan |
| March 31, 2017       | Common Shares   | 26                          | \$58.70                                     | Common Share issuance pursuant to the Bank's Dividend Reinvestment and Share Purchase Plan |
| May 1, 2017          | Common Shares   | 128,320                     | \$56.71                                     | Common Share issuance pursuant to the Bank's Dividend Reinvestment and Share Purchase Plan |
| May 26, 2017         | Subscriptions Receipts  | 4,171,000                   | \$51.70                                     | Prospectus Offering  |
| May 26, 2017         | Subscriptions Receipts  | 483,560                     | \$51.70                                     | Private Placement  |
| May 31, 2017         | Common Shares   | 156                         | \$52.65                                     | Common Share issuance pursuant to the Bank's Dividend Reinvestment and Share Purchase Plan |

## TRADING PRICE AND VOLUME

The outstanding Common Shares are listed on the TSX under the trading symbol “LB”. The following table sets forth the reported high and low trading prices in Canadian dollars and trading volumes of the Common Shares on the TSX for the periods indicated.

| Month                   | High (\$) | Low (\$) | Volume Traded |
|-------------------------|-----------|----------|---------------|
| May 2016 .....          | \$ 51.06  | \$ 48.33 | 1,424,068     |
| June 2016 .....         | \$ 52.86  | \$ 47.67 | 2,562,227     |
| July 2016 .....         | \$ 49.30  | \$ 47.91 | 2,862,823     |
| August 2016 .....       | \$ 49.60  | \$ 47.75 | 2,289,147     |
| September 2016 .....    | \$ 49.94  | \$ 48.06 | 2,760,304     |
| October 2016 .....      | \$ 50.18  | \$ 48.38 | 2,092,073     |
| November 2016 .....     | \$ 53.73  | \$ 49.05 | 2,231,360     |
| December 2016 .....     | \$ 59.21  | \$ 53.35 | 2,966,367     |
| January 2017 .....      | \$ 60.46  | \$ 57.62 | 2,062,420     |
| February 2017 .....     | \$ 61.67  | \$ 56.43 | 1,765,305     |
| March 2017 .....        | \$ 60.24  | \$ 56.66 | 2,166,065     |
| April 2017 .....        | \$ 60.49  | \$ 55.63 | 2,672,754     |
| May 2017 .....          | \$ 56.91  | \$ 51.57 | 5,328,081     |
| June 1 - 14, 2017 ..... | \$ 53.19  | \$ 51.61 | 1,657,064     |

On June 14, 2017, being the last trading day before the date of announcement of the Offering and the date of this prospectus supplement, the closing price per Common Share on the TSX was \$52.50.

## USE OF PROCEEDS

The estimated net proceeds from the Offering, after deducting the Dealers’ Fee and expenses of the Offering (estimated to collectively be approximately \$1,725,000), will be approximately \$348,275,000. The Dealers’ Fee and expenses of the Offering will be paid from the proceeds of the Offering.

The net proceeds to the Bank from the sale of the Notes, after deducting expenses of issue, will be added to the Bank’s general funds and will be utilized for general banking purposes.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Norton Rose Fulbright Canada LLP and Fasken Martineau DuMoulin LLP, the following summary describes the principal Canadian federal income tax considerations generally applicable to a purchaser of Notes who, for purposes of the Tax Act and at all relevant times, is or is deemed to be a resident of Canada, deals at arm’s length and is not affiliated with the Bank or the Dealers, holds Notes and will hold Common Shares acquired on an NVCC Automatic Conversion as capital property and is not exempt from tax under Part I of the Tax Act (a “**Holder**”). Generally, the Notes and the Common Shares will be capital property to a Holder provided the Holder does not acquire the Notes or the Common Shares in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain Holders whose Notes or Common Shares would not otherwise qualify as capital property may, in certain circumstances, be entitled to have them and all other “Canadian securities”, as defined in the Tax Act, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to a Holder (i) an interest in which is a “tax shelter investment”, (ii) who is a “financial institution” for purposes of the “mark-to-market” rules, (iii) who is a “specified financial institution”, (iv) who enters into a “derivative forward agreement” with respect to the Notes or the Common Shares, (v) who would receive dividends on the Common Shares under or as part of a “dividend rental arrangement” or (vi) who makes or has made a “functional currency” reporting election, each as defined in the Tax Act. Such purchasers should consult their own tax advisors.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the “**Regulations**”), and counsel’s understanding of the current administrative and assessing policies of the Canada Revenue Agency published in writing by it prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Tax Proposals**”) and assumes that all Tax Proposals will be enacted in the form proposed. However, no assurances can be given that the Tax Proposals will be enacted as proposed, or at all.

This summary does not otherwise take into account or anticipate any changes in law or administrative or assessing practice, whether by legislative, regulatory, administrative or judicial action, nor does it take into account any other federal, provincial, territorial or foreign tax considerations which may differ from those discussed herein.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular Holder. This summary is not exhaustive of all federal income tax considerations. Accordingly, prospective purchasers of Notes should consult their own tax advisors with respect to their particular circumstances.

## **Notes**

### *Taxation of Interest and Other Amounts*

A Holder of a Note that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year any interest or amount that is considered for the purposes of the Tax Act to be interest on the Note that accrues or is deemed to accrue to such Holder to the end of the year or became receivable or is received by the Holder before the end of the year, to the extent that such amount was not included in computing the Holder’s income for a preceding taxation year.

A Holder of a Note (other than a Holder referred to in the previous paragraph) will be required to include in computing the Holder’s income for a taxation year any amount received or receivable (depending upon the method regularly followed by the Holder in computing income) by the Holder as interest in the year on the Note, to the extent that such amount was not included in computing the Holder’s income for a preceding taxation year.

### *Dispositions*

On a disposition or deemed disposition of a Note (including a purchase or redemption by the Bank prior to maturity or a repayment by the Bank upon maturity) other than a disposition as the result of an NVCC Automatic Conversion, a Holder will generally be required to include in computing its income for the taxation year in which the disposition or deemed disposition occurs the amount of interest (including any amount considered to accrue as interest) that has accrued on the Note to the date of disposition to the extent that such amount has not otherwise been included in computing the Holder’s income for the year in which the disposition or deemed disposition occurred or a preceding taxation year. On a disposition of a Note as a result of an NVCC Automatic Conversion, a Holder will be required to include in computing its income for the taxation year in which the NVCC Automatic Conversion occurs the fair market value of any Common Shares issued in satisfaction of accrued and unpaid interest on the Note to the date of the NVCC Automatic Conversion, to the extent that such amount has not otherwise been included in computing the Holder’s income for that year or a preceding taxation year. A Holder that has previously included an amount in income in respect of such interest which exceeds the fair market value of the Common Shares issued in satisfaction thereof may be entitled to an offsetting deduction in the year of disposition in an amount equal to the amount of such excess.

Any premium paid by the Bank to a Holder on the purchase or redemption of a Note (other than in the open market in the manner any such obligation would normally be purchased in the open market by any member of the public) will generally be deemed to be interest received by the Holder at the time of payment to the extent that it can reasonably be considered to relate to, and does not exceed the value at that time of, the interest that would have been paid or payable by the Bank on the Note for a taxation year of the Bank ending after the time of payment. Such interest will be required to be included in computing the Holder’s income in the manner described above.

In general, on a disposition or deemed disposition of a Note, a Holder will realize a capital gain (or a capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any amount included in the Holder's income as interest and any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such Note to the Holder immediately before the disposition or deemed disposition. Where the Notes are converted into Common Shares as the result of an NVCC Automatic Conversion, the proceeds of disposition will be equal to the fair market value of the Common Shares received on the conversion (other than any Common Shares issued in satisfaction of accrued and unpaid interest on the Notes). The cost to a Holder of Common Shares acquired pursuant to an NVCC Automatic Conversion will generally equal the fair market value of such Common Shares on the date of acquisition. The cost of a Common Share received on a conversion will be averaged with the adjusted cost base to a Holder of all other Common Shares owned by the Holder as capital property at such time for the purposes of determining the adjusted cost base of each Common Share.

Generally, a Holder is required to include in computing its income for a taxation year one-half of the amount of any such capital gain (a "taxable capital gain"). Subject to and in accordance with the provisions of the Tax Act, a holder is required to deduct one-half of the amount of any such capital loss (an "allowable capital loss") realized in a taxation year from taxable capital gains realized by the Holder in the year and allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years.

Holders should consult their own tax advisors regarding the Canadian income tax consequences associated with a NVCC Automatic Conversion.

## **Common Shares**

### *Taxation of Dividends on Common Shares*

Dividends received (or deemed to be received) in a taxation year on Common Shares by a Holder that is an individual (other than certain trusts) will be required to be included in the individual's income for such taxation year and will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit rates applicable to any dividends designated by the Bank as eligible dividends in accordance with the provisions of the Tax Act.

Dividends on the Common Shares received (or deemed to be received) by a Holder that is a corporation in a taxation year will be included in computing its income for such taxation year and generally will be deductible in computing its taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Holder that is a corporation as proceeds of disposition or a capital gain. Holders of Common Shares that are corporations should consult their own tax advisors having regard to their own circumstances.

A Holder that is a "private corporation", as defined in the Tax Act, or any other corporation controlled, whether by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Common Shares to the extent such dividends are deductible in computing its taxable income for that taxation year.

### *Disposition of Common Shares*

In general, a disposition or deemed disposition of Common Shares by a Holder (other than a purchase for cancellation or other acquisition by the Bank unless purchased by the Bank in the open market in the manner in which shares are normally purchased by a member of the public in the open market), will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Common Shares to the Holder immediately before the disposition or deemed disposition. If the Holder is a corporation, any capital loss realized on a disposition or deemed disposition of Common Shares may in certain circumstances be reduced by the amount of any dividends which have been received (or deemed to be received) on such shares. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

If the Bank purchases for cancellation or acquires Common Shares held by a Holder, other than by a purchase in the manner in which shares are normally purchased by a member of the public in the open market, the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Bank, in excess of the paid-up capital of such shares at such time. The difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares as discussed in the immediately preceding paragraph. In the case of a Holder that is a corporation, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

#### *Taxation of Capital Gains and Capital Losses*

Generally, one half of the amount of any capital gain (a “taxable capital gain”) realized by a Holder in a taxation year must be included in the Holder’s income in that year, and, subject to and in accordance with the provisions of the Tax Act, one half of the amount of any capital loss (an “allowable capital loss”) realized by a Holder in a taxation year generally must be deducted from taxable capital gains realized by the Holder in that year. Allowable capital losses in excess of taxable capital gains in any particular year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act.

#### *Alternative Minimum Tax*

Taxable dividends received or deemed to be received and capital gains realized by an individual or a trust (other than certain specified trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

#### **Additional Refundable Tax**

A holder that is throughout the year a Canadian controlled private corporation (as defined in the Tax Act) may be liable to pay an additional refundable tax on certain investment income including amounts in respect of interest and taxable capital gains.

### **EARNINGS COVERAGE**

The following consolidated financial ratios for the Bank, which are calculated for the 12 months ended October 31, 2016 and April 30, 2017, respectively, are presented on an as adjusted basis which gives effect to this Offering.

|  | <u>12 Months Ended October 31, 2016</u>             | <u>12 Months Ended April 30, 2017</u>               |
|--|---|---|
|  | <u>Adjusted to Give<br/>Effect to this Offering</u> | <u>Adjusted to Give<br/>Effect to this Offering</u> |
| Interest coverage on subordinated indebtedness .....   | 9.4 times   | 9.8 times   |
| Interest and grossed up dividend coverage on subordinated<br>indebtedness and Preferred Shares ..... | 4.7 times   | 4.9 times   |

The Bank’s dividend requirements on all of its outstanding preferred shares and adjusted to a before-tax equivalent using an effective tax rate of 23.0% amounted to \$21.7 million for the 12 months ended October 31, 2016 and \$21.8 million for the 12 months ended April 30, 2017 and adjusted to a before-tax equivalent using an effective tax rate of 23.6%.

The Bank’s interest requirements for its outstanding long-term debt, after giving effect to the issue of Notes, amounted to \$21.7 million for the 12 months ended October 31, 2016 and amounted to \$21.7 million for the 12 months ended April 30, 2017.

The Bank's net income before interest and income tax amounted to \$203.8 million for the 12 months ended October 31, 2016 and to \$211.2 million for the 12 months ended April 30, 2017, which would be 4.7 times and 4.9 times the Bank's aggregate dividend and interest requirements for such respective periods after giving effect to the issuance of the Notes.

The amounts and ratios reported above are derived from the Bank's audited annual consolidated financial statements for the year ended October 31, 2016 and the condensed interim consolidated financial statements (unaudited) for the quarter ended April 30, 2017.

## **RISK FACTORS**

Investment in the Notes is subject to various risks including those risks inherent in conducting the business of a diversified financial institution. Before deciding whether to invest in the Notes, investors should consider carefully, in light of their own financial circumstances, the risk factors and all of the other information contained below and elsewhere in this prospectus supplement (including, without limitation, the documents incorporated by reference into the Prospectus, and specifically under the section entitled "Outlook" on pages 19 and 20 and "Risk Appetite and Risk Management Framework" on pages 37 to 53 of the Bank's Management's Discussion and Analysis as contained in the Bank's Annual Report for the year ended October 31, 2016 (the "2016 MD&A") and in Note 24 "Financial Instruments - Risk Management" on pages 108 and 109 of the Bank's Audited Consolidated Financial Statements as at and for the year ended October 31, 2016 which are incorporated by reference in the Prospectus) before purchasing any of the securities distributed under this prospectus supplement. Prospective investors should consider the categories of risks identified and discussed in the Management's Discussion and Analysis incorporated herein by reference including, but not limited, to credit and counterparty risk, market risk, liquidity and funding risk, operational risk, business risk, reputation risk and other factors that may affect the Bank's results. The risks described herein and in the documents incorporated by reference into this prospectus supplement are not the only risks facing the Bank. Additional risks and uncertainties not currently known to the Bank, or that the Bank currently deems immaterial, may also materially and adversely affect its business. We cannot assure you that any of the events discussed in the risk factors below will not occur. If any of such events does occur, you may lose all or part of your original investment in the securities distributed under this prospectus supplement.

### ***There is no prior public market for the Notes***

It is not currently anticipated that the Notes will be listed on any stock exchange or quotation system, consequently, there may be no market through which the Notes may be sold and purchasers may therefore be unable to resell such Notes. This may affect the pricing of the Notes in any secondary market, the transparency and availability of trading prices, the liquidity of the Notes and the extent of issuer regulation.

### ***Optional Redemption by the Bank; Reinvestment Risk***

An optional redemption feature of the Notes is likely to limit their market value. During any period when the Bank may elect to redeem Notes prior to the Maturity Date, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

If Notes are redeemable at the option of the Bank prior to the Maturity Date, the Bank may redeem all or some of the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, a holder of a Note generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential purchasers should consider reinvestment risk in light of other investments available at that time.

The redemption of the Notes is subject to the consent of the Superintendent and other restrictions, including certain restrictions contained in the Bank Act. See "Bank Act Restrictions and Approvals".

### ***Credit ratings***

There can be no assurance that the credit ratings assigned to the Bank will remain in effect for any given period of time or that the ratings will not be lowered, withdrawn or revised by credit rating agencies at any time. Real or anticipated changes in the credit ratings of the Bank may affect the market value of the Notes and Common Shares. In addition, real or anticipated changes in credit ratings can affect the cost at which the Bank can access the capital markets and the Bank's borrowing costs and ability to borrow. See "Credit Ratings".

The value of the Notes will be affected by the general creditworthiness of the Bank. The Bank's 2016 MD&A is incorporated by reference into this prospectus supplement. These analyses discuss, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the Bank's business, financial condition or results of operations. The market value of the Notes may be impacted by market perception of the Bank's creditworthiness. If market perception of the Bank's creditworthiness were to decline for any reason, the market value of the Notes may be adversely affected.

### ***Risks Relating to the Unsecured and Subordinated Nature of the Notes***

The Notes will not be secured by any of the assets of the Bank and will be unsecured and subordinated obligations of the Bank. The Notes will, in the event of the insolvency or winding-up of the Bank, and assuming no NVCC Automatic Conversion has occurred, be subordinated in right of payment to all deposit liabilities and all other liabilities of the Bank except those which by their terms rank equally with or are subordinate to such subordinated indebtedness and except as otherwise prescribed by law.

In the event of the insolvency or winding-up of the Bank, the Bank may not have enough assets remaining after payments to senior creditors to pay amounts due under the Notes.

### ***Interest Rates***

Prevailing interest rates will affect the market value of the Notes, which have a fixed interest rate until June 22, 2022. Assuming all other factors remain unchanged, the market value of the Notes would be expected to decline as prevailing interest rates for similar securities rise, and would be expected to increase as prevailing interest rates for similar securities decline.

### ***No Limit on the Bank's Ability to Incur Additional Debt***

Except to the extent regulatory capital requirements affect the Bank's decisions to issue subordinated or more senior debt, there is no limit on the Bank's ability to incur additional subordinated or more senior debt.

### ***Mergers and Similar Events***

The Bank will not need to obtain the approval of the holders of the Notes in order to merge, amalgamate or consolidate or to sell its assets. It is possible that this type of transaction may result in a reduction in the Bank's credit ratings, may negatively affect its operating results or may impair its financial condition and adversely affect the market value of the Notes. Holders of the Bank's Notes, however, will have no approval right with respect to any transaction of this type if certain conditions are met.

### ***Automatic conversion into Common Shares upon a Trigger Event***

Upon the occurrence of a Trigger Event and an NVCC Automatic Conversion, an investment in Notes will automatically and immediately become an investment in Common Shares without the consent of the holder. After an NVCC Automatic Conversion, a holder of Notes will only have rights as a holder of Common Shares. Given the nature of a Trigger Event, a holder of Notes will become a holder of Common Shares at a time when the Bank's financial condition has deteriorated. If the Bank were to become insolvent or wound-up after the occurrence of a Trigger Event, as a result of an NVCC Automatic Conversion, the holders of Common Shares may receive, if anything, substantially less than the holders of the Notes might have received had the Notes not been converted into Common Shares. An NVCC Automatic Conversion may also occur at a time when a federal or provincial

government or other government agency in Canada has provided, or will provide, a capital injection or equivalent support, the terms of which may rank in priority to the Common Shares with respect to the payment of dividends, rights on liquidation or other terms.

***A Trigger Event involves a subjective determination outside the Bank's control***

The decision as to whether a Trigger Event will occur is a subjective determination by the Superintendent that the Bank has ceased, or is about to cease, to be viable and that the conversion of all contingent instruments is reasonably likely, taking into account any other factors or circumstances that are considered relevant or appropriate by the Superintendent, to restore or maintain the viability of the Bank. Such determination may be beyond the control of the Bank. See the definition of Trigger Event under "Description of the Notes".

OSFI has stated that the Superintendent will consult with the Canada Deposit Insurance Corporation, the Bank of Canada, the Department of Finance and the Financial Consumer Agency of Canada prior to making a non-viability determination. The conversion of contingent instruments alone may not be sufficient to restore an institution to viability and other public sector interventions, including liquidity assistance, would likely be used along with the conversion of contingent instruments to maintain an institution as a going concern.

In assessing whether the Bank has ceased, or is about to cease, to be viable and that, after the conversion of all contingent instruments, it is reasonably likely that the viability of the Bank will be restored or maintained, OSFI has stated that the Superintendent will consider, in consultation with the authorities referred to above, all relevant facts and circumstances. Those facts and circumstances may include, in addition to other public sector interventions, a consideration of whether, among other things:

- the assets of the Bank are, in the opinion of the Superintendent, sufficient to provide adequate protection to the Bank's depositors and creditors;
- the Bank has lost the confidence of depositors or other creditors and the public (for example, ongoing increased difficulty in obtaining or rolling over short-term funding);
- the Bank's regulatory capital has, in the opinion of the Superintendent, reached a level, or is eroding in a manner, that may detrimentally affect its depositors and creditors;
- the Bank has failed to pay any liability that has become due and payable or, in the opinion of the Superintendent, the Bank will not be able to pay its liabilities as they become due and payable;
- the Bank failed to comply with an order of the Superintendent to increase its capital;
- in the opinion of the Superintendent, any other state of affairs exists in respect of the Bank that may be materially prejudicial to the interests of the Bank's depositors or creditors or the owners of any assets under the Bank's administration; and
- the Bank is unable to recapitalize on its own through the issuance of Common Shares or other forms of regulatory capital (for example, no suitable investor or group of investors exists that is willing or capable of investing in sufficient quantity and on terms that will restore the Bank's viability, nor is there any reasonable prospect of such an investor emerging in the near-term in the absence of conversion of contingent instruments).

If a Trigger Event occurs, then the interests of depositors, other creditors of the Bank, and holders of bank securities which are not contingent instruments will all rank in priority to the holders of contingent instruments, including the Notes. The Superintendent retains full discretion to choose not to trigger non-viable contingent capital notwithstanding a determination that the Bank has ceased, or is about to cease, to be viable. Under such circumstances, holders of Notes may be exposed to losses through the use of other resolution tools or in liquidation.

***Number and value of Common Shares to be received on an NVCC Automatic Conversion is variable***

The number of Common Shares to be received for each Notes is calculated by reference to the prevailing market price of Common Shares immediately prior to a Trigger Event, subject to the Floor Price. If there is an NVCC Automatic Conversion at a time when the Current Market Price of the Common Shares is below the Floor Price, investors will receive Common Shares with an aggregate market price less than the Note Value. Investors may also receive Common Shares with an aggregate market price less than the prevailing market price of the Notes being converted if such shares are trading at a price above the Note Value.

The Bank is expected to have outstanding from time to time other securities including, without limitation, other subordinated indebtedness and preferred shares, that will automatically convert into Common Shares upon a Trigger Event. Certain series of Notes may use a lower Floor Price or a higher multiplier than those applicable to another series of Notes to determine the maximum number of Common Shares to be issued to holders of such instruments upon an NVCC Automatic Conversion. Accordingly, holders of certain series of Notes will receive Common Shares pursuant to an NVCC Automatic Conversion at a time when other series of Notes may be converted into Common Shares at a conversion rate that is more favourable to the holders of such series of Notes than the rate applicable to the holders of the first series of Notes, thereby the value of the Common Shares received by holders of Notes following an NVCC Automatic Conversion could be further diluted.

***Common Shares received on an NVCC Automatic Conversion may be subject to further dilution***

In the circumstances surrounding a Trigger Event, the Superintendent or other governmental authorities or agencies may also require other steps to be taken to restore or maintain the viability of the Bank, such as the injection of new capital and the issuance of additional Common Shares or other securities. Accordingly, holders of Notes would receive Common Shares pursuant to an NVCC Automatic Conversion at a time when debt obligations of the Bank may be converted into Common Shares, possibly at a conversion rate that is more favourable to the holder of such obligations than the rate applicable to the Notes, and additional Common Shares or securities ranking in priority to the Common Shares may be issued, thereby causing substantial dilution to holders of Common Shares and the holders of Notes, who will become holders of Common Shares upon the Trigger Event.

***Circumstances surrounding an NVCC Automatic Conversion and effect on market price***

The occurrence of a Trigger Event is a subjective determination by the Superintendent that the conversion of all contingent instruments is reasonably likely to restore or maintain the viability of the Bank. As a result, an NVCC Automatic Conversion may occur in circumstances that are beyond the control of the Bank. Also, even in circumstances where the market expects the Superintendent to cause an NVCC Automatic Conversion, the Superintendent may choose not to take that action. Because of the inherent uncertainty regarding the determination of when an NVCC Automatic Conversion may occur, it will be difficult to predict, when, if at all, the Notes will be mandatorily converted into Common Shares. Accordingly, trading behavior in respect of the Notes is not necessarily expected to follow trading behavior associated with other types of convertible or exchangeable securities. Any indication, whether real or perceived, that the Bank is trending towards a Trigger Event can be expected to have an adverse effect on the market price of the Notes and the Common Shares, whether or not such Trigger Event actually occurs.

## **LEGAL MATTERS**

The matters referred to under “Eligibility for Investment” and “Certain Canadian Federal Income Tax Considerations”, as well as certain other legal matters relating to the Notes offered by this prospectus supplement will be passed upon on the Offering Closing on behalf of the Bank by Norton Rose Fulbright Canada LLP and on behalf of the Dealers by Fasken Martineau DuMoulin LLP.

As of the date hereof, the partners, counsel and associates, as a group, of each of Norton Rose Fulbright Canada LLP and Fasken Martineau DuMoulin LLP, respectively, own beneficially, directly or indirectly, less than one percent of any securities of the Bank or any associates or affiliates of the Bank.

## **AUDITORS AND TRANSFER AGENT**

The independent auditors of the Bank are Ernst & Young LLP, 800 René-Lévesque Blvd, Suite 1900, Montréal, Québec, H3B 1X9. The auditors have confirmed to the Bank that they are independent within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.

The transfer agent and registrar for the Notes is Computershare Trust Company of Canada, and the transfer agent and registrar for the Common Shares is Computershare Investor Services Inc., each, located at their principal office in Montréal.

## **STATUTORY AND CONTRACTUAL RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revision of the price or damages if the prospectus and any amendment thereto contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal advisor.

**CERTIFICATE OF THE DEALERS**

Dated: June 15, 2017

To the best of our knowledge, information and belief, the short form base shelf prospectus dated December 20, 2016, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces of Canada.

**LAURENTIAN BANK SECURITIES INC.**

By: *(signed) Michel Richard*

**CIBC WORLD MARKETS INC.**

By: *(signed) Martin Corbeil*

**BMO NESBITT BURNS INC.**

By: *(signed) Susan Schauffert-Tam*

**RBC DOMINION SECURITIES INC.**

By: *(signed) Peter Hawkrigg*

**TD SECURITIES INC.**

By: *(signed) Greg McDonald*

**DESJARDINS SECURITIES INC.**

By: *(signed) Ryan Godfrey*

**NATIONAL BANK FINANCIAL INC.**

By: *(signed) Maxime Brunet*

**SCOTIA CAPITAL INC.**

By: *(signed) Michael J. Lay*