SCRIPT FOR THE Q2-2017 LAURENTIAN BANK CONFERENCE CALL

Caution Regarding Forward-Looking Statements

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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). With respect to the proposed acquisition of NCF, the Bank also cautions readers regarding: the conditions in the acquisition agreement not being satisfied on a timely basis or at all; failure to receive regulatory approvals or other approvals on a timely basis or at all; and changes in the terms of the proposed transaction that may need to be modified to satisfy such approvals or conditions.

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

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

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 Bank's Management's Discussion and Analysis as contained in the Bank's 2016 Annual Report, as well as to other public filings available at www.sedar.com.

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

Only the delivered speeches shall be considered as authoritative.

OPERATOR: Welcome to the Laurentian Bank conference call. Please note that this call is being recorded. I would now like to turn the meeting over to Ms. Susan Cohen. Please go ahead, Ms. Cohen.

MS. COHEN: Good afternoon and thank you for joining us.

This afternoon's review of the second quarter of 2017 results will be presented by François Desjardins, President and CEO, and François Laurin, CFO. All documents pertaining to the quarter, including Laurentian Bank's news release, investor presentation and financial supplement can be found on our website in the Investors section.

Following our formal comments, the senior management team will be available to answer questions.

Before we begin, let me remind you that during this conference call, forward-looking statements may be made, and it is possible that actual results may differ materially from those projected in such statements. For the complete cautionary note regarding forward-looking statements, please refer to our press release or to Slide 2 of the presentation.

I am now pleased to turn the call over to François Desjardins.

FRANÇOIS DESJARDINS SECTION

Thank you, Susan. Good afternoon everyone.

I am happy to report that we continued to deliver good results in the second quarter as adjusted net income rose 11% compared to a year ago. Higher revenues and disciplined expense control contributed to a significantly improved adjusted efficiency ratio and a positive operating leverage. Also, strong credit quality resulted in the continuation of relatively low credit losses – all contributing to a solid ROE.

(Slide 5)

On slide 5, you will find an overview of the progress that we are making towards achieving our strategic objectives.

We are taking great strides towards optimizing Retail Services. The resizing of our branch network through 34 mergers and the conversion of 23 branches to an advice-only format is proceeding smoothly and as expected, with no meaningful attrition of clients. While we see a reduction in administrative staff, we have added some 40 financial advisors since year-end to truly live up to our mission of helping customers improve their financial health. Seven more branch mergers are planned for June.

A few days ago, we announced the strategic acquisition of Northpoint Commercial Finance. When combined with LBC Capital, we create a scalable end-to end equipment finance platform to support North American manufacturers and their dealer networks. Complementary capabilities, deep expertise, strong client relationships and an expanded geographic footprint are expected to contribute to increasing revenue generated by commercial activities within the Bank mix and improving overall profitability. Concurrent with the acquisition announcement we issued subscription receipts for which demand was strong. I would like to thank investors for their support, confidence and commitment to the Laurentian Bank.

The momentum in our targeted axes of growth remains strong. Loans to business customers increased by 23% year-over-year. On a pro forma basis, including the assets of Northpoint, this portfolio reaches $11.5 billion. In the same period, residential mortgage loans through brokers and advisors increased by 15% to reach $7.6 billion.

The core banking engine implementation at B2B Bank and for a large portion of Business Services is set for November 2017. We believe that this strategic investment will enable us to move faster and less expensively towards a fully digital world and improve our time to market for mobile enabled functionalities.

As we grow, we focus on continuous improvement. Often overlooked is work that is done to better our processes, practices and governance. This moves the organisation further along its path of operational excellence and preserves the conservative approach to risk management that has served us well.

In short, we continue to advance on our transformation plan initiatives and are on track to meet our 2019 performance targets.

(Slide 7)

Over the past year, my comments have centered mainly on the transformation plan, as that is where our focus lies - but as events have unfolded in the Canadian financial landscape over the last month, it is timely to present on slide 7, some elements that have made Laurentian Bank a success over the years, and in particular – provide additional color on funding and lending.

(Slide 9)

Our growth is supported by a solid capital base as well as diversified, stable and strong funding, presented on slide 9.

As we grow, we require additional funding and over the past two and a half years, the Bank has increased its term funding through securitization conduits, improved its institutional funding program and reduced reliance on short-term high interest savings accounts to optimize its mix.

Specifically, debt related to securitization activity now represents 22% of the funding mix, up from 16% in the fourth quarter of 2014 as new conduits have been developed.

A large portion of deposits are personal deposits sourced through our branch network and through independent brokers and advisors. Almost 80% of the Bank’s deposits are insured and almost 90% of B2B Bank’s deposits are insured.

(Slide 10)

Turning to Slide 10 - The Bank has strategically increased the level of term deposits over the past 2 and a half years while deliberately reducing the level of the more volatile High Interest Savings Accounts by $1 billion.

Furthermore, we have a large and growing portfolio of term deposits which currently accounts for 72% of total deposits and compares to 45% for the Canadian banking industry. The benefit of the stability that comes with this large source of funding outweighs the slightly higher cost associated with it. Furthermore, over the past 3 years, the proportion of one to three year GIC’s has substantially increased, also contributing to the stability of our deposit base.

Lastly, and I want to make this perfectly clear, during the recent market turbulence, neither Laurentian Bank nor B2B Bank experienced any funding disruptions.

(Slide 12)

Turning to lending on slide 12, you will find that our business is diversified by product and to a slightly lesser extent by geography. We believe that diversity, combined with the Bank's firm foundation of rigorous risk management – especially in regard to disciplined credit underwriting and adjudication - are core to our operations.

This framework, which applies uniformly to all segments – Business Services, Retail Services and B2B Bank supports our migration towards the AIRB approach set to be completed by late 2019 and key to leveling the playing field for commercial opportunities.

It also contributes to strong credit quality as evidenced by industry low loan loss levels and other performance indicators.

(Slide 13)

On slide 13, you will find that we are delivering on our 2019 targets through organic and acquisition growth initiatives, changing the mix towards loans to business customers.

(Slide 15)

However, a specific portfolio that I would like to discuss today is our book of high quality and strong performing residential mortgage loans. Turning to slide 15, let's start by defining our market. Definitions have changed over the years, especially when referring to alternative lending. Now being used to describe anything non-traditional, our definition of Alternative-A loans is near-prime.

Our focus has remained the same – we finance the purchase of homes to buyers that have the ability and intent to repay the loans. You may ask – what are Alt A mortgages? Well, in a post B-20 environment, it has gotten harder for customers that do not fit the cookie cutter requirements to obtain a loan. These are great customers with credit profiles, credit scores and behaviors that look like prime customers but because they are self-employed or new immigrants, it takes more work to build a proper file and in return, we receive a small pricing premium.

(Slide 16)

As shown on slide 16, our portfolio is comprised of prime and near-prime, insured and uninsured mortgages, and is originated through the branch network and through the mortgage broker channel across Canada. Mortgages through the branch network are all prime, while those through B2B Bank are mostly prime. Alt A mortgages are a very small portion of our portfolios and account for less than 7% of all mortgage loans and less than 4% of the Bank's total loans. We do not participate in the subprime mortgage market at all. Furthermore, we have implemented extensive controls to validate supporting documentation of both income and appraisal value and when combined with high underwriting standards, contributes to consistently low loan losses.

(Slide 17)

Slide 17 highlights the high quality of our portfolios. Most mortgages fall into the less than 75% LTV category, providing a substantial buffer against potential home price declines - and 92% of our Alt-A mortgages have an LTV of 75% or less.

We have about $3.7B of mortgage loans to the greater Toronto area and $600 million to the greater Vancouver area. To mitigate risk in these areas where home prices have risen sharply, we use a sliding scale – the higher the home price, the lower the LTV. This is reflected in the fact that the vast majority of mortgage loans in the GTA and GVA have LTV's that are 75% or lower.

(Slide 18)

On the basis of Beacon scores the whole portfolio is in good shape, as presented on Slide 18. The large majority of our mortgages, including the Alt-A and uninsured portfolios, have a beacon score above 650, indicating strong credit-worthiness. Similarly, most of the mortgages in the GTA and GVA have Beacon scores above 650.

Targeting the high end of the Alt A market through low LTVs and high beacon scores, results in our Alt-A portfolio behaving in a similar fashion to the prime portfolio.

(Slide 19 – Conclusion)

To conclude, the Bank's foundation is firm and is built on a base of solid capital, stable funding, and sound risk management.

Furthermore, this allows us to be confident in our ability to execute our transformation plan to achieve our performance objectives and growth targets, given the progress that we have already made and the momentum that we have.

The Board of Directors shares this confidence and has approved an increase in the quarterly common share dividend of one cent to $0.62 per share.

I will now call upon François to provide a more in depth review of second quarter 2017 financial results.

François...

FRANÇOIS LAURIN SECTION

Thank you François.

Good afternoon everyone.

I would like to begin by turning to slide 22 which highlights the Bank's good core financial performance. Adjusted net income in the second quarter of 2017 grew 11%. Adjusted EPS was $1.39, down 5% compared with a year earlier. Second quarter EPS was impacted by the common share issuances in 2016 which increased outstanding shares by 12%, as well as $1.9 million higher preferred share dividends compared to a year ago. Adjusted ROE stood at 11.7%.

As outlined on slide 23, reported earnings for the second quarter were affected by adjusting items totalling $7.0 million after tax or $0.21 per share. This included $4.7 million of costs related to the CIT Canada transaction and integration, as well as $1.1 million related to the optimization of Retail activities and branch mergers.

The drivers of our performance are presented on slide 24. Total revenue in the second quarter of 2017 totalled $238.8 million, an increase of 5% compared to a year earlier. Net interest income increased by 5% mainly due to strong volume growth in the loan portfolios, both organic and from acquisitions, but was partly offset by tighter margins stemming from the continued low interest rate environment. Other income increased by 6%, due to an increase in mutual funds to retail clients, higher lending fees due to increased activity in the commercial portfolios as well and the contribution from the acquired CIT Canada operations.

Net interest margin, shown on slide 25, was 1.67% and has been essentially stable for the past 3 quarters. NIM is down 4 basis points from a year earlier due to the persistent pressure on lending rates and the higher proportion of lower-yielding residential mortgage loans partly offset by strong organic growth in loans to business customers and the addition of the equipment financing portfolios. This growth also contributed to increasing the proportion of wider margin loans to business customers from 27% of the Bank's total loans at the end of the second quarter of 2016 to 30% at the end of the second quarter of 2017. On a pro forma basis, including the proposed acquisition of Northpoint, this level increases to 32%. As well, growth in loans and mortgages generated through independent brokers and advisors contributed to the strong growth in average earning assets of 8% year-over-year. For the next few quarters, margins are expected to remain relatively stable compared with the second quarter level.

Other income, as presented on Slide 26, totaled $88.3 million and increased by $5.0 million or 6% year-over-year. Improvements were broad-based and demonstrate the good diversification of activities. Income from the sales of mutual funds is benefiting from the Bank's focus on advisory services. Lending fees increased by 14% reflecting higher activity in the commercial portfolios and income under the caption other increased by a $4.1 million contribution stemming from the recently acquired equipment financing portfolios. This was partially offset by lower income from brokerage operations as last year's second quarter was particularly strong following a very difficult capital market environment in the first quarter.

Slide 27 highlights that adjusted non-interest expenses were stable year-over-year and continue to be very well controlled. Regular annual salary increases, higher pension costs and the addition of employees from CIT Canada was offset by lower amortization expenses resulting from impairment charges on assets recorded in the fourth quarter of 2016. The adjusted efficiency ratio in the second quarter was 67.2%, an improvement of 340 basis points compared to a year earlier. As well, adjusted operating leverage was positive year-over-year. While the efficiency ratio has been ahead of our 2019 target for the past three quarters, investment is required as the Bank transforms. This may result in some periods where expenses are higher. An efficiency ratio of below 68% on a sustainable basis by 2019 remains our objective.

Slide 28 presents the CET1 ratio, under the Standardized Approach, of 8.1% at April 30, 2017, within the guided range of 7.8% - 8.2%. Compared with January 31, 2017, the 0.1% sequential decrease was mainly driven by a higher level of growth in risk-weighted assets, given the slower first quarter growth, as well as additional deductions to capital for intangible assets, as the Bank progresses with the development of its new core banking system. This was partially offset by internal capital generation. Our capital ratios are strong and support the Bank's growth objectives and our transformation plan.

I would like to add that the purchase price of Northpoint is currently estimated to be in the range of $325 million to $350 million and will be based on its book value as at the closing date plus a premium of approximately $130-$140 million subject to customary post-closing purchase price adjustments. On a pro forma basis, including the acquisition of Northpoint, the pre-transaction CET 1 level of 8.1% is expected to be maintained.

Turning to slide 30, credit quality remained solid. The provision for credit losses at $10.1 million was $1.1 million higher sequentially and $4.4 million higher than a year ago which included a net favorable adjustment of $2.7 million resulting from the regular review of collective allowance models.

The loss ratio remained at a very low level of 12 basis points in the second quarter of 2017. The underlying credit quality of the portfolios remains good.

Over the medium term, we expect the loss ratio to gradually move higher as our business mix changes but it should be more than offset by higher net interest income. Nonetheless, with our current portfolio mix, conservative provisioning and disciplined adjudication process, we expect that the loss ratio will remain below other Canadian banks.

Turning to Slide 32, we continue to make steady progress towards meeting several of our mid-term financial objectives. We are particularly pleased with our efficiency ratio and positive operating leverage in the second quarter of 2017 and we continue to work towards narrowing the ROE gap between Laurentian Bank and the major Canadian banks to 300 basis points in 2019. As well, despite the EPS impact of a larger number of shares outstanding, the medium-term objective for EPS growth remains 5-10% annually. With respect to the Bank's key growth drivers as presented on slide 33, we are advancing towards our 2019 targets.

To conclude, we are pleased with the core earnings performance in the second quarter of 2017 and the progress that we are making as our strategic plan continues to unfold.

Thank you for your attention and I will now turn the call back to Susan.

SUSAN COHEN SECTION

At this point, I would like to turn the call over to the conference operator for the question-and-answer session.

Operator:

Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question. And we'll pause for just a moment to allow everyone an opportunity to signal for questions. And our first question comes from the line of Meny Grauman of Cormark Securities. Please go ahead.

Meny Grauman:

Hi, good afternoon. I have a question on funding cost specifically since the developments of Home Capital really expanded specifically the change in the broker channel. How does that change how your funding costs change in that channel specifically?

François Desjardins:

Hi, Meny. I'll ask Deborah Rose to answer that.

Deborah Rose:

Great, thanks. As far as the funding in the broker channel, we've really not experienced any disruption in funding. It has been and continues to be business as usual as we continue to have net positive to positive flows.

Meny Grauman:

And the cost on that funding? Is there any step up in what you're paying for those – let's say those broker GICs, if you can quantify any change over the last few weeks in particular?

Deborah Rose:

As you know, there is a lot of competition in the market right now so we've slightly tweaked our rates again in the context that we've not had any funding disruptions. And then any difference in that costing, we expect to make up in an increase in – through strategic mortgage pricing.

Meny Grauman:

I guess that's the other question. In the – one of the first slides you showed the Alt-A pricing and you show an average of 80 basis points higher than prime mortgages and I'm just wondering how much – has that changed more recently again given the recent news and where do you expect that premium over prime or that spread over prime to go over the next little while as you look forward?

Deborah Rose:

The 80 BPS is really what we've been trending at over the last year or so, so it likely will increase a bit.

Meny Grauman: Okay, thank you.

Deborah Rose:

As far as the exact number, not really sure yet. We're really looking – again, we continue to look at everything deal-by-deal but then again as with what's happening in the market that there is that ability for us to price a bit higher now. So we've implemented some measures recently and we'll continue to do so as the market permits.

Meny Grauman:

And are you seeing any change in terms of the nature of the business coming to you in that market – volume, any material volume changes especially over the last little while in particular?

Deborah Rose:

There's been a slight increase in the volumes. But as you know, it's peak mortgage lending season so it's really hard to differentiate what, you know, what the increase is from. B2B hasn't changed at all – our lending practices or our underwriting standards. So it's really hard for us to see any difference. But again, volumes are slightly higher.

Meny Grauman: Thanks for that.

Operator: And our next question comes from the line of Nick Stogdill of Credit Suisse. Please go ahead.

Nick Stogdill:

Hi, good afternoon. First, just a quick mortgage one. In the supplement, it shows your mix across the different buckets of amortisations above 30 years, 25 to 29 and it's a little bit higher than the big six on the greater than 30 years at 13%. So is that – is it fair to assume that mortgages in that bucket are skewed to the Alt-A portfolio?

François Desjardins: I'll ask Deborah to answer that.

Deborah Rose: Sorry, can you repeat that question?

Nick Stogdill:

Sure. So on page 12 of the supplement, it shows that 13% of the mortgage portfolio is in mortgages – is included in amortisation of 30 years and greater. Is that bucket skewed to the Alt-A portfolio? It's just because when I compare to the big six, it's a little bit higher.

Deborah Rose:

No, it's really not. There may be some in there that's Alt but for the – a majority of that are likely conventional mortgages that are just in the 30- to 35-year AV.

Nick Stogdill:

Okay, so it's not necessarily skewed to the Alt-A, okay. It could be anywhere.

Deborah Rose: No, no.

Nick Stogdill:

Okay. Then my next question is just on the acquisition. If you could just talk – give a little bit more colour on how you identified that business and the strategy, you know, with NCF. What types of growth rates are you expecting to achieve and how will the balance between maybe the US and Canada?

François Desjardins: I'll ask Stephane Therrien to answer that.

Stephane Therrien:

Yes. To complement – thanks for the question. To complement our leasing business, we – we were exploring scenarios with the Northpoint Commercial Finance. And at one point in time, this discussion led to an acquisition discussion. So once again, it's a good complement to what we're offering in terms of leasing right now. It's all under the equipment finance umbrella.

In terms of the mix right now, it’s 9% in the States; 10% in Canada. We are expecting this mix to change a bit because we feel that we have a lot of cross-sell opportunity mainly in Canada. In terms of the growth, we see that business growing up to double-digit growth going forward.

Nick Stogdill:

And so slightly higher growth rates then it sounds like in Canada versus the US?

Stephane Therrien:

No, not for that business. It would be in line with the business services growth recent history of double digit.

Nick Stogdill: Okay, thank you.

François Desjardins: You’re welcome.

Operator: And we’ll go ahead with our next question from Marco Giurleo of CIBC World Markets. Please go ahead.

Marco Giurleo:

Hi, good afternoon. My first question is for François Desjardins. Looking at the bank’s funding mix on slide nine, we’ve seen the reliance on personal deposits come down from 26% in ‘14 to 21% today. So firstly, what has the shift in funding mix meant for

NIM[?] over that period? And secondly going forward with all the anticipated branch closures on the horizon, how do you expect the contribution mix from personal deposits to change? Basically what I am getting at is should we be – should we be expecting NIM compression on the horizon from this shifting mix?

François Desjardins:

I'll let François L answer the NIM question but first and foremost, the branch mergers are not branch closures. What we're doing is taking two branches that are very close to each other and put them into a single branch. So, and changing the mix of the team to add financial advisors which should increase the number of customers that we actually help and decrease the administrative staff that largely do counter transactions. So we're not expecting to have any change in our current ability to raise deposits through our branch network.

As for the NIM over time, I'll let François give some comments on that.

François Laurin:

Well, Marco, I would have a two-pronged answer. So the NIM, you've seen the NIM reduce over the last few quarters. It's a reality of our mix of business, lower yielding, mortgages taking a bigger part of our portfolio and the very lower interest rate had an impact on this.

But over the – comparing – the second part of the answer would be on the funding that you referred. Over the last few years, in fact over at least two and a half years, we've developed a few programmes like the 970 – 975 NHA programmes with LBS. We had also equipment leasing securitisation conduit that we – through the acquisition of CIT. We also did our first ten-year CMB, five-year variable CMB and our first USD, our FRN recently. Plus, we are working on US NTM programme and securitisation of another class of assets. So that changes the mix of our funding over time. And at the same time, we have voluntarily reduced our demand deposit balance in our high interest saving accounts.

So our – to conclude on that one, we find that our funding sources are now more diversified and we'll continue to further diversify that funding base. We also expect to keep growing our personal and commercial deposits as well. And personal deposits are clearly an important part of our funding plan. I hope that answers your question, Marco.

Marco Giurleo:

Yes, it does. Thanks. My next question was just on the efficiency – on the efficiency front. The bank has done a good job of driving down the NIX ratio. This is two quarters in a row now that we've seen sub-68% efficiency. So I was wondering going forward with – do the recent acquisitions improve your outlook for the efficiency ratio or are you still holding to your sub-68% guidance? I mean, is there any reason we can't be sub-68% this year?

François Desjardins:

Well first of all, thanks for noticing the great work we've been doing on the efficiency ratio side. This is not -

Marco Giurleo: No problem.

François Desjardins:

You know, we're going to take the kudos when we can here. You know, we're very confident that we can achieve obviously the target that we set for ourselves for 2019. And like past quarters, I think the question was asked last year. We were hesitant to review that target just out of the gate of the transformation plan, right? Obviously, we're still confident that we can achieve this target but there's going to be some investments that we have to make over time.

And so the ratio is not likely to behave in a straight line. We just want to be, you know, managing expectations here. So we are looking forward to the end of the year where we will be reviewing all of our 2019 targets including this one and restating as we do every year in Q4 both from a financial perspective and from a growth perspective. So I guess stay tuned is my answer.

Marco Giurleo: All right, thank you very much. That is all for me.

François Desjardins: You're welcome, Marco. Thank you.

Operator: And our next question comes from the line of Gabriel Dechaine of National Bank Financial. Please go ahead.

Gabriel Dechaine:

Good afternoon. Just a quick couple of numbers questions here and then the – and one on Northpoint. The expense absolute numbers here, they're pretty flat year-over-year, and I think that includes the CIT. What was the organic growth of expenses? It was negative, presumably.

François Desjardins: I'll ask François to comment on that.

François Laurin:

Roughly, if you give me – can you go on with the other one, Gabriel? I'll find you...

Gabriel Dechaine:

Just for – you gave to my – a sense on the additional yield you get on these alternative mortgages? And just looking at your – is the duration of those books similar to the other players in the space, like it's, you know, kind of 18 to 24 months? So I got to look at the two-year GIC funding rate. So we're looking at about a spread in the, you know, 200-basis-point range? I assume on this mortgage of maybe double what you would get on a prime-based mortgage?

François Laurin:

The alternative book is slightly shorter in terms of at least duration to the entire mortgage book. But as the rate environment for the whole bank – the rate environment has been low for a long time. The average duration of mortgages have gone – has gone down a little bit for all mortgages.

Female Speaker:

I would say though that the Alt book is not as short term as some of the other alternative lenders. We're seeing more in the probably three-year range if you average it out. There are some of the longer-term mortgages out there that are not – they're – we don't have as many of those 18-month, 12-month mortgages on the books.

François Laurin: Correct.

Gabriel Dechaine:

Okay, and is that spread ball – the 200 basis points or, is that in the ballpark?

François Laurin:

Well, the disclosure that we put was in the 80 BPS over prime range. That's what the average premium that we're getting on Alt-A deals.

Gabriel Dechaine:

What was the – what kind of – okay. Then on Northpoint, I guess you answered the NIX question earlier, how does this came to you. I guess I was a bit surprised that, you know, one day I wake up in I guess afternoon and all of a sudden, Laurentian Bank is in the US in a, you know, not insignificant manner. What was the rationale, I guess, with the US expansion? Let’s start with that.

François Desjardins:

Yes, you know, François D here. It wasn’t part of the plan to go into the US, obviously, but it was part of the plan to both expand and increase the business mix from a business – from business customers, right?

Gabriel Dechaine: Yup.

François Desjardins:

And that was outlined and it was also part of the plan to have a growth from acquisitions as well. What happened, I think we explained it earlier on the call is, you know, equipment finance is – when you finance equipment from the dealer to the customer, we were looking for partnership to be able to refer some clients in terms of this type of business and we fell upon, you know, a really great organisation at Northpoint. And as Stephane said, what started as a strategic conversation became an acquisition conversation and here we are. I’d like Stephane to add a couple of points if he has.

Stephane Therrien:

Yeah. What is really important to understand here is the customer really of Northpoint are the equipment manufacturers. And they're definitely – you're adding value to them if you're providing them with a single point of service for all their dealers in North America. So this is the niche market where the equipment manufacturers are definitely seeing big value add if you can provide them with the one-stop shop for US and Canada.

Gabriel Dechaine:

And presumably, these manufacturers are the, you know, the same ones that have a presence in, you know, the 10% of loans that there in Canada?

Stephane Therrien: Yeah.

Gabriel Dechaine:

And how do you view the, you know, the credit risk – the end demand of these products? So we're looking at RVs, marine I guess is what, boats? That's my, you know, power boats or whatever – clearly not a sailor. And trailers, are those like trucks, like 18-wheeler type things? And then the reason I'm going into this direction is, you know, we're starting to see some weakness in the US consumers, you know, not red flags or anything like that but certainly a lot of discussion around sub-prime model or used car sales anyway and, you know, credit cards and the – a lot of indebtedness at the consumer level. So it seems like, you know, if anything, maybe peak credit demand has already been hit so maybe these vehicles start – sales start to slow down. And maybe, you know, a negative scenario – we see a bit of a turn for the – some of these – the demand and credit performance of the end-user? Go ahead...

François Desjardins: I'll ask Stephane to...

Stephane Therrien:

Yeah. We liked on the portfolio is that the actual mix and as importantly, where they're going and where they will go with the help of LBC Capital in Canada. So you're right to mention that the – a lot of their assets are – and so they have consumer end-user with – more and more with trailers, trucks and the other type of equipment that we're finding in – at LBC Capital. There will be better mix going forward from consumer to commercial across different industry, across different states, across Canada and the States. So we feel good about the mix diversity of that portfolio.

François Desjardins: I'll ask Christian De Broux, head of credit, to give some additional colour there.

Christian De Broux:

And I guess what's important to understand is that we have many layers of recourse in those deals. First, the assets have a great quality. They're brand new, unused and they're acquired at manufacture pricing. So you're at the right price point with a brand new asset. So there is a market for that in a liquidation. The first line is the dealer and the dealer remains on the hook. And after that you have – obviously, you can liquidate that portfolio. You're at the right price point. And at the end, you have manufacturer recourse. So we feel we're very well positioned from a risk standpoint.

Gabriel Dechaine:

And then my last one on this and for today, actually, is I assume duration is pretty short so that the pivot that Stephane was talking about going maybe a bit less on consumer, more towards the, you know, trucking and other type of equipment, the inventory financing, that can be – that turnover, the 1.2 billion portfolio can be done in a fairly short order?

François Desjardins:

It's definitely short-term financing. Again, it varies per industry but yes. And in trailer, trailer, the average will probably be six months to a year at max.

Gabriel Dechaine: Thank you.

Operator: The next question...

François Laurin:

And Gabriel, sorry. Gabriel, François Laurin to answer your first question on your request for non-interest expense without CIT, if I take the – slide 13, we have about 160.6 mix NEI – NIE. That would be about one-four – sorry, 154 or so without.

Gabriel Dechaine: Okay, thank you very much.

François Laurin: You're welcome.

Operator:

And we'll go ahead with our next question from Doug Young of Desjardins Capital Markets. Please go ahead.

Doug Young:

Hi, good afternoon. Just sticking with the – the NCF acquisition, I was hoping you can give a sense – I think you mentioned PCLs were in and around maybe 15 to 20 basis points now. I assume the portfolio hasn't seasoned – it's fairly I guess new book of business. It's growing relatively fast. Can you talk about what you expect in terms of PCLs, you know, through a cycle and if you can give kind of low- and high-end kind of indications of where PCL rates could be for this book?

François Desjardins: Again, Christian.

Christian De Broux:

Okay. Well, you know, definitely you're right. This portfolio hasn't matured through a cycle but there is public data out there on maturing cycles in that – that space. You know, when we look at this, we've modelled different scenarios. We're looking at – on a more seasoned portfolio somewhere around the 50 BPS range would be something appropriate for this portfolio.

François Desjardins:

And Stephane, do you want to comment – do you want to comment on the business overall and...

Stephane Therrien:

Yeah, we – yeah, thanks for the question. Obviously, Doug, you are right that the business – as a business, it's new. One key factor though for the acquisition was the seasoned management that they've been – they had been through cycles. So we had a lengthy discussion with them. They had great expertise and great experience through the cycles of that – the specific industry.

Doug Young:

And so you – when you price this or when you build your models out, you've kind of anticipated it moving up towards the 50-basis-point range? Is that fair to assume?

Stephane Therrien: Yes.

Doug Young:

Yes, okay. And was I correct where it stands today it's around 19 basis points, is that right?

François Desjardins: Yes.

Stephane Therrien: You're right, yeah.

Doug Young:

Okay. And then just, you know, I guess the other point here just with the – I mean, with the CIT acquisition, you know, we haven't really seen NIMs move and obviously there's a lot of different moving parts here. You know I guess with the NCF acquisition, NIMs I would assume are quite a bit higher. And so, you know, there's again a lot of moving parts with the growth of your residential mortgage book and the lower NIMs on that. Should we be expecting a meaningful pickup in NIMs as we move through 2018? And can you give a sense of what the NIMs would be on this type of business?

François Desjardins:

I'll answer, Doug, that yes, we should – we expect a positive tick, uptick in the NIM but we need to recognise that's $1 billion portfolio out of 45 out of the gate so – but yes, it will have an impact.

Doug Young: And the NIM on this business, 5 to 7%, is that...

François Desjardins: That's an appropriate range.

Doug Young:

Okay. And then just lastly, I guess, you know, there was a 1.7 million restructuring charge in the quarter and I apologise – I guess I had assumed that a lot of the expenses related to merging the branches were taken care of, restructuring charges that were taken a few quarters ago. So I'm just wondering, can you talk a bit about, you know, is that what the 1.7 million related to was the mergers in branches and should we be assuming similar charges over the near term as further adjustments are made to the branch network? And is this kind of a reasonable level?

François Desjardins:

You're right. It's related to the branch mergers. We had said at the outset that would be about $6 million and we're roughly about halfway through at the moment.

Doug Young: Okay. Okay, thank you very much.

François Desjardins: You're welcome.

Stephane Therrien: You're welcome, Doug.

Operator:

And our next question comes from the line of Sumit Malhotra of Scotia Capital. Please go ahead.

Sumit Malhotra: Thanks, good afternoon.

François Desjardins: Hey, Sumit.

Sumit Malhotra:

I had a couple of – a couple of questions around loan, loan balances to get started or loan outlook. You gave us some very good slides, some new slides this quarter in relation to your funding mix and how you think about the mortgage portfolio. And you've told us about the Alt-A book, what your definition is and just how relatively small it is as a portfolio for Laurentian. I think the math works out to just over $1 billion. When we think about some of the disruption that has taken place in the alternative mortgage market over the last few months, is this an area of business that we should think about being a clear growth opportunity for Laurentian in the near term and is it one that you want to get bigger in the proportion of the overall portfolio?

François Desjardins:

Thanks for that question, Sumit. You know, I was amused more or less in the past few weeks to learn that we were looking at all kinds of acquisitions in the newspapers as we were preparing for the Northpoint acquisition. You know, this company has a plan. We've announced our intentions over a year ago now and one of the directions that we took is to increase the proportion of business mix towards commercial activities.

This business, we are in the Alt business because we believe that it serves great customers. We have no intentions of either changing our credit policies to allow a different type of business in and/or to lower standards in terms of that type of business. We're still running on an organic growth path that makes sense to us and as we go forward, that's, you know, the guidance that we're giving.

Sumit Malhotra:

Outside of acquisitions though, is – if some of the traditional players in this space are going to be less prevalent for one reason or another, is there an organic growth opportunity, an alternative that Laurentian is pursuing or would you like the proportion of mix to stay where it is and maybe to tag in Deborah, you mentioned the spring selling season. Usually, and this is from my experience anyway in covering this sector, the mortgage growth does look better in the second half for the bank's fiscal year as we go through those periods. Is there any reason to believe in your view on the back of the rule changes in Ontario that were announced in April that you are going to see a slower pace of growth than usual? So kind of splitting the mortgage question there.

François Desjardins:

I'll ask Deborah to comment on what's coming in the door these days.

Deborah Rose:

Okay, sure. So as far as what's coming in the door, we aren't seeing a change in the mix and to answer from a B2B perspective, aren't looking towards changing that. We're very comfortable in the split between prime and Alt. As far as the mortgage rules, it's been – it's been an interesting time and one where we're watching the market react to it. And there've been some pieces of the different rules that have come into place that you would think would dampen or temper down some of the volumes. But in other – in other ways, it just moves it to a different bucket.

So again, as we've seen these different pieces get applied, you have an, you know, a really quick short-term answer to – that the market responds with. But then, we are seeing ourselves go back into a normal steady state. So right now, again, you know, we're keeping our, you know, ear to the ground and seeing what's coming up next but we're seeing still that steady inflow and the breakdown between the two staying relatively the same. And we're very comfortable with that.

Sumit Malhotra:

And then just one very quick one before I go to my last one just on numbers, you usually don't pay too much attention to the sequential growth in the portfolio. But I did notice your commercial loan balances were down on the quarter. We haven't seen that in quite some time. Is this anything – is there any relation to cleaning up a part of the CIT book here or is this just kind of a blip in what's been a very good growth trend? And I am looking specifically at the commercial loan balance.

François Desjardins: Stephane.

Stephane Therrien:

There has not been any cleaning up that we needed to do, just a blip, some major reimbursement more for pricing reason than for credit reasons.

Sumit Malhotra:

All right, thank you for that. And then François D, I want to end with you. You mentioned some amusement on your part in seeing Laurentian linked with deals. I guess I'd say from my perspective, if I go back and look at your investor day slides and the target in the business portfolio to grow that book from 8 billion to 13, this could be a mistake in my part but I wasn't assuming or I wasn't expecting that 40% of that – of that delta was going to come via acquisitions to quickly in the manner that we've seen it with first CIT and now NCF. From your perspective as a relatively new CEO and putting those growth targets to market, how do you view the split between organic and acquisitive opportunities? Are you in a situation now having done two deals in relatively short order that the bank is going to pause, digest these and the bulk of the growth comes organically? Or are you still open for business if acquisition opportunities are available?

François Desjardins:

I think both in reality. I mean, and it's – you're right about the ability to absorb acquisitions. You know, our standard answer has been and continues to be that, you know, every acquisition we look at has to be a good fit and, you know, culturally and financially. But we do have, you know, a capability to absorb and make these acquisitions to a success. Combined with that, as you know, we've announced that core banking is going in at the end of the year and we have said in the past that, you know, the closer we get to those big implementations, the harder it is to make large-scale acquisitions and that is still true, right?

So you know, is it – and I'm saying – am I saying no to acquisitions? Of course not. We'll continue to look at them and – but it really does have to fit, you know, somewhere in our book. To your first comment, you know, was I expecting to have these many acquisitions to prop up the book? I would answer no. I think it came faster than what we thought.

Acquisitions are, you know, it takes two to tango, right? And of course, when we do acquisitions, you know, we do them for a strategic reason. It also takes resources that are normally destined to grow organically, right? So we're pausing, you know, our top talent to make these acquisitions a reality. So you know, was I comfortable if we made, you know, a greater percentage of our acquisitions through organic means? Yes. If the acquisitions came, would we be ready for it? Yes. Are we going to pause for the foreseeable future? We're not going to pause looking at deals but it would have to fit and, you know, we have to have the basic capacity to absorb them.

Sumit Malhotra:

Let me put this more directly. From the 8-billion to 13-billion target that was provided for business, when you offered that to us, I mean, my view, certainly we don't assume acquisitions that haven't happened. So I was of the view that was an organic target. Was that the view of management as well or had you assumed some acquisitions? And if you hadn't, shouldn't that target be a couple billion larger now given that that's what you've added externally?

François Desjardins:

Well, to answer directly, we didn't account for acquisitions in that target. That being said, it could have been, right? The target was largely an organic growth target with possibly an acquisition within that timeframe. Now, we have two under our belts so obviously larger than what – in proportion than what we thought. But at the same time, the more acquisitions you make, the energy to make them a reality takes away from the organic growth as well.

To your latter question about, you know, should we increase those targets for 2019? You know, that will be part of our disclosure in Q4 with the efficiency ratio and other targets so stay tuned for that.

Sumit Malhotra: Thanks for your time.

François Desjardins: Thank you, sir.

Operator:

We'll now take our next question from Lemar Persaud of TD Securities. Please go ahead.

Lemar Persaud:

Thanks. I just have one really quick question, actually. Just on the timing of the restructuring charges because I know there's 6 million you offered last quarter, you took 1.7 million this quarter in Q2 and so there's $4.3 million left. Now, should we think about these restructuring charges being a 2017 story and not spilling over into 2018? Or could they spill over into 2018?

François Desjardins: François will answer.

François Laurin: 2017 story, no more.

Lemar Persaud: Okay, and yeah, that's it for me. Thanks, guys.

François Desjardins: Thank you.

François Laurin: You're welcome.

Operator:

And we'll go ahead with our next question from Darko Mihelic of RBC Capital Markets. Please go ahead.

Darko Mihelic: Hi, thank you.

François Desjardins: Hi, Darko.

Darko Mihelic:

Just a few quick – good afternoon. Just a few quick questions on NCF. Hopefully we can just rifle through this real quick. I am just curious, what did it earn in the last 12 months? What's the efficiency ratio like? Is it safe to say these are risk-weighted, all at 100%? And yeah, maybe I'll just leave it at that for the time being.

François Desjardins:

I'll start backwards. The RWA is around 90%, Darko, of that portfolio. The efficiency ratio, similar to the business service organised operations that we have. And we can't disclose what they did in the last year.

Darko Mihelic:

Okay. And then a separate question entirely just with respect to the deposit side of the ledger, I understand fully that there wouldn't have been any disruption and that is fine. But I guess one of the things that have been happening is in the deposit broker market, I think many of the firms are putting caps on the amount that they are willing to send or have brokers place with other institutions. Is Laurentian Bank and B2B banks subject to those same comps now?

François Desjardins: No.

Darko Mihelic: Okay, and...

François Desjardins:

We have really good relationships with all brokers including the ones that are associated with the majors. But we also have a whole slew of smaller brokerage firms in which we garner deposits from. We also have, you know, in that – those relationships, we have bilateral relationships with a lot of the majors. We do a lot of institutional work or M&A work with the majors. So there's a lot of opportunity for us to exchange and we feel quite comfortable with those relationships.

Darko Mihelic: Okay, that's very helpful. Thank you very much.

François Desjardins: You're welcome.

Male Speaker: You're welcome.

Operator:

And our next question comes from Sohrab Movahedi of BMO Capital Markets. Please go ahead.

Sohrab Movahedi:

Yeah, I think you've done a – you've done a great job. I think all of my questions have been asked and answered. So thank you very much.

François Desjardins: Thank you, Sohrab.

Male Speaker: Always a pleasure, Sohrab.

Operator: There are no further questions.

Susan Cohen:

Thank you for joining us today. Should you have any further questions, our contact information is put at the end of the presentation. Our third quarter 2017 conference call will be held on 29th August and we look forward to speaking with you then. Good evening.

Operator:

And this concludes today's call. Thank you for your participation. You may now disconnect.