LAURENTIAN BANK
FINANCIAL GROUP

FIRST QUARTER 2020

Report to Shareholders

For the period ended January 31, 2020

HIGHLIGHTS OF FIRST QUARTER 2020

- Adjusted net income[1] of $36.9 million, and reported net income of $32.2 million.
- Adjusted return on common shareholders' equity[1] of 5.8%, and reported return on common shareholders' equity of 5.0%.
- Adjusted efficiency ratio[1] of 76.6%, and reported efficiency ratio of 79.1%.
- Common Equity Tier 1 ratio at 9.0%.
- Successful launch of our pan-Canadian digital offering, with deposit balance of $1.0 billion at quarter-end.

	For the three months ended		
In millions of Canadian dollars, except per share and percentage amounts (Unaudited)	**January 31 2020**	January 31 2019	Variance
Reported basis			
Net income	**$ 32.2**	$ 40.3	(20)%
Diluted earnings per share	**$ 0.68**	$ 0.88	(23)%
Return on common shareholders' equity	**5.0%**	6.5%	
Efficiency ratio	**79.1%**	76.2%	
Common Equity Tier 1 capital ratio	**9.0%**	8.9%	
Adjusted basis[1]			
Adjusted net income	**$ 36.9**	$ 44.7	(17)%
Adjusted diluted earnings per share	**$ 0.79**	$ 0.98	(19)%
Adjusted return on common shareholders' equity	**5.8%**	7.3%	
Adjusted efficiency ratio	**76.6%**	74.0%	

(1) Certain measures presented throughout this document exclude amounts designated as adjusting items, and are Non-GAAP measures. Refer to the Non-GAAP and Key Performance Measures section for further details.

Laurentian Bank Financial Group reported net income of $32.2 million and diluted earnings per share of $0.68 for the first quarter of 2020, compared with $40.3 million and $0.88 for the first quarter of 2019. Return on common shareholders' equity was 5.0% for the first quarter of 2020, compared with 6.5% for the first quarter of 2019. On an adjusted basis, net income was $36.9 million and diluted earnings per share were $0.79 for the first quarter of 2020, down 17% and 19% respectively, compared with $44.7 million and $0.98 for the first quarter of 2019. Adjusted return on common shareholders' equity was 5.8% for the first quarter of 2020, compared with 7.3% a year ago. Reported results include adjusting items, as detailed in the Non-GAAP and Key Performance Measures section.

François Desjardins, President and Chief Executive Officer, commented on the first quarter of 2020 highlights: "With the successful launch of LBC Digital, our newest direct to customer channel, we expanded our reach from coast to coast, welcoming thousands of new personal customers and accumulating over a billion dollars in deposits."

"We are disappointed with this quarter's financial results and are addressing both the revenue and expense sides of this equation. However, we did see continued growth in Business Services and progress towards stabilizing our loan portfolio to Personal customers. Capital Markets had a good quarter, with strength in fixed income and improved activity in equities."

M. Desjardins concluded: "We have completed a substantial part of the transformation and we are beginning to see real progress in foundational work, growth in our customer base and concrete advancements towards improving customer experience."

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) is a narrative explanation which presents management's view of Laurentian Bank of Canada's financial condition as at January 31, 2020 and its operating results for the three-month period ended January 31, 2020, compared with the corresponding periods shown. This MD&A should be read in conjunction with the Condensed Interim Consolidated Financial Statements and related notes as at and for the three-month period ended January 31, 2020 and with the 2019 Annual report. This MD&A is dated February 27, 2020.

Additional information about Laurentian Bank of Canada, including the 2019 Annual Information Form, is available on our website at www.lbcfg.ca and on the Canadian Securities Administrators' website at www.sedar.com.

BASIS OF PRESENTATION

The financial information reported herein is based on the Condensed Interim Consolidated Financial Statements and related notes for the three-month period ended January 31, 2020, and, unless otherwise indicated, has been prepared in accordance with International Financial Reporting standards (IFRS), as issued by the International Accounting Standards Board (IASB), as well as in accordance with IAS 34, *Interim Financial Reporting*. All amounts are presented in Canadian dollars.

Financial reporting changes

Adoption of New Accounting Standards
The Bank adopted IFRS 16, *Leases* (IFRS 16) as at November 1, 2019. The adoption of IFRS 16 resulted in a decrease of $7.3 million of shareholders' equity as at November 1, 2019, or a decrease of 10 basis points of the CET1 capital ratio. As permitted by IFRS 16, the Bank did not restate comparative amounts for prior periods. For details on this accounting policy change and on the impact of adoption as at November 1, 2019, refer to Notes 3 and 5 to the Condensed Interim Consolidated Financial Statements.

TABLE OF CONTENTS

Management's Discussion and Analysis 2
Basis of Presentation 2
About Laurentian Bank Financial Group 2
Caution Regarding Forward-looking Statements 3
Highlights 4
Non-GAAP and Key Performance Measures 5
Outlook 6
Analysis of Consolidated Results 8
Analysis of Financial Condition 10
Capital Management 12
Risk Management 13
Additional Financial Information - Quarterly Results 18
Corporate Governance and Changes to Internal Control over Financial Reporting 18
Accounting Policies and Estimates 18
Condensed Interim Consolidated Financial Statements (Unaudited) 19
Shareholder Information 48

ABOUT LAURENTIAN BANK FINANCIAL GROUP

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

With more than 3,200 employees guided by the values of proximity, simplicity and honesty, the Group provides a broad range of advice-based solutions and services to its personal, business and institutional customers. With pan-Canadian activities and a presence in the U.S., the Group is an important player in numerous market segments.

The Group has $44 billion in balance sheet assets and $29 billion in assets under administration.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

In this document and in other documents filed with Canadian regulatory authorities or in other communications, we may, from time to time, make written or oral forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements may include, but are not limited to, statements regarding our business plan and financial objectives including statements contained in our 2019 Annual Report under the heading "Outlook". The forward-looking statements contained in this document are used to assist readers in obtaining a better understanding of our financial position and the results of operations as at and for the periods ended on the dates presented and may not be appropriate for other purposes. Forward-looking statements typically are identified with words or phrases such as believe, estimate, forecast, project, expect, anticipate, plan, goal, target, may, should, could, would, will, intend or the negative of these terms, variations thereof or similar terminology.

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, both general and specific in nature. There is significant risk that the predictions, forecasts, projections or conclusions will prove to be inaccurate, that our assumptions may not be correct, and that actual results may differ materially from such predictions, forecasts, projections or conclusions.

We caution readers against placing undue reliance on forward-looking statements, as a number of factors, many of which are beyond our control and the effects of which can be difficult to predict, could cause our actual results to differ materially from the targets, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions; changes in government monetary, fiscal or economic policies; changes in currency and interest rates; legislative and regulatory developments, including tax legislation and interpretation; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; changes in competition; modifications to credit ratings; scarcity of human resources; developments with respect to labour relations; information technology and cyber security; developments in the technological environment; environmental risk including changes to global environmental policy and the effects of climate change; the possible effects of global conflicts and terrorism, natural disasters, public health emergencies, disruptions to public infrastructure and other catastrophic events; our ability to execute our strategic plans including the reorganization of our retail branches, the modernization of our core banking system and the implementation of the Advanced Internal Ratings-Based (AIRB) Approach to credit risk; as well as our ability to anticipate and effectively manage risks arising from the foregoing.

We further caution that the foregoing list of factors is not exhaustive. Other factors and risks could adversely affect our results. For more information on the risks, uncertainties and assumptions that would cause our actual results to differ from current expectations, please also refer to the "Risk Appetite and Risk Management Framework" section of our 2019 Annual Report, as well as to other public filings available at www.sedar.com.

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

HIGHLIGHTS

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	For the three months ended January 31 2020	October 31 2019	Variance	January 31 2019	Variance
Operating results					
Total revenue	**$ 238,713**	$ 241,638	(1)%	$ 242,338	(1)%
Net income	**$ 32,172**	$ 41,343	(22)%	$ 40,256	(20)%
Adjusted net income[1]	**$ 36,900**	$ 47,966	(23)%	$ 44,653	(17)%
Operating performance					
Diluted earnings per share	**$ 0.68**	$ 0.90	(24)%	$ 0.88	(23)%
Adjusted diluted earnings per share[1]	**$ 0.79**	$ 1.05	(25)%	$ 0.98	(19)%
Return on common shareholders' equity	**5.0 %**	6.6 %		6.5 %	
Adjusted return on common shareholders' equity[1]	**5.8 %**	7.8 %		7.3 %	
Net interest margin	**1.81 %**	1.84 %		1.80 %	
Efficiency ratio	**79.1 %**	74.8 %		76.2 %	
Adjusted efficiency ratio[1]	**76.6 %**	71.2 %		74.0 %	
Operating leverage	**(5.7) %**	(2.9)%		(10.0)%	
Adjusted operating leverage[1]	**(7.5) %**	(0.9)%		(9.5)%	
Financial position ($ millions)					
Loans and acceptances	**$ 33,527**	$ 33,667	— %	$ 34,103	(2)%
Total assets	**$ 44,283**	$ 44,353	— %	$ 45,120	(2)%
Deposits	**$ 25,201**	$ 25,653	(2)%	$ 28,217	(11)%
Common shareholders' equity	**$ 2,306**	$ 2,303	— %	$ 2,253	2 %
Key growth drivers ($ millions)					
Loans to Business customers	**$ 13,184**	$ 12,967	2 %	$ 12,312	7 %
Loans to Personal customers[2]	**$ 20,343**	$ 20,700	(2)%	$ 21,792	(7)%
Deposits from clients[3]	**$ 22,609**	$ 22,518	— %	$ 24,561	(8)%
Basel III regulatory capital ratios					
Common Equity Tier 1 (CET1) capital ratio[4]	**9.0 %**	9.0 %		8.9 %	
CET1 risk-weighted assets ($ millions)	**$ 20,619**	$ 20,407		$ 20,461	
Credit quality					
Gross impaired loans as a % of loans and acceptances	**0.56 %**	0.52 %		0.56 %	
Net impaired loans as a % of loans and acceptances	**0.42 %**	0.40 %		0.43 %	
Provision for credit losses as a % of average loans and acceptances	**0.18 %**	0.15 %		0.12 %	
Common share information					
Closing share price[5]	**$ 42.95**	$ 45.30	(5)%	$ 44.17	(3)%
Price / earnings ratio (trailing for quarter)	**12.0x**	12.0x		9.6x	
Book value per share	**$ 53.95**	$ 54.02	— %	$ 53.41	1 %
Dividends declared per share	**$ 0.67**	$ 0.66	2 %	$ 0.65	3 %
Dividend yield	**6.2 %**	5.8 %		5.9 %	
Dividend payout ratio	**98.6 %**	73.5 %		73.9 %	
Adjusted dividend payout ratio[1]	**84.7 %**	62.6 %		66.1 %	

(1) Refer to the Non-GAAP and Key Performance Measures section.
(2) Including residential mortgage loans.
(3) Including personal deposits from Financial Clinics, Advisors and Brokers, Digital direct to customers offering and Business customers.
(4) Using the Standardized Approach in determining credit risk and operational risk.
(5) Toronto Stock Exchange (TSX) closing market price.

NON-GAAP AND KEY PERFORMANCE MEASURES

NON-GAAP MEASURES

Management uses both generally accepted accounting principles (GAAP) and non-GAAP measures to assess the Bank's performance. Results prepared in accordance with GAAP are referred to as "reported" results. Non-GAAP measures presented throughout this document are referred to as "adjusted" measures and exclude amounts designated as adjusting items. Adjusting items relate to restructuring plans and to business combinations and have been designated as such as management does not believe they are indicative of underlying business performance. Non-GAAP measures are considered useful to readers in obtaining a better understanding of how management analyzes the Bank's results and in assessing underlying business performance and related trends. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are unlikely to be comparable to any similar measures presented by other issuers. The following table shows adjusting items and their impact on reported results.

IMPACT OF ADJUSTING ITEMS ON REPORTED RESULTS

Thousands of Canadian dollars, except per share amounts (Unaudited)	For the three months ended January 31 2020	October 31 2019	January 31 2019
Impact on income before income taxes			
Reported income before income taxes	$ **34,679**	$ 47,926	$ 46,720
Adjusting items, before income taxes			
Impairment and restructuring charges[1]			
Severance charges	**2,838**	1,735	1,347
Other restructuring charges	**(104)**	3,696	659
	2,734	5,431	2,006
Items related to business combinations			
Amortization of net premium on purchased financial instruments[2]	**232**	284	442
Amortization of acquisition-related intangible assets[3]	**3,399**	3,416	3,433
	3,631	3,700	3,875
	6,365	9,131	5,881
Adjusted income before income taxes	$ **41,044**	$ 57,057	$ 52,601
Impact on net income			
Reported net income	$ **32,172**	$ 41,343	$ 40,256
Adjusting items, net of income taxes			
Impairment and restructuring charges[1]			
Severance charges	**2,086**	1,274	989
Other restructuring charges	**(76)**	2,712	483
	2,010	3,986	1,472
Items related to business combinations			
Amortization of net premium on purchased financial instruments[2]	**171**	209	325
Amortization of acquisition-related intangible assets[3]	**2,547**	2,428	2,600
	2,718	2,637	2,925
	4,728	6,623	4,397
Adjusted net income	$ **36,900**	$ 47,966	$ 44,653
Impact on diluted earnings per share			
Reported diluted earnings per share	$ **0.68**	$ 0.90	$ 0.88
Adjusting items			
Impairment and restructuring charges	**0.05**	0.09	0.03
Items related to business combinations	**0.06**	0.06	0.07
	0.11	0.15	0.10
Adjusted diluted earnings per share[4]	$ **0.79**	$ 1.05	$ 0.98

(1) Restructuring charges mainly result from the optimization of our Financial Clinic operations and the related streamlining of certain back-office and corporate functions. Restructuring charges also result from the reorganization of retail brokerage activities and other measures aimed at improving efficiency as detailed in the efficiency measure topic in the "Outlook" section. Restructuring charges include severance charges, salaries, provisions related to the termination of lease contracts before the adoption of IFRS 16, communication expenses and professional fees. Restructuring charges are included in Non-interest expenses.

(2) Amortization of net premium on purchased financial instruments results from a one-time gain on a business acquisition in 2012 and is included in the Amortization of net premium on purchased financial instruments line item.

(3) Amortization of acquisition-related intangible assets results from business acquisitions and is included in the Non-interest expenses line item.

(4) The impact of adjusting items on a per share basis may not add due to rounding.

KEY PERFORMANCE MEASURES

Management also uses a number of financial metrics to assess the Bank's performance.

Detailed information on return on common shareholders' equity is provided below. Other performance measures such as the net interest margin, efficiency ratio, operating leverage and dividend payout ratio are defined in the "Non-GAAP and Key Performance Measures" section of our 2019 Annual Report.

Return on common shareholders' equity

Return on common shareholders' equity (ROE) is a profitability measure calculated as the net income available to common shareholders as a percentage of average common shareholders' equity. The Bank's common shareholders' equity is defined as the sum of the value of common shares, retained earnings and accumulated other comprehensive income (AOCI), excluding cash flow hedge reserves.

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

RETURN ON COMMON SHAREHOLDERS' EQUITY

	For the three months ended		
Thousands of Canadian dollars, except percentage amounts (Unaudited)	**January 31 2020**	October 31 2019	January 31 2019
Reported net income available to common shareholders	**$ 28,975**	$ 38,147	$ 36,999
Adjusting items, net of income taxes	**4,728**	6,623	4,397
Adjusted net income available to common shareholders	**$ 33,703**	$ 44,770	$ 41,396
Average common shareholders' equity	**$ 2,307,045**	$ 2,290,117	$ 2,251,210
Return on common shareholders' equity	**5.0%**	6.6%	6.5%
Adjusted return on common shareholders' equity	**5.8%**	7.8%	7.3%

OUTLOOK

ECONOMIC OUTLOOK

Global economic activity was showing signs of stabilization in late 2019, supported by central bank easing and the de-escalation of the U.S.-China trade war following the "phase one" trade deal. However, the potential impact of the coronavirus epidemic is threatening to disrupt economic activity and is a new risk to this outlook. So far, this risk has primarily impacted the price of oil and other resources, as well as the transportation industry and emerging markets. At the same time, geopolitical uncertainty remains elevated due to social unrest in some emerging markets, concern over future trade negotiations between the UK and the EU and upcoming U.S.-China "phase two" trade talks. Furthermore, in the U.S., the mid-2019 easing by the Federal Reserve and robust labour market conditions continue to support consumer spending.

Our constructive Canadian economic outlook for 2020 is supported by the positive impacts related to the Canada-United States-Mexico Agreement (CUSMA) signed in late January 2020, the increase in the income tax basic personal amount, accommodative financial conditions, above-average household formation and vibrant activity in services-oriented sectors. Canadian real GDP is expected to advance by 1.5% in 2020, after expanding at 1.6% in 2019. Canadian labour market conditions are solid, the unemployment rate stayed near a four-decade low, reaching 5.5% in early 2020. At this mature stage of the business cycle, however, there is risk of a slower pace of hiring and an improvement in terms of job quality, including stronger wage growth. Increased household formation, faster growth in labour income, lower interest rates and diminishing home listings have all tightened conditions in both resale and rental markets in late 2019 and early 2020. In addition, the pace of residential homebuilding, led by rental and condo units, remains at a robust level and is tracking the rate of household formation. Excluding the energy sector, business investment is resilient although the elevated degree of global uncertainty weighs on the outlook. The high utilization rate of capacity among companies and accelerated investment incentives by federal and provincial governments are also favourable to business investment.

Finally, as global uncertainty could persist longer than initially thought, markets are now considering potential rate cuts by the Bank of Canada for 2020. The overnight rate target has remained at, what is our view, an accommodative 1.75% level since the Fall of 2018 and is at its highest level since late 2008. Meanwhile, the Canadian dollar has been relatively stable and continues to trade in a tight range.

STRATEGIC PLAN

In November 2015, we launched a 7-year plan to become a better and different bank, to take advantage of advancements in technology, to address the globalization of banking and to better meet our customers' needs. To achieve this, we outlined three strategic objectives: build a stronger foundation; invest in profitable growth; and improve financial performance. We strive to execute on these strategic objectives with the ultimate goal – to improve the Bank's performance and achieve a profitability level similar to that of the major Canadian banks once the AIRB approach is fully implemented. At the end of 2020, much of the heavy-lifting on upgrading our customer-facing technology is expected to be behind us and this should allow the Bank to pursue growth, cost efficiencies and performance.

Update on key initiatives

Digital Offering
We successfully launched LBC Digital in the first quarter of 2020, a direct-to-customer channel, expanding our customer reach from coast to coast. The initial digital offering includes chequing accounts, high interest savings accounts and guaranteed investment certificates. Since this pan-Canadian launch, we welcomed thousands of new customers and accumulated over a billion dollars in deposits. Over time, our goal is to broaden and deepen customer relationships and use this platform to build out a high-value and complete product suite, with the next product being a credit card.

Evolution of 100% Advice Model
After successfully converting the traditional branch network to a 100% advice model, we are now working towards developing a fully-digital experience and preparations to migrate customer accounts to the new core banking system. By the end of 2020, all new 100% advice model customers should be onboarded digitally and by mid-2021, all our personal banking customers would enjoy the same experience in managing their accounts and day-to-day transactions combined with the benefit of professional financial advice for more complex banking and investment needs.

Core-Banking System Replacement Program
In 2019, we completed Phase 1 of the core banking system replacement program resulting in the migration of all B2B Bank products and most of our loans to business customers to this new system. Phase 2 of the program has already begun and encompasses the products offered in Financial Clinics and the remaining Business Services products. Preparations are underway to build out products and features and we expect that we will gradually migrate all remaining existing personal and business customer accounts onto the new platform starting in the fall of 2020. Phase 2 should be completed by mid-2021 after which we should be able to progressively decommission our legacy systems throughout calendar 2021, gradually eliminating the operating costs associated with maintaining them. The overall investment in the core banking system is now estimated at approximately $225 million.

Efficiency measures
In 2019, as we converted our traditional branches to a 100% Advice model, we began the optimization of certain back-office functions. The $15 million cost saving initiatives were substantially completed over the last twelve months. However, despite the implementation of these measures, the efficiency ratio remains high as we pursue our investments in our foundation, processes and technology. Nonetheless, we are striving to improve both revenues and expenses in order to make tangible efficiency gains throughout the remainder of 2020.

Advanced Internal Ratings-Based approach to credit risk
As part of our plan to improve the Bank's foundation, we are pursuing our initiative to adopt, subject to regulatory approval, the AIRB approach to credit risk in 2022.

ANALYSIS OF CONSOLIDATED RESULTS

The following tables show condensed consolidated results on a reported and on an adjusted basis.

CONDENSED CONSOLIDATED RESULTS – REPORTED BASIS

In thousands of Canadian dollars, except per share amounts (Unaudited)	For the three months ended January 31 2020	October 31 2019	January 31 2019
Net interest income	$ **168,785**	$ 173,205	$ 172,600
Other income	**69,928**	68,433	69,738
Total revenue	**238,713**	241,638	242,338
Amortization of net premium on purchased financial instruments	**232**	284	442
Provision for credit losses	**14,900**	12,600	10,500
Non-interest expenses	**188,902**	180,828	184,676
Income before income taxes	**34,679**	47,926	46,720
Income taxes	**2,507**	6,583	6,464
Net income	$ **32,172**	$ 41,343	$ 40,256
Preferred share dividends, including applicable taxes	**3,197**	3,196	3,257
Net income available to common shareholders'	$ **28,975**	$ 38,147	$ 36,999
Diluted earnings per share	$ **0.68**	$ 0.90	$ 0.88

CONDENSED CONSOLIDATED RESULTS – ADJUSTED BASIS[1]

In thousands of Canadian dollars, except per share amounts (Unaudited)	For the three months ended January 31 2020	October 31 2019	January 31 2019
Net interest income	$ **168,785**	$ 173,205	$ 172,600
Other income	**69,928**	68,433	69,738
Total revenue	**238,713**	241,638	242,338
Provision for credit losses	**14,900**	12,600	10,500
Adjusted non-interest expenses	**182,769**	171,981	179,237
Adjusted income before income taxes	**41,044**	57,057	52,601
Adjusted income taxes	**4,144**	9,091	7,948
Adjusted net income	$ **36,900**	$ 47,966	$ 44,653
Preferred share dividends, including applicable taxes	**3,197**	3,196	3,257
Adjusted net income available to common shareholders'	$ **33,703**	$ 44,770	$ 41,396
Adjusted diluted earnings per share	$ **0.79**	$ 1.05	$ 0.98

THREE MONTHS ENDED JANUARY 31, 2020 COMPARED WITH THREE MONTHS ENDED JANUARY 31, 2019

Net income was $32.2 million and diluted earnings per share were $0.68 for the first quarter of 2020, compared with $40.3 million and $0.88 for the first quarter of 2019. Adjusted net income was $36.9 million for the first quarter of 2020, down 17% from $44.7 million for the first quarter of 2019, while adjusted diluted earnings per share were $0.79, down 19% compared with $0.98 for the first quarter of 2019.

Total revenue

Total revenue decreased by $3.6 million or 1% to $238.7 million for the first quarter of 2020 from $242.3 million for the first quarter of 2019.

Net interest income decreased by $3.8 million or 2% to $168.8 million for the first quarter of 2020, from $172.6 million for the first quarter of 2019. The decrease was mainly due to lower year-over-year loan and deposit volumes and, in part, due to the introductory rate on the newly launched digital high-interest savings accounts, in the first quarter of 2020. This decrease was partly offset by the higher proportion of higher-yielding loans to business customers. A wider Prime/BA spread and a normalized level of liquidity also mitigated the impact of lower volumes. As of November 1, 2019, the introduction of IFRS 16, Leases, added a financing cost component, presented as part of interest expense, on the new lease liability which amounted to $1.2 million for the first quarter of 2020. Net interest margin was 1.81% for the first quarter of 2020, an increase of 1 basis point compared with the first quarter of 2019, mainly as a result of the change in mix in the loan portfolio.

Other income increased by $0.2 million, relatively unchanged at $69.9 million for the first quarter of 2020, compared with $69.7 million for the first quarter of 2019. Market related revenues, including securities gains and income from treasury and financial market operations, increased by a combined $1.5 million compared with the first quarter of 2019. This increase was mostly driven by stronger results on capital market fixed income operations. Recovery in Advisory and other Equity revenues also contributed positively to income. Service charges decreased by $1.2 million compared with the first quarter of 2019, mostly as a result of the ongoing changes to the retail banking environment and the related client banking behavior.

Amortization of net premium on purchased financial instruments

For the first quarter of 2020, amortization of net premium on purchased financial instruments amounted to $0.2 million, compared with $0.4 million for the first quarter of 2019. Refer to the 2019 Annual Consolidated Financial Statements for additional information.

Provision for credit losses

The provision for credit losses amounted to $14.9 million for the first quarter of 2020 compared with $10.5 million for the first quarter of 2019. The increase year-over-year was mainly due to provisions in the commercial loan portfolio. However, economic conditions, as well as the good overall underlying credit quality of our loan portfolios, continue to result in an industry-low loss ratio of 18 basis points. Refer to the Risk Management section for additional information.

Non-interest expenses

Non-interest expenses amounted to $188.9 million for the first quarter of 2020, an increase of $4.2 million or 2% compared with the first quarter of 2019. Adjusted non-interest expenses similarly increased to $182.8 million for the first quarter of 2020.

Salaries and employee benefits increased by $3.2 million to $95.3 million for the first quarter of 2020, compared with the first quarter of 2019, in part as a result of share-based and performance-based compensation, including a portion related to brokerage operations, as well as other sales driven compensation.

Premises and technology costs were $49.8 million for the first quarter of 2020, an increase of $0.7 million compared with the first quarter of 2019, mostly as a result of higher infrastructure costs related to supporting the transformation plan and as we are currently operating multiple platforms simultaneously. For the first quarter of 2020, the rent and property taxes decreased by $5.8 million. This decrease mainly relates to the introduction, as of November 1, 2019, of IFRS 16, Leases, as well as a reduction in our square-footage utilization given the right-sizing of our Financial Clinic network. This was partially offset by a $4.0 million increase in amortization on the newly created right-of-use assets. Including the impact of the interest charge on the new lease liability of $1.2 million, as noted above, overall rental costs improved slightly.

Other non-interest expenses were $41.1 million for the first quarter of 2020, a decrease of $0.4 million or 1% compared with the first quarter of 2019. This decrease was mainly due to lower advertising costs, as well as lower professional fees.

Restructuring charges were $2.7 million for the first quarter of 2020 and mainly reflected expenses for the optimization of the Financial Clinic operations and the related streamlining of certain back-office and corporate functions.

Efficiency ratio

The adjusted efficiency ratio was 76.6% for the first quarter of 2020, compared with 74.0% for the first quarter of 2019, mainly as a result of lower revenue. Adjusted operating leverage was negative year-over-year. The efficiency ratio on a reported basis was 79.1% for the first quarter of 2020, compared with 76.2% for the first quarter of 2019, essentially for the same reason.

Income taxes

For the quarter ended January 31, 2020, income tax expense was $2.5 million, and the effective tax rate was 7.2%. The lower tax rate, compared to the statutory rate, is attributed to a lower taxation level of revenues from foreign operations, as well as from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income. For the quarter ended January 31, 2019, income tax expense was $6.5 million, and the effective tax rate was 13.8%. The lower tax rate for the first quarter of 2020, when compared with the first quarter of 2019, is mainly attributed to the proportionally lower domestic income.

THREE MONTHS ENDED JANUARY 31, 2020 COMPARED WITH THREE MONTHS ENDED OCTOBER 31, 2019

Net income was $32.2 million and diluted earnings per share were $0.68 for the first quarter of 2020, compared with $41.3 million and $0.90 for the fourth quarter of 2019. Adjusted net income was $36.9 million and adjusted diluted earnings per share were $0.79 for the first quarter of 2020, compared with $48.0 million and $1.05 for the fourth quarter of 2019.

Total revenue decreased by $2.9 million to $238.7 million for the first quarter of 2020, compared with $241.6 million for the previous quarter. Net interest income decreased by $4.4 million sequentially to $168.8 million, mainly due to the adoption of IFRS 16 on November 1, 2019, as noted above, the impact of the introductory rate on the newly launched digital high-interest savings accounts in the first quarter of 2020, and a lower Prime/BA spread. Net interest margin was 1.81% for the first quarter of 2020, a decrease of 3 basis points compared with 1.84% for the fourth quarter of 2019, essentially for the same reasons as noted above.

Other income increased by $1.5 million or 2% to $69.9 million for the first quarter of 2020, compared with $68.4 million for the previous quarter, mainly due to strong results on capital market-related revenues. Recovery in Advisory and other Equity revenues also contributed positively to other income.

The line item "Amortization of net premium on purchased financial instruments" amounted to $0.2 million for the first quarter of 2020, essentially unchanged from the fourth quarter of 2019. Refer to the 2019 Annual Consolidated Financial Statements for additional information.

Provision for credit losses totalled $14.9 million for the first quarter of 2020, a $2.3 million increase compared with $12.6 million for the fourth quarter of 2019. Credit losses for the first quarter of 2020 were mainly impacted by higher losses on commercial exposures, as noted above. Refer to the Risk Management section for additional information.

Non-interest expenses increased by $8.1 million to $188.9 million for the first quarter of 2020 from $180.8 million in the fourth quarter of 2019. Adjusted non-interest expenses increased by $10.8 million and amounted to $182.8 million in the first quarter of 2020, compared with $172.0 million in the fourth quarter of 2019. The increase is mainly due to higher share-based and performance-based compensation related to brokerage operations, higher employee benefits, as well as seasonally higher payroll taxes.

ANALYSIS OF FINANCIAL CONDITION

CONDENSED BALANCE SHEET

In thousands of Canadian dollars (Unaudited)	**As at January 31 2020**	As at October 31 2019
Assets		
Cash and deposits with banks	**$ 693,418**	$ 413,555
Securities	**5,489,668**	6,299,936
Securities purchased under reverse repurchase agreements	**3,171,897**	2,538,285
Loans and acceptances, net	**33,423,525**	33,566,071
Other assets	**1,504,780**	1,535,280
	$ 44,283,288	$ 44,353,127
Liabilities and Shareholders' Equity		
Deposits	**$ 25,200,953**	$ 25,652,604
Other liabilities	**7,232,735**	6,870,428
Debt related to securitization activities	**8,926,976**	8,913,333
Subordinated debt	**349,187**	349,101
Shareholders' equity	**2,573,437**	2,567,661
	$ 44,283,288	$ 44,353,127

As at January 31, 2020, total assets amounted to $44.3 billion, slightly lower than as at October 31, 2019 when it stood at $44.4 billion. The decrease essentially results from the lower level of loans.

LIQUID ASSETS

Liquid assets consist of cash, deposits with banks, securities and securities purchased under reverse repurchase agreements. As at January 31, 2020, these assets totalled $9.4 billion, an increase of $0.1 billion compared with $9.3 billion as at October 31, 2019.

Overall, we continued to prudently manage the level of liquid assets as we are progressing on our various initiatives. The Bank benefits from well-diversified funding sources and the current level of cash resources is sufficient to meet obligations, under both normal and stressed conditions. Liquid assets represented 21% of total assets as at January 31, 2020, the same level as at October 31, 2019.

LOANS

Loans and bankers' acceptances, net of allowances, stood at $33.4 billion as at January 31, 2020, down $0.1 billion from October 31, 2019. This decrease mainly results from repayments on personal and residential mortgage loans, whereas we continue to focus on higher-yielding commercial loans. Variances are further explained by the items outlined below.

Personal loans amounted to $4.4 billion and decreased by $0.2 billion or 5% since October 31, 2019, mainly as a result of the continued reduction in the investment loan portfolio, reflecting an ongoing consumer behavior to reduce leverage.

Residential mortgage loans stood at $15.9 billion as at January 31, 2020, a decrease of $0.1 billion or 1% since October 31, 2019. Since the beginning of the year, the acquisition of mortgage loans from third parties, as part of our program to optimize the usage of National Housing Act mortgage-backed securities allocations, has contributed to mitigate the impact of maturities.

Commercial loans and acceptances amounted to $13.2 billion as at January 31, 2020, up 2% since October 31, 2019. This increase is mainly due to inventory financing volumes, as well as to equipment financing operations, partly offset by repayments of commercial real estate loans.

OTHER ASSETS

Other assets remained stable at $1.5 billion as at January 31, 2020, compared with October 31, 2019.

LIABILITIES

Deposits decreased by $0.5 billion or 2% to $25.2 billion as at January 31, 2020 compared with $25.7 billion as at October 31, 2019 mainly driven by the reduction in institutional funding as a result of the lower asset level. Personal deposits stood at $20.1 billion as at January 31, 2020, up $0.3 billion compared with October 31, 2019. Lower term deposits sourced through the Advisors and Brokers channel were offset by higher demand deposits generated following the successful launch of LBC Digital offering in the first quarter of 2020. Business and other deposits decreased by $0.8 billion to $5.1 billion over the same period, mostly in institutional funding. Personal deposits represented 80% of total deposits as at January 31, 2020, compared with 77% as at October 31, 2019, and contributed to our good liquidity position.

SHAREHOLDERS' EQUITY

Shareholders' equity stood at $2,573.4 million as at January 31, 2020, compared with $2,567.7 million as at January 31, 2019. As mentioned in the "Basis of Presentation" section of this MD&A, the adoption of IFRS 16 resulted in a net decrease of $7.3 million of retained earnings as at November 1, 2019. This was offset by the net income contribution, net of declared dividends, as well as by increases in AOCI and common shares. For additional information, please refer to the Consolidated Statement of Changes in Shareholders' Equity.

The Bank's book value per common share was $53.95 as at January 31, 2020 compared to $54.02 as at October 31, 2019.

There were 42,747,740 common shares outstanding as at February 24, 2020.

CAPITAL MANAGEMENT

REGULATORY CAPITAL

OSFI requires banks to meet minimum risk-based capital ratios drawn on the Basel Committee on Banking Supervision (BCBS) capital framework, commonly referred to as Basel III. Under OSFI's "Capital Adequacy Requirements" guideline, the Bank must maintain minimum levels of capital depending on various criteria. Tier 1 capital, the most permanent and subordinated forms of capital, consists of two components: Common Equity Tier 1 capital and Additional Tier 1 capital. Tier 1 capital must be more predominantly composed of common equity to ensure that risk exposures are backed by a high-quality capital base. Tier 2 capital consists of supplementary capital instruments and contributes to the overall strength of a financial institution as a going concern. Under OSFI's guideline, minimum Common Equity Tier 1, Tier 1 and Total capital ratios are set at 7.0%, 8.5% and 10.5% respectively including the 2.5% capital conservation buffer. Refer to the section "Capital Management" of our 2019 Annual Report for additional information on our regulatory capital.

Regulatory capital developments

Revisions to the capital and liquidity requirements for small and medium-sized deposit-taking institutions
We use the Standardized approach to determine credit risk capital and to account for operational risk. Currently, our capital requirements for credit risk under the Standardized approach are not calculated on the same basis as larger Canadian financial institutions which predominantly use the most favourable AIRB approach.

On January 17, 2020, OSFI released a consultative document titled SMSB Capital and Liquidity Requirements. In this document, OSFI proposes changes to the capital and liquidity requirements for Small and Medium-Sized Deposit-Taking Institutions (SMSB). The purpose of this consultative document is to provide stakeholders with an overview of feedback that was received in response to the July 2019 Discussion Paper (Advancing Proportionality: Tailoring Capital and Liquidity Requirements for Small and Medium-Sized Deposit-Taking Institutions) and an update regarding the development of the Pillar 1 SMSB capital and liquidity frameworks. The document outlines changes which are proposed to the framework, and seeks further feedback from stakeholders in advance of the publication of draft SMSB capital and liquidity requirements in late spring 2020. Future phases of this initiative which relate to Pillar 2 and Pillar 3 capital and liquidity requirements will be the subject of consultations later this year.

The implementation of the AIRB Approach remains one of our key initiatives that will strengthen our credit risk management, optimize regulatory capital and provide a level playing field for credit underwriting activities. As previously mentioned, we are targeting the implementation in the first half of 2022, with benefits to be realized subsequently.

REGULATORY CAPITAL

In thousands of Canadian dollars, except percentage amounts (Unaudited)	**As at January 31 2020**	As at October 31 2019
Regulatory capital		
Common Equity Tier 1 capital	**$ 1,856,180**	$ 1,841,382
Tier 1 capital	**$ 2,100,218**	$ 2,085,420
Total capital	**$ 2,513,683**	$ 2,497,108
Total risk-weighted assets[1]	**$ 20,618,646**	$ 20,406,556
Regulatory capital ratios		
Common Equity Tier 1 capital ratio	**9.0%**	9.0%
Tier 1 capital ratio	**10.2%**	10.2%
Total capital ratio	**12.2%**	12.2%

(1) Using the Standardized approach in determining credit risk and operational risk.

The Common Equity Tier 1 capital ratio stood at 9.0% as at January 31, 2020, unchanged compared with October 31, 2019. This level of capital provides the Bank with the flexibility to pursue organic growth, as well as to continue to invest in the implementation of our core banking system, the development of our digital solutions and the project to adopt the AIRB approach to credit risk. During the first quarter, we continued to manage capital, as well as to optimize the product mix with a view to improving profitability as we redeploy capital.

BASEL III LEVERAGE RATIO

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

As detailed in the table below, the leverage ratio stood at 4.7% as at January 31, 2020 and exceeded current requirements.

BASEL III LEVERAGE RATIO

In thousands of Canadian dollars, except percentage amounts (Unaudited)	As at January 31 2020	As at October 31 2019
Tier 1 capital	$ 2,100,218	$ 2,085,420
Total exposures	$ 44,719,741	$ 45,475,982
Basel III leverage ratio	4.7%	4.6%

DIVIDENDS

On February 27, 2020, the Board of Directors declared a quarterly dividend of $0.67 per common share, payable on May 1, 2020 to shareholders of record on April 1, 2020. The Board of Directors also determined that shares attributed under the Bank's Shareholder Dividend Reinvestment and Share Purchase Plan will be made in common shares issued from treasury at a 2% discount.

COMMON SHARE DIVIDENDS AND PAYOUT RATIO

	For the three months ended		
In Canadian dollars, except payout ratios (Unaudited)	January 31 2020	October 31 2019	January 31 2019
Dividends declared per common share	$ 0.67	$ 0.66	$ 0.65
Dividend payout ratio	98.6%	73.5%	73.9%
Adjusted dividend payout ratio[1]	84.7%	62.6%	66.1%

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

RISK MANAGEMENT

We are exposed to various types of risks owing to the nature of our activities. These risks are mainly related to the use of financial instruments. In order to manage these risks, controls such as risk management policies and various risk limits have been implemented. These measures aim to optimize the risk/return ratio in all operating segments. Refer to the section "Risk Appetite and Risk Management Framework" on page 47 of our 2019 Annual Report for additional information.

CREDIT RISK

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

PROVISION (REVERSAL) FOR CREDIT LOSSES

	For the three months ended		
In thousands of Canadian dollars, except percentage amounts (Unaudited)	January 31 2020	October 31 2019	January 31 2019
Personal loans			
Stage 1 and 2	$ (2,968)	$ 2,396	$ (2,872)
Stage 3	6,935	3,081	7,315
	3,967	5,477	4,443
Residential mortgage loans			
Stage 1 and 2	415	603	(701)
Stage 3	1,065	146	649
	1,480	749	(52)
Commercial loans			
Stage 1 and 2	927	1,508	1,515
Stage 3	8,526	4,866	4,594
	9,453	6,374	6,109
Provision for credit losses	$ 14,900	$ 12,600	$ 10,500
As a % of average loans and acceptances	0.18%	0.15%	0.12%

The provision for credit losses increased by $4.4 million or 42% to $14.9 million for the three months ended January 31, 2020 compared with $10.5 million for the three months ended January 31, 2019. The increase year-over-year was mainly due to provisions in the commercial loan portfolio. Also, the level of provision for the first quarter of 2020 reflects the favourable impact of the reduction of loan volumes. Overall, the level of credit losses remains low, reflecting the underlying good credit quality of our loan portfolios.

Refer to the "Risk Appetite and Risk Management" section in our Annual Report for additional information.

Credit losses on personal loans decreased by $0.5 million for three months ended January 31, 2020 compared with the same period of 2019, mainly as a result of lower loan volumes, as well as an improvement in credit quality.

Credit losses on residential mortgage loans increased by $1.5 million for three months ended January 31, 2020 compared with the same period of 2019, but remained at historically low levels, owing to favourable credit conditions and strong underwriting criteria.

Credit losses on commercial loans increased by $3.3 million for three months ended January 31, 2020 compared with the three months ended January 31, 2019, mainly due to higher loan volumes. Credit losses on the commercial portfolios also tend to fluctuate more as they can relate, in part, to larger exposures.

The provision for credit losses expressed as a percentage of average loans and acceptances was 18 bps for the three months ended January 31, 2020 compared to 12 bps for the three months ended January 31, 2019.

IMPAIRED LOANS

In thousands of Canadian dollars, except percentage amounts (Unaudited)		**As at January 31 2020**		As at October 31 2019
Gross impaired loans				
Personal	**$**	**20,847**	$	17,642
Residential mortgages		**56,745**		59,236
Commercial[1]		**109,121**		98,283
		186,713		175,161
Allowances for loan losses against impaired loans (Stage 3)		**(45,912)**		(40,942)
Net impaired loans	**$**	**140,801**	$	134,219
Impaired loans as a % of loans and acceptances				
Gross		**0.56%**		0.52%
Net		**0.42%**		0.40%
Allowances for loan losses against other loans				
Stage 1	**$**	**(29,745)**	$	(29,587)
Stage 2		**(28,160)**		(29,928)
	$	**(57,905)**	$	(59,515)

(1) Including customers' liabilities under acceptances.

Gross impaired loans amounted to $186.7 million as at January 31, 2020, up $11.6 million or 7% compared with October 31, 2019, mainly due to an increase in the commercial loan portfolio.

Allowances for loan losses against impaired loans increased by $5.0 million compared with October 31, 2019, mainly due to a single syndicated commercial loan exposure during the first quarter. Allowances for loan losses against other loans amounted to $57.9 million as at January 31, 2020, down $1.6 million compared with October 31, 2019, as a result of the decrease in loan volumes. The Bank remains comfortably provisioned as overall credit conditions continue to provide strong support to lending activities. In addition, the Bank's loan portfolio is well collateralized, which reduces potential exposures. See Note 7 to the Condensed Interim Consolidated Financial Statements for additional information.

LIQUIDITY AND FUNDING RISK

Liquidity and funding risk is the possibility that the Bank may not be able to gather sufficient cash resources when required and on reasonable conditions, to meet its financial obligations. Financial obligations include obligations to depositors and suppliers, as well as lending commitments, investments and posting collateral.

We maintain liquidity and funding that is appropriate for the execution of our strategy, with liquidity and funding risk remaining well within our approved limits.

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

We maintain a stable volume of deposits originating from our Personal, Business and Institutional customers, as well as diversified wholesale financing sources. Furthermore, we can rely on a stable personal deposits base sourced through our Financial Clinics, Advisors and Brokers, as well as our new Digital Direct to Customers channels. Limits on funding sources are monitored by the Executive Committee and the Board of Directors. Funding strategies also include loan securitization and the issuance of equity or debt instruments through capital markets.

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

The Bank remained compliant with the LAR Guideline throughout the three months ended January 31, 2020.

Regulatory developments concerning liquidity

On January 17, 2020, as mentioned in the Capital Management section above, OSFI released a consultative document titled SMSB Capital and Liquidity Requirements. In this document, OSFI proposes changes to the capital and liquidity requirements for Small and Medium-Sized Deposit-Taking Institutions (SMSB). This consultative document provides an update regarding the development of the Pillar 1 SMSB capital and liquidity frameworks. The document also outlines changes which are proposed to the framework and seeks further feedback from stakeholders in advance of the publication of draft SMSB capital and liquidity requirements in late spring 2020.

On December 5, 2019, OSFI released the final version of Guideline B-6:Liquidity Principles, which sets out OSFI's expectations for how deposit-taking institutions (DTIs) should manage liquidity risk. The final guideline provides DTIs with further clarity on how to manage liquidity risk and ensures that OSFI's expectations are current and appropriate for the scale and complexity of these institutions. The final guideline took effect January 1, 2020 and had limited consequences on how the Bank manages its liquidities.

Contractual maturities of assets and liabilities

The following tables provide remaining contractual maturity profiles of assets and liabilities at their carrying value (e.g., amortized cost or fair value) as at the following balance sheet dates. Details of contractual maturities are a source of information for the management of liquidity risk.

CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

(Thousands of Canadian dollars) **As at January 31, 2020**

	TERM								
	0 TO 3 MONTHS	OVER 3 MONTHS TO 6 MONTHS	OVER 6 MONTHS TO 9 MONTHS	OVER 9 MONTHS TO 12 MONTHS	OVER 1 YEAR TO 2 YEARS	OVER 2 YEARS TO 5 YEARS	OVER 5 YEARS	NO SPECIFIC MATURITY	TOTAL
Assets									
Cash and non-interest bearing deposits with banks	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 79,273	$ 79,273
Interest-bearing deposits with banks	551,062	—	—	—	—	—	—	63,083	614,145
Securities	412,527	502,587	119,700	141,423	838,001	1,945,097	1,119,421	410,912	5,489,668
Securities purchased under reserve repurchase agreements	3,171,897	—	—	—	—	—	—	—	3,171,897
Loans[1]									
Personal loans	10,779	21,887	11,130	15,497	94,840	158,059	17,253	4,118,979	4,448,424
Residential mortgages	969,601	1,375,604	1,168,085	1,176,875	3,886,413	7,193,653	33,086	91,224	15,894,541
Commercial loans	2,053,278	1,046,584	709,107	740,526	2,425,284	2,104,708	827,370	3,005,009	12,911,866
Customers' liabilities under acceptances	272,511	—	—	—	—	—	—	—	272,511
Allowances for loan losses	—	—	—	—	—	—	—	(103,817)	(103,817)
	3,306,169	2,444,075	1,888,322	1,932,898	6,406,537	9,456,420	877,709	7,111,395	33,423,525
Others	2,038	1,205	1,435	708	3,646	1,549	66	1,494,133	1,504,780
Total assets	$ 7,443,693	$ 2,947,867	$ 2,009,457	$ 2,075,029	$ 7,248,184	$ 11,403,066	$ 1,997,196	$ 9,158,796	$ 44,283,288
Liabilities									
Personal deposits[1]	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 20,072,818	$ 20,072,818
Business, Banks and other deposits[1]	244,094	23,000	300,000	4,000	991,179	1,053,412	(26,552)	2,539,002	5,128,135
Obligations related to securities sold short[2]	1,048,653	57,916	47	53,469	286,711	692,807	1,275,733	17,710	3,433,046
Obligations related to securities sold under repurchase agreements	2,123,487	—	—	—	—	—	—	—	2,123,487
Other Liabilities	272,511	—	—	—	—	—	—	1,403,691	1,676,202
Debt related to securitization activities[3]	259,991	559,522	313,135	564,854	2,171,523	4,334,078	710,665	13,208	8,926,976
Subordinated debt	—	—	—	—	—	350,255	—	(1,068)	349,187
Equity	—	—	—	—	125,000	125,000	—	2,323,437	2,573,437
Total liabilities and equity	$ 3,948,736	$ 640,438	$ 613,182	$ 622,323	$ 3,574,413	$ 6,555,552	$ 1,959,846	$ 26,368,798	$ 44,283,288

(1) Amounts collectible on demand are considered to have no specific maturity.
(2) Amounts are disclosed according to the remaining contractual maturity of the underlying security.
(3) Personal loan securitization cash flows are based on a behavioral prepayment model.

(Thousands of Canadian dollars) As at October 31, 2019

	TERM								
	0 TO 3 MONTHS	OVER 3 MONTHS TO 6 MONTHS	OVER 6 MONTHS TO 9 MONTHS	OVER 9 MONTHS TO 12 MONTHS	OVER 1 YEAR TO 2 YEARS	OVER 2 YEARS TO 5 YEARS	OVER 5 YEARS	NO SPECIFIC MATURITY	TOTAL
Assets									
Cash and non-interest bearing deposits with banks	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 90,658	$ 90,658
Interest-bearing deposits with banks	252,325	—	—	—	—	—	—	70,572	322,897
Securities	818,057	754,946	410,771	122,511	672,955	2,031,415	1,091,422	397,859	6,299,936
Securities purchased under reserve repurchase agreements	2,538,285	—	—	—	—	—	—	—	2,538,285
Loans[1]									
Personal loans	16,433	14,320	18,025	11,124	76,995	190,406	18,368	4,314,853	4,660,524
Residential mortgages	987,578	1,027,376	1,309,644	1,189,747	3,974,066	7,421,955	36,266	93,048	16,039,680
Commercial loans	2,063,926	840,242	1,029,731	635,460	2,387,209	2,104,681	792,106	2,792,977	12,646,332
Customers' liabilities under acceptances	319,992	—	—	—	—	—	—	—	319,992
Allowances for loan losses	—	—	—	—	—	—	—	(100,457)	(100,457)
	3,387,929	1,881,938	2,357,400	1,836,331	6,438,270	9,717,042	846,740	7,100,421	33,566,071
Others	1,281	1,588	1,200	1,422	2,180	3,805	79	1,523,725	1,535,280
Total assets	$6,997,877	$2,638,472	$2,769,371	$1,960,264	$7,113,405	$11,752,262	$1,938,241	$9,183,235	$44,353,127
Liabilities									
Personal deposits[1]	$1,912,268	$1,698,393	$1,534,854	$1,539,422	$4,607,963	$ 4,296,013	$ 51,413	$4,106,934	$19,747,260
Business, Banks and other deposits[1]	1,033,869	266,606	267,181	457,174	1,176,759	1,092,123	4,617	1,607,015	5,905,344
Obligations related to securities sold short[2]	499,739	94,645	12,758	3,140	195,115	859,115	930,342	23,293	2,618,147
Obligations related to securities sold under repurchase agreements	2,558,883	—	—	—	—	—	—	—	2,558,883
Other Liabilities	319,992	—	—	—	—	—	—	1,373,406	1,693,398
Debt related to securitization activities[3]	600,757	262,850	559,041	314,816	2,079,666	4,336,901	741,821	17,481	8,913,333
Subordinated debt	—	—	—	—	—	350,000	—	(899)	349,101
Equity	—	—	—	—	125,000	125,000	—	2,317,661	2,567,661
Total liabilities and equity	$6,925,508	$2,322,494	$2,373,834	$2,314,552	$8,184,503	$11,059,152	$1,728,193	$9,444,891	$44,353,127

(1) Amounts collectible on demand are considered to have no specific maturity.
(2) Amounts are disclosed according to the remaining contractual maturity of the underlying security.
(3) Personal loan securitization cash flows are based on a behavioral prepayment model.

MARKET RISK

Market risk is the financial loss that the Bank could incur due to unfavourable fluctuations in the value of financial instruments as a result of changes in the underlying factors used to measure them, such as interest rates, currency exchange rates or equity prices. This risk is inherent to the Bank's financing, investment, trading and asset and liability management (ALM) activities.

The purpose of ALM activities is to control structural interest rate risk, which corresponds to the potential negative impact of interest rate movements on the Bank's net interest income and economic value of its capital. Dynamic management of structural interest rate risk is intended to maximize the Bank's profitability while preserving the economic value of common shareholders' equity.

The table below provides a measure of the sensitivity to changes in interest rates of the Bank as at January 31, 2020. As presented, the effect on the economic value of common shareholders' equity and on net interest income before taxes of a sudden and sustained 1% increase in interest rates was as follows.

STRUCTURAL INTEREST RATE SENSITIVITY ANALYSIS

In thousands of Canadian dollars (Unaudited)	**As at January 31 2020**	As at October 31 2019
Effect of a 1% increase in interest rates		
Increase in net interest income before taxes over the next 12 months	**$ 15,666**	$ 3,877
Decrease in the economic value of common shareholders' equity (net of income taxes)	**$ (38,290)**	$ (49,524)

ADDITIONAL FINANCIAL INFORMATION - QUARTERLY RESULTS

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	January 31 2020	October 31 2019	July 31 2019	April 30 2019	January 31 2019	October 31 2018	July 31 2018	April 30 2018
Net interest income	**$ 168,785**	$ 173,205	$ 176,042	$ 164,564	$ 172,600	$ 173,152	$ 177,013	$ 177,112
Other income	**69,928**	68,433	68,611	75,317	69,738	82,705	83,651	82,775
Total revenue	**238,713**	241,638	244,653	239,881	242,338	255,857	260,664	259,887
Amortization of net premium on purchased financial instruments	**232**	284	336	390	442	495	547	601
Provision for credit losses	**14,900**	12,600	12,100	9,200	10,500	17,600	4,900	9,500
Non-interest expenses	**188,902**	180,828	177,858	183,131	184,676	176,437	187,245	175,554
Income before income taxes	**34,679**	47,926	54,359	47,160	46,720	61,325	67,972	74,232
Income taxes	**2,507**	6,583	6,561	3,847	6,464	10,524	13,069	15,037
Net income	**$ 32,172**	$ 41,343	$ 47,798	$ 43,313	$ 40,256	$ 50,801	$ 54,903	$ 59,195
Earnings per share								
Basic	**$ 0.68**	$ 0.90	$ 1.05	$ 0.95	$ 0.88	$ 1.13	$ 1.23	$ 1.34
Diluted	**$ 0.68**	$ 0.90	$ 1.05	$ 0.95	$ 0.88	$ 1.13	$ 1.23	$ 1.34

CORPORATE GOVERNANCE AND CHANGES TO INTERNAL CONTROL OVER FINANCIAL REPORTING

During the first quarter ended January 31, 2020, there have been no changes to internal control over financial reporting that affected materially, or are reasonably likely to materially affect ICFR.

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

ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies followed by the Bank are outlined in Notes 2 and 3 of the 2019 Annual Consolidated Financial Statements. The Condensed Interim Consolidated Financial Statements for the first quarter ended January 31, 2020 have been prepared in accordance with these accounting policies, except for the changes described in Note 3 to the Condensed Interim Consolidated Financial Statements, which have been applied since November 1, 2019 following the Bank's adoption of IFRS 16, *Leases* and amendments to IFRS 9, IAS 39 and IFRS 7 in respect of the IBOR Reform.

Some of these accounting policies are deemed critical as they require management to apply judgment in order to make particularly significant estimates that, by their very nature, involve uncertainties. Changes in these estimates could materially affect the Bank's Consolidated Financial Statements. Refer to the section "Critical Accounting Policies and Estimations" of our 2019 Annual Report, as well as to Notes 2 and 3 of the Condensed Interim Consolidated Financial Statements for additional information.

FUTURE CHANGES TO ACCOUNTING POLICIES

Except for the adoption of IFRS 16 as at November 1, 2019, and the ongoing process related to the Phase two of the IASB's work to respond to the IBOR reform, as noted in Note 4 to the Condensed Interim Consolidated Financial Statements, there have been no significant updates to the future accounting changes disclosed in Note 4 of the 2019 Annual Consolidated Financial Statements and in the section "Future Accounting Changes" of our 2019 Annual Report.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the period ended January 31, 2020

TABLE OF CONTENTS

Consolidated Balance Sheet 20
Consolidated Statement of Income 21
Consolidated Statement of Comprehensive Income 22
Consolidated Statement of Changes in Shareholders' Equity 23
Consolidated Statement of Cash Flows 25
Notes to the Condensed Interim Consolidated Financial Statements 26
1. General Information 26
2. Basis of Presentation 26
3. Current Accounting Policy Changes 28
4. Future Accounting Changes 28
5. Adoption of New Accounting Standards 28
6. Securities 29
7. Loans and Allowances for Credit Losses 30
8. Securitization and Structured Entities 38
9. Share Capital 39
10. Share-Based Compensation 41
11. Post-Employment Benefits 42
12. Earnings per Share 42
13. Financial Instruments – Fair Value 43
14. Income Related to Financial Instruments 43
15. Contingent Liabilities 43
16. Restructuring Charges 44

CONSOLIDATED BALANCE SHEET[1]

In thousands of Canadian dollars (Unaudited)	Notes	As at January 31 2020	As at October 31 2019
Assets			
Cash and non-interest bearing deposits with banks		$ 79,273	$ 90,658
Interest bearing deposits with banks		614,145	322,897
Securities	6		
At amortized cost		2,458,034	2,744,929
At fair value through profit or loss (FVTPL)		2,717,549	3,242,146
At fair value through other comprehensive income (FVOCI)		314,085	312,861
		5,489,668	6,299,936
Securities purchased under reverse repurchase agreements		3,171,897	2,538,285
Loans	7 and 8		
Personal		4,448,424	4,660,524
Residential mortgage		15,894,541	16,039,680
Commercial		12,911,866	12,646,332
Customers' liabilities under acceptances		272,511	319,992
		33,527,342	33,666,528
Allowances for loan losses		(103,817)	(100,457)
		33,423,525	33,566,071
Other			
Derivatives		141,161	143,816
Premises and equipment		79,988	77,802
Right-of-use assets	5	135,026	n/a
Software and other intangible assets		387,114	391,162
Goodwill		116,921	116,649
Deferred tax assets		42,408	37,045
Other assets		602,162	768,806
		1,504,780	1,535,280
		$ 44,283,288	$ 44,353,127
Liabilities and shareholders' equity			
Deposits			
Personal		$ 20,072,818	$ 19,747,260
Business, banks and other		5,128,135	5,905,344
		25,200,953	25,652,604
Other			
Obligations related to securities sold short		3,433,046	2,618,147
Obligations related to securities sold under repurchase agreements		2,123,487	2,558,883
Acceptances		272,511	319,992
Derivatives		129,035	112,737
Lease liabilities	5	168,312	n/a
Deferred tax liabilities		54,999	53,102
Other liabilities		1,051,345	1,207,567
		7,232,735	6,870,428
Debt related to securitization activities	8	8,926,976	8,913,333
Subordinated debt		349,187	349,101
Shareholders' equity			
Preferred shares	9	244,038	244,038
Common shares	9	1,144,387	1,139,193
Retained earnings		1,156,681	1,161,668
Accumulated other comprehensive income		25,762	20,947
Share-based compensation reserve	10	2,569	1,815
		2,573,437	2,567,661
		$ 44,283,288	$ 44,353,127

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

(1) The Consolidated Balance Sheet as at January 31, 2020 reflects the adoption of the IFRS 16 new accounting standard as at November 1, 2019. Refer to Notes 2 and 5 for further information. The comparative information has not been restated.

CONSOLIDATED STATEMENT OF INCOME[1]

In thousands of Canadian dollars, except per share amounts (Unaudited)	Notes	For the three months ended January 31 2020	October 31 2019	January 31 2019
Interest and dividend income	14			
Loans		**$ 354,621**	$ 360,367	$ 361,538
Securities		**17,696**	18,318	19,480
Deposits with banks		**2,329**	2,120	2,121
Other, including derivatives		**4,909**	6,551	10,436
		379,555	387,356	393,575
Interest expense				
Deposits		**153,845**	157,984	158,496
Debt related to securitization activities		**47,697**	44,961	42,409
Subordinated debt		**3,831**	3,835	3,835
Other, including derivatives and interest on lease liabilities		**5,397**	7,371	16,235
		210,770	214,151	220,975
Net interest income		**168,785**	173,205	172,600
Other income				
Lending fees		**15,294**	16,630	14,581
Service charges		**9,327**	10,109	10,543
Card service revenues		**8,551**	7,855	8,594
Commissions from sales of mutual funds		**10,934**	10,706	10,711
Fees and securities brokerage commissions		**10,600**	11,919	10,021
Income (loss) from financial instruments		**4,806**	(584)	3,309
Fees on investment accounts		**4,261**	4,593	4,603
Insurance income, net		**3,062**	3,334	3,635
Other	7	**3,093**	3,871	3,741
		69,928	68,433	69,738
Total revenue		**238,713**	241,638	242,338
Amortization of net premium on purchased financial instruments		**232**	284	442
Provision for credit losses	7	**14,900**	12,600	10,500
Non-interest expenses				
Salaries and employee benefits	10, 11	**95,269**	84,755	92,089
Premises and technology		**49,767**	49,017	49,046
Other		**41,132**	41,625	41,535
Restructuring charges	16	**2,734**	5,431	2,006
		188,902	180,828	184,676
Income before income taxes		**34,679**	47,926	46,720
Income taxes		**2,507**	6,583	6,464
Net income		**$ 32,172**	$ 41,343	$ 40,256
Preferred share dividends, including applicable taxes		**3,197**	3,196	3,257
Net income available to common shareholders		**$ 28,975**	$ 38,147	$ 36,999
Weighted-average number of common shares outstanding (in thousands)				
Basic		**42,666**	42,518	42,114
Diluted		**42,740**	42,583	42,133
Earnings per share	12			
Basic		**$ 0.68**	$ 0.90	$ 0.88
Diluted		**$ 0.68**	$ 0.90	$ 0.88
Dividends declared per share				
Common share		**$ 0.67**	$ 0.66	$ 0.65
Preferred share - Series 13		**$ 0.26**	$ 0.26	$ 0.27
Preferred share - Series 15		**$ 0.37**	$ 0.37	$ 0.37

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

(1) The Consolidated Statement of Income for the period ended January 31, 2020 reflects the adoption of the IFRS 16 new accounting standard as at November 1, 2019. Refer to Notes 2 and 5 for further information. The comparative information has not been restated.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME[1]

In thousands of Canadian dollars (Unaudited)	For the three months ended January 31 2020	October 31 2019	January 31 2019
Net income	**$ 32,172**	$ 41,343	$ 40,256
Other comprehensive income (loss), net of income taxes			
Items that may subsequently be reclassified to the Statement of Income			
Net change in debt securities at FVOCI			
Unrealized net gains (losses) on debt securities at FVOCI	**(17)**	(114)	1,036
Reclassification of net (gains) losses on debt securities at FVOCI to net income	**24**	115	(69)
	7	1	967
Net change in value of derivatives designated as cash flow hedges	**2,242**	(1,764)	23,984
Net foreign currency translation adjustments			
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**2,419**	(432)	(963)
Net gains (losses) on hedges of investments in foreign operations	**147**	(242)	(1,910)
	2,566	(674)	(2,873)
	4,815	(2,437)	22,078
Items that may not subsequently be reclassified to the Statement of Income			
Remeasurement gains (losses) on employee benefit plans	**(2,904)**	(3,938)	(2,031)
Net gains (losses) on equity securities designated at FVOCI	**4,758**	(3,338)	(13,283)
	1,854	(7,276)	(15,314)
Total other comprehensive income (loss), net of income taxes	**6,669**	(9,713)	6,764
Comprehensive income	**$ 38,841**	$ 31,630	$ 47,020

INCOME TAXES — OTHER COMPREHENSIVE INCOME

The following table shows income tax expense (recovery) for each component of other comprehensive income.

In thousands of Canadian dollars (Unaudited)	For the three months ended January 31 2020	October 31 2019	January 31 2019
Net change in debt securities at FVOCI			
Unrealized net gains (losses) on debt securities at FVOCI	**$ (6)**	$ 140	$ 578
Reclassification of net (gains) losses on debt securities at FVOCI to net income	**9**	(137)	—
	3	3	578
Net change in value of derivatives designated as cash flow hedges	**808**	(639)	8,673
Net foreign currency translation adjustments			
Net gains (losses) on hedges of investments in foreign operations	**—**	142	—
Remeasurement gains (losses) on employee benefit plans	**(1,047)**	(1,443)	(736)
Net gains (losses) on equity securities designated at FVOCI	**1,717**	$ (1,181)	$ (4,818)
	$ 1,481	$ (3,118)	$ 3,697

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

(1) The Consolidated Statement of Comprehensive Income for the period ended January 31, 2020 reflects the adoption of adoption of the IFRS 16 new accounting standard as at November 1, 2019. Refer to Notes 2 and 5 for further information. The comparative information has not been restated.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY[1]

For the three months ended January 31

In thousands of Canadian dollars (Unaudited)	Preferred shares (Note 9)	Common shares (Note 9)	Retained earnings	Accumulated Other Comprehensive Income: Debt securities at FVOCI	Accumulated Other Comprehensive Income: Cash flow hedges	Accumulated Other Comprehensive Income: Translation of foreign operations	Accumulated Other Comprehensive Income: Total	Share-based compensation reserve (Note 10)	Total shareholders' equity
Balance as at October 31, 2019	$ 244,038	$ 1,139,193	$ 1,161,668	$ 328	$ 21,049	$ (430)	$ 20,947	$ 1,815	$ 2,567,661
Impact of adoption of IFRS 16, Leases (Notes 2 and 5)			(7,256)						(7,256)
Balance as at November 1, 2019	244,038	1,139,193	1,154,412	328	21,049	(430)	20,947	1,815	2,560,405
Net income			32,172						32,172
Other comprehensive income (net of income taxes)									
Unrealized net gains (losses) on debt securities at FVOCI				(17)			(17)		(17)
Reclassification of net (gains) losses on debt securities at FVOCI to net income				24			24		24
Net change in value of derivatives designated as cash flow hedges					2,242		2,242		2,242
Net unrealized foreign currency translation gains (losses) on investments in foreign operations						2,419	2,419		2,419
Net gains (losses) on hedges of investments in foreign operations						147	147		147
Remeasurement of gains (losses) on employee benefit plans			(2,904)						(2,904)
Net gains (losses) on equity securities designated at FVOCI			4,758						4,758
Comprehensive income			34,026	7	2,242	2,566	4,815		38,841
Issuance of share capital		5,194							5,194
Share-based compensation								754	754
Dividends									
Preferred shares, including applicable taxes			(3,197)						(3,197)
Common shares			(28,560)						(28,560)
Balance as at January 31, 2020	$ 244,038	$ 1,144,387	$ 1,156,681	$ 335	$ 23,291	$ 2,136	$ 25,762	$ 2,569	$ 2,573,437

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

(1) The Consolidated Statement of Changes in Shareholders' Equity for the period ended January 31, 2020 reflects the adoption of the IFRS 16 new accounting standard as at November 1, 2019. Refer to Notes 2 and 5 for further information. The comparative information has not been restated.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)

For the three months ended January 31

				Accumulated other comprehensive income						
In thousands of Canadian dollars (Unaudited)	Preferred shares (Note 9)	Common shares (Note 9)	Retained earnings	Debt securities at FVOCI	Available-for-sale securities	Cash flow hedges	Translation of foreign operations	Total	Share-based compensation reserve (Note 10)	Total shareholders' equity
Balance as at November 1, 2018	244,038	1,115,416	1,138,383	(1,621)	—	(12,244)	4,283	(9,582)	268	2,488,523
Net income			40,256							40,256
Other comprehensive income (net of income taxes)										
Unrealized net gains (losses) on debt securities at FVOCI				1,036				1,036		1,036
Reclassification of net (gains) losses on debt securities at FVOCI to net income				(69)				(69)		(69)
Net change in value of derivatives designated as cash flow hedges						23,984		23,984		23,984
Net unrealized foreign currency translation (gains) losses on investments in foreign operations							(963)	(963)		(963)
Net gains (losses) on hedges of investments in foreign operations							(1,910)	(1,910)		(1,910)
Remeasurement gains (losses) on employee benefit plans			(2,031)							(2,031)
Net gains (losses) on equity securities designated at FVOCI			(13,283)							(13,283)
Comprehensive income			24,942	967	n/a	23,984	(2,873)	22,078		47,020
Issuance of share capital		4,936								4,936
Share-based compensation									515	515
Dividends										
Preferred shares, including applicable taxes			(3,257)							(3,257)
Common shares			(27,350)							(27,350)
Balance as at January 31, 2019	$ 244,038	$ 1,120,352	$ 1,132,718	$ (654)	n/a	$ 11,740	$ 1,410	$ 12,496	$ 783	$ 2,510,387

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

CONSOLIDATED STATEMENT OF CASH FLOWS(1)

		For the three months ended		
In thousands of Canadian dollars (Unaudited)	Notes	**January 31 2020**	October 31 2019	January 31 2019
Cash flows relating to operating activities				
Net income		**$ 32,172**	$ 41,343	$ 40,256
Adjustments to determine net cash flows relating to operating activities:				
Provision for credit losses	7	**14,900**	12,600	10,500
Deferred income taxes		**(293)**	17,448	(1,395)
Depreciation of premises and equipment		**1,853**	1,849	1,763
Depreciation of right-of-use-assets		**4,038**	n/a	n/a
Amortization of software and other intangible assets		**10,087**	10,056	9,473
Change in operating assets and liabilities:				
Loans		**128,783**	207,305	185,369
Acceptances		**(47,481)**	83,568	(23,366)
Securities at FVTPL		**524,597**	(578,901)	163,306
Securities purchased under reverse repurchase agreements		**(633,612)**	297,510	307,147
Accrued interest receivable		**22,657**	(15,360)	(1,028)
Derivative assets		**2,655**	24,637	(30,542)
Deposits		**(451,651)**	(963,001)	209,970
Obligations related to securities sold short		**814,899**	(303,807)	88,939
Obligations related to securities sold under repurchase agreements		**(435,396)**	112,176	(304,984)
Accrued interest payable		**(24,236)**	41,081	(27,579)
Derivative liabilities		**16,298**	(12,363)	(118,571)
Debt related to securitization activities		**13,643**	935,526	(448,473)
Other, net		**57,228**	(133,713)	(12,819)
		51,141	(222,046)	47,966
Cash flows relating to financing activities				
Net proceeds from issuance of common shares	9	**20**	21	(4)
Dividends		**(47,402)**	(24,886)	(26,837)
		(47,382)	(24,865)	(26,841)
Cash flows relating to investing activities				
Change in securities at amortized cost				
Acquisitions		**(733,085)**	(842,657)	(958,876)
Proceeds on sale and at maturity		**1,019,973**	828,942	1,005,584
Change in securities at FVOCI				
Acquisitions		**(84,732)**	(115,418)	(238,828)
Proceeds on sale and at maturity		**89,999**	116,242	198,853
Proceeds on sale of commercial loan portfolios	7	**—**	—	105,366
Additions to premises and equipment and software and other intangible assets		**(16,139)**	(14,693)	(17,995)
Change in interest bearing deposits with banks		**(291,248)**	261,184	(123,225)
		(15,232)	233,600	(29,121)
Effect of exchange rate changes on cash and non-interest-bearing deposits with other banks		**88**	(43)	(355)
Net change in cash and non-interest bearing deposits with banks		**(11,385)**	(13,354)	(8,351)
Cash and non-interest bearing deposits with banks at beginning of period		**90,658**	104,012	116,490
Cash and non-interest bearing deposits with banks at end of period		**$ 79,273**	$ 90,658	$ 108,139
Supplemental disclosure about cash flows relating to operating activities:				
Interest paid during the period		**$ 237,003**	$ 171,662	$ 240,928
Interest received during the period		**$ 400,439**	$ 367,119	$ 383,734
Dividends received during the period		**$ 3,855**	$ 4,464	$ 3,447
Income taxes paid (received) during the period		**$ 5,071**	$ (160)	$ 19,179

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

(1) The Consolidated Statement of Cash Flows for the three months ended January 31, 2020 reflects the adoption of the IFRS 16 new accounting standard as at November 1, 2019. Refer to Notes 2 and 5 for further information. The comparative information has not been restated.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

1. GENERAL INFORMATION

Laurentian Bank of Canada (the Bank) provides financial services to its personal, business and institutional customers. The Bank operates across Canada primarily and in the United States.

The Bank is the ultimate parent of the group. The Bank is a chartered bank under Schedule 1 of the Bank Act (Canada) and has its head office in Montreal, Canada, with a registered office in Toronto. The Bank's common shares (stock symbol: LB) are listed on the Toronto Stock Exchange.

The Condensed Interim Consolidated Financial Statements for the period ended January 31, 2020 were approved for issuance by the Board of Directors on February 27, 2020.

2. BASIS OF PRESENTATION

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

These consolidated financial statements should be read in conjunction with the Annual Consolidated Financial Statements for the year ended October 31, 2019 prepared in accordance with IFRS. The accounting policies described in Note 3 to the Annual Consolidated Financial Statements have been applied consistently to all periods presented within these financial statements, except for the changes described in Note 3 to these consolidated financial statements, which have been applied since November 1, 2019 following the Bank's adoption of IFRS 16, *Leases* and amendments to IFRS 9, IAS 39 and IFRS 7 in respect of the IBOR Reform. Note 5 to these consolidated financial statements shows the impacts of the adoption of new accounting standards as at November 1, 2019. As permitted by IFRS 16, the Bank did not restate comparative amounts for prior periods.

Use of estimates and judgment

The preparation of these consolidated financial statements in accordance with IFRS requires management to make complex judgments that affect the reported amounts of assets, liabilities, net income and other related disclosures, as further described in Note 2 to the Annual Consolidated Financial Statements. New estimates about determining the lease term of contracts with renewal options have been applied since November 1, 2019 following the Bank's adoption of IFRS 16 and are further described in Note 5 to these consolidated financial statements. Management has established controls and procedures to ensure these estimates are controlled, reviewed and consistently applied over time. Management believes that the estimates of the value of the Bank's assets and liabilities are appropriate.

3. CURRENT ACCOUNTING POLICY CHANGES

The accounting policies hereafter have been applied as at November 1, 2019 following the adoption of IFRS 16 and amendments to IFRS 9, IAS 39 and IFRS 7 in respect of the IBOR Reform.

3.1 LEASES

On November 1, 2019, the Bank adopted IFRS 16, *Leases* which replaces, IAS 17, *Leases*, and related interpretations. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. The Bank adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of the adoption was recognized in opening Retained Earnings as at November 1, 2019. The comparative information was not restated and continues to be reported under IAS 17, Leases and related interpretations.

Under IFRS 16, a lease is a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For the lessor, the standard does not provide for any significant changes. Therefore, there was no impact on the Bank for leases where it is the lessor.

For leases previously classified as operating leases, as a lessee, the Bank elected to apply the following transitional expedients as at November 1, 2019 :

- Contracts existing as at November 1, 2019 and ending during fiscal 2020 will be recognized as lease expense (short term leases).
- Low value leases will be recognized as lease expense.
- Use of hindsight to determine lease term.

a) Policy applicable from November 1, 2019

On the lease commencement date, a right-of-use asset and a lease liability are recognized. The right-of-use asset is initially measured at cost, which corresponds to the value of the lease liability adjusted for any lease payment made at or before the commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Bank's incremental borrowing rate for a similar asset. Lease payments included in the measurement of the lease liability comprise fixed payments, reduced by any incentive receivables, and exclude operational costs and variable lease payments. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Short-term leases are leases with a lease term of 12 months or less. For short-term leases and leases of low-value assets, we record the lease payments as an operating expense on a straight-line over the lease term.

The Bank presents right-of-use assets in Other assets and lease liabilities in Other liabilities in the Consolidated Balance Sheet. The interest expense is presented under Interest expense and the depreciation is presented in Non-interest expenses in the Consolidated Statement of Income.

b) Policy applicable before November 1, 2019

Leases which did not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items were operating leases. Payments made under operating leases were recognized on a straight-line basis over the lease term and reported in Non-interest expenses under Premises and technology.

3.2 IBOR REFORM (Amendments to IFRS 9, IAS 39 and IFRS 7)

As a result of the effects of Interbank Offered Rates (IBOR) reform, on September 26, 2019, the IASB issued Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39, and IFRS 7, of which the Bank adopted the applicable amendments relating to hedge accounting. The amendments provide temporary exceptions from applying specific hedge accounting requirements to all hedging relationships directly affected by interest rate benchmark reform. Under the amendments, entities would apply hedge accounting requirements assuming that the interest rate benchmark is not altered, thereby enabling hedge accounting to continue during the period of uncertainty prior to the replacement of an existing interest rate benchmark with an alternative benchmark rate. The amendments also provide an exception from the requirement to discontinue hedge accounting if the actual results of the hedge do not meet the effectiveness requirements as a result of interest rate benchmark reform. Amendments were also made to IFRS 7 introducing additional disclosures related to amended IAS 39.

3. CURRENT ACCOUNTING POLICY CHANGES (CONT'D)

3.2 IBOR REFORM (Amendments to IFRS 9, IAS 39 and IFRS 7) (CONT'D)

The Bank's hedging relationships have significant exposure to USD LIBOR benchmark rates. Under IBOR reform, these benchmark rates may be subject to discontinuance, changes in methodology, or become illiquid when the adoption of the reform as established benchmark rates increase. As a result of these developments, significant judgment is required in determining whether certain hedging relationships that hedge the variability of cash flows and interest rate or foreign exchange risk due to changes in IBORs continue to qualify for hedge accounting. Impacted hedging relationships will continue to be monitored for the impact of IBOR reform. As a result of the amendments relating to hedge accounting, the existing hedges are still effective, therefore there is no impact for the first quarter of the current year. The notional amount of cross-currency swaps and interest rate swaps indexed to USD LIBOR, with a maturity date beyond December 31, 2021, is $135.1 million as at January 31, 2020. These instruments are being monitored for the impact of IBOR reform.

3.3 IFRS INTERPRETATIONS COMMITTEE INTERPRETATION 23, Uncertainty over income tax treatments (IFRIC 23)

During the first quarter, we adopted IFRIC 23 which provides guidance on the recognition and measurement of tax assets and liabilities under IAS 12, Income taxes, when there is uncertainty over income tax treatments, replacing our application of IAS 37, Provisions, contingent liabilities and contingent assets, for uncertain tax positions. The adoption of IFRIC 23 had no impact to our consolidated financial statements.

4. FUTURE ACCOUNTING CHANGES

Except for the adoption of IFRS 16 as at November 1, 2019 and the Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39, and IFRS 7, of which the Bank adopted as at November 1, 2019 the applicable amendments relating to hedge accounting, there have been no significant updates to the future accounting changes disclosed in Note 4 of the Annual Consolidated Financial Statements for the year ended October 31, 2019.

5. ADOPTION OF NEW ACCOUNTING STANDARDS

5.1 IFRS 16, LEASES

The adoption of IFRS 16 resulted in the recognition of real estate operating leases on the Bank's Consolidated Balance Sheet as right-of-use assets with the corresponding lease liabilities.

At the transition date, right-of-use assets were measured on a lease-by-lease basis at either:

- their carrying amount as if IFRS 16 had been applied since the lease commencement date, discounted using the Bank's incremental borrowing rate as at November 1, 2019; or
- an amount equal to the lease liability as at November 1, 2019.

Lease liabilities were measured at the present value of the remaining lease payments, using the Bank's incremental borrowing rate as at November 1, 2019. The weighted-average rate applied was 2.96%.

The Bank used hindsight when determining the lease term if the contract contained options to extend or terminate the lease, which is a practical expedient permitted upon transitioning to IFRS 16.

On November 1, 2019, the Bank recognized right-of-use assets of $139.4 million and lease liabilities of $171.3 million, eliminated net liabilities recognized under IAS 17 of $21.9 million and, as a result, recognized a reduction of shareholders' equity of $7.3 million, net of income taxes. The adoption of IFRS 16 reduced the CET1 capital ratio by 10 basis points.

Commitments under operating leases as at October 31, 2019, as reported in the Annual Consolidated Financial Statements for the year ended October 31, 2019, differ from the lease liability recognized as at November 1, 2019 mainly as a result of excluding future variable lease payments and future payments for short-term leases and low value leases, as well as from the effect of discounting the lease liability.

6. SECURITIES

Credit quality

As at January 31, 2020, debt securities at amortized cost and at FVOCI are classified in Stage 1, with their credit facility falling mainly in the "Low risk" category according the Bank's internal risk-rating categories. As at January 31, 2020, allowances for credit losses amounted to $0.1 million for debt securities at amortized cost and $0.1 million for debt securities at FVOCI.

Securities at amortized cost

	As at January 31, 2020	As at October 31, 2019
Securities issued or guaranteed		
by Canada[1]	$ 1,262,355	$ 1,415,947
by provinces	1,066,521	1,174,121
by municipalities	23,352	23,336
Other debt securities	105,806	131,525
	$ 2,458,034	$ 2,744,929

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

Securities at FVOCI

Accumulated unrealized gains and losses recognized in other comprehensive income

	As at January 31, 2020				As at October 31, 2019			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value[1]	Amortized cost	Unrealized gains	Unrealized losses	Fair value[1]
Securities issued or guaranteed								
by Canada[2]	$ 27,629	$ 181	$ 28	$ 27,782	$ 35,915	$ 124	$ 20	$ 36,019
by provinces	5,579	3	102	5,480	4,954	52	8	4,998
by municipalities	55,569	277	42	55,804	55,346	241	58	55,529
Other debt securities	25,034	502	33	25,503	24,970	421	26	25,365
Asset-backed securities	906	6	—	912	1,228	6	—	1,234
Preferred shares	191,821	781	24,593	168,009	192,935	532	31,546	161,921
Common shares and other securities	27,909	3,003	317	30,595	25,648	2,664	517	27,795
	$ 334,447	$ 4,753	$ 25,115	$ 314,085	$ 340,996	$ 4,040	$ 32,175	$ 312,861

(1) The allowances for credit losses on debt securities at FVOCI, amounting to $0.1 million as at January 31, 2020 ($0.1 million as at October 31, 2019), are reported in Accumulated other comprehensive income.
(2) Including mortgage-backed securities that are fully guaranteed by the Canada Mortgage and Housing Corporation pursuant to the National Housing Act.

Equity securities designated at FVOCI

The Bank designated certain equity securities, the business objective of which is mainly to generate dividend income, at FVOCI without subsequent reclassification of gains and losses to net income.

For the three months ended January 31, 2020, an amount of $2.6 million in dividend income was recognized on these investments ($2.6 million for the three months ended January 31, 2019), including a negligible amount for investments that were sold during the three months ended January 31, 2020 (negligible amount for the three months ended January 31, 2019).

	For the three months ended	
	January 31, 2020	January 31, 2019
Fair value at beginning of period	$ 189,716	$ 180,058
Change in fair value	7,731	(17,587)
Designated at FVOCI	18,429	46,075
Sales or redemptions	(17,272)	(6,656)
Fair value at end of period	$ 198,604	$ 201,890

7. LOANS AND ALLOWANCES FOR CREDIT LOSSES

As at January 31, 2020, loans are recognized on the Consolidated Balance Sheet at amortized cost as outlined in Note 3 to the audited annual consolidated financial statements using the financial asset classification criteria defined in IFRS 9.

Determining and measuring expected credit losses (ECL)

Expected Credit Losses

Expected credit losses are determined using a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1: Financial instruments that are not impaired and for which the credit risk has not increased significantly since initial recognition are classified in Stage 1.
- Stage 2: Financial instruments that have experienced a significant increase in credit risk between initial recognition and the reporting date but are not impaired are migrated to Stage 2.
- Stage 3: Financial instruments for which there is objective evidence of impairment, for which one or more events have had a detrimental impact on estimated future cash flows at the reporting date and are considered credit impaired, are classified in Stage 3.
- POCI: Financial instruments that are credit-impaired when purchased or originated (POCI) are classified in the POCI category.

Measurement of expected credit losses
For additional information on the measurement of expected credit losses, see Note 7 to the Annual Consolidated Financial Statements for the year ended October 31, 2019.

Credit quality of loans

The following tables present information on credit risk, according to credit quality and ECL impairment stage of each loan category at amortized cost. For additional information on credit quality, see Note 7 to the Annual Consolidated Financial Statements for the year ended October 31, 2019.

7. LOANS AND ALLOWANCES FOR CREDIT LOSSES (CONT'D)

Credit risk exposure

				As at January 31, 2020
	Stage 1	Stage 2	Stage 3	Total
Personal loans				
Very low risk	$ 2,969,933	$ 11,370	$ —	$ 2,981,303
Low risk	512,037	135,161	—	647,198
Medium risk	441,747	325,841	—	767,588
High risk	1,494	29,994	—	31,488
Default	—	—	20,847	20,847
Gross carrying amount	3,925,211	502,366	20,847	4,448,424
Allowances for loan losses	5,771	16,774	6,069	28,614
Net carrying amount	$ 3,919,440	$ 485,592	$ 14,778	$ 4,419,810
Residential mortgage loans				
Very low risk	$ 8,764,919	$ 1,068	$ —	$ 8,765,987
Low risk	3,494,856	186,465	—	3,681,321
Medium risk	2,417,014	813,558	—	3,230,572
High risk	3,970	155,946	—	159,916
Default	—	—	56,745	56,745
Gross carrying amount	14,680,759	1,157,037	56,745	15,894,541
Allowances for loan losses	2,268	1,773	1,076	5,117
Net carrying amount	$ 14,678,491	$ 1,155,264	$ 55,669	$ 15,889,424
Commercial loans(1)				
Very low risk	$ 2,361,243	$ 11,817	$ —	$ 2,373,060
Low risk	7,345,899	181,605	—	7,527,504
Medium risk	2,774,425	253,895	—	3,028,320
High risk	—	146,372	—	146,372
Default	—	—	109,121	109,121
Gross carrying amount	12,481,567	593,689	109,121	13,184,377
Allowances for loan losses	21,706	9,613	38,767	70,086
Net carrying amount	$ 12,459,861	$ 584,076	$ 70,354	$ 13,114,291
Total loans				
Gross carrying amount	$ 31,087,537	$ 2,253,092	$ 186,713	$ 33,527,342
Allowances for loan losses	29,745	28,160	45,912	103,817
Net carrying amount	$ 31,057,792	$ 2,224,932	$ 140,801	$ 33,423,525
Off-balance sheet exposures(2)				
Very low risk	$ 1,036,278	$ 38,652	$ —	$ 1,074,930
Low risk	1,274,455	80,505	—	1,354,960
Medium risk	534,697	68,602	—	603,299
High risk	6	9,594	—	9,600
Total exposure	2,845,436	197,353	—	3,042,789
Allowances for off-balance sheet exposures losses	3,872	2,367	—	6,239
Total exposure, net	$ 2,841,564	$ 194,986	$ —	$ 3,036,550

(1) Including customers' liabilities under acceptances.
(2) Including letters of guarantee and certain undrawn amounts under approved credit facilities.

7. LOANS AND ALLOWANCES FOR CREDIT LOSSES (CONT'D)

Credit risk exposure (Cont'd)

				As at October 31, 2019
	Stage 1	Stage 2	Stage 3[1]	Total
Personal loans				
Very low risk	$ 2,811,585	$ 13,126	$ —	$ 2,824,711
Low risk	581,736	208,745	—	790,481
Medium risk	502,264	479,692	—	981,956
High risk	3,736	41,998	—	45,734
Default	—	—	17,642	17,642
Gross carrying amount	3,899,321	743,561	17,642	4,660,524
Allowances for loan losses	5,347	19,568	4,732	29,647
Net carrying amount	$ 3,893,974	$ 723,993	$ 12,910	$ 4,630,877
Residential mortgage loans				
Very low risk	$ 8,131,829	$ 2,477	$ —	$ 8,134,306
Low risk	3,743,129	273,476	—	4,016,605
Medium risk	2,601,941	1,034,080	—	3,636,021
High risk	4,616	188,896	—	193,512
Default	—	—	59,236	59,236
Gross carrying amount	14,481,515	1,498,929	59,236	16,039,680
Allowances for loan losses	2,021	1,802	1,050	4,873
Net carrying amount	$ 14,479,494	$ 1,497,127	$ 58,186	$ 16,034,807
Commercial loans[2]				
Very low risk	$ 2,338,807	$ 3,596	$ —	$ 2,342,403
Low risk	7,590,362	90,310	—	7,680,672
Medium risk	2,464,196	223,084	—	2,687,280
High risk	—	157,686	—	157,686
Default	—	—	98,283	98,283
Gross carrying amount	12,393,365	474,676	98,283	12,966,324
Allowances for loan losses	22,219	8,558	35,160	65,937
Net carrying Amount	$ 12,371,146	$ 466,118	$ 63,123	$ 12,900,387
Total loans				
Gross carrying amount	$ 30,774,201	$ 2,717,166	$ 175,161	$ 33,666,528
Allowances for loan losses	29,587	29,928	40,942	100,457
Net carrying amount	$ 30,744,614	$ 2,687,238	$ 134,219	$ 33,566,071
Off-balance sheet exposures[3]				
Very low risk	$ 1,362,719	$ 78,717	$ —	$ 1,441,436
Low risk	1,207,286	95,355	—	1,302,641
Medium risk	398,580	95,143	—	493,723
High risk	48	5,426	—	5,474
Total exposure	2,968,633	274,641	—	3,243,274
Allowances for off-balance sheet exposures losses	3,902	2,434	—	6,336
Total exposure, net	$ 2,964,731	$ 272,207	$ —	$ 3,236,938

(1) Including customers' liabilities under acceptances.
(2) Including letters of guarantee and certain undrawn amounts under approved credit facilities.

7. LOANS AND ALLOWANCES FOR CREDIT LOSSES (CONT'D)

Impaired loans

		As at January 31, 2020				
		Gross impaired loans		Allowances against impaired loans		Net impaired loans
Personal loans	$	**20,847**	$	**6,069**	$	**14,778**
Residential mortgage loans		**56,745**		**1,076**		**55,669**
Commercial loans[1]		**109,121**		**38,767**		**70,354**
	$	**186,713**	$	**45,912**	$	**140,801**

		As at October 31, 2019				
		Gross impaired loans		Allowances against impaired loans		Net impaired loans
Personal loans	$	17,642	$	4,732	$	12,910
Residential mortgage loans		59,236		1,050		58,186
Commercial loans[1]		98,283		35,160		63,123
	$	175,161	$	40,942	$	134,219

(1) Including customers' liabilities under acceptances.

Loans past due but not impaired

The following table shows personal and residential mortgage loans that are past due but not classified as impaired. Commercial loans past due but not impaired are not significant.

		As at January 31, 2020				
		1 day-31 days		32 days-90 days		Total
Personal loans	$	**73,506**	$	**28,518**	$	**102,024**
Residential mortgage loans		**173,785**		**46,691**		**220,476**
	$	**247,291**	$	**75,209**	$	**322,500**

		As at October 31, 2019				
		1 day-31 days		32 days-90 days		Total
Personal loans	$	80,924	$	27,330	$	108,254
Residential mortgage loans		213,697		53,474		267,171
	$	294,621	$	80,804	$	375,425

7. LOANS AND ALLOWANCES FOR CREDIT LOSSES (CONT'D)

Reconciliation of allowances for credit losses

The following table presents the reconciliation of allowances for credit losses for each exposure category at amortized cost according to ECL impairment stage.

	For the three months ended January 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Personal loans				
Balance at beginning of period	$ 7,297	$ 21,710	$ 4,732	$ 33,739
Transfers:				
to Stage 1	3,067	(3,009)	(58)	—
to Stage 2	(407)	643	(236)	—
to Stage 3	(15)	(1,130)	1,145	—
Originations	283	—	—	283
Derecognitions	(183)	(1,069)	(1,620)	(2,872)
Net remeasurements of allowances	(2,765)	1,617	7,704	6,556
Provision for (reversal of) credit losses	(20)	(2,948)	6,935	3,967
Write-offs	—	—	(7,214)	(7,214)
Recoveries	—	—	1,838	1,838
Foreign exchange and other	—	—	(222)	(222)
Balance at end of period	$ 7,277	$ 18,762	$ 6,069	$ 32,108
Total allowances for loan losses	$ 5,771	$ 16,774	$ 6,069	$ 28,614
Total allowances or off-balance sheet exposures	1,506	1,988	—	3,494
Total allowances for credit losses	$ 7,277	$ 18,762	$ 6,069	$ 32,108
Residential mortgage loans				
Balance at beginning of period	$ 2,032	$ 1,824	$ 1,050	$ 4,906
Transfers:				
to Stage 1	352	(337)	(15)	—
to Stage 2	(78)	254	(176)	—
to Stage 3	(1)	(77)	78	—
Originations	153	—	—	153
Derecognitions	(98)	(102)	(186)	(386)
Net remeasurements of allowances	114	235	1,364	1,713
Provision for (reversal of) credit losses	442	(27)	1,065	1,480
Write-offs	—	—	(1,367)	(1,367)
Recoveries	—	—	710	710
Foreign exchange and other	(85)	—	(382)	(467)
Balance at end of period	$ 2,389	$ 1,797	$ 1,076	$ 5,262
Total allowances for loan losses	$ 2,268	$ 1,773	$ 1,076	$ 5,117
Total allowances for off-balance sheet exposures	121	24	—	145
Total allowances for credit losses	$ 2,389	$ 1,797	$ 1,076	$ 5,262

7. LOANS AND ALLOWANCES FOR CREDIT LOSSES (CONT'D)

	For the three months ended January 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Commercial loans				
Balance at beginning of period	$ 24,160	$ 8,828	$ 35,160	$ 68,148
Transfers:				
to Stage 1	1,114	(912)	(202)	—
to Stage 2	(605)	663	(58)	—
to Stage 3	(196)	(1,008)	1,204	—
Originations	2,121	—	—	2,121
Derecognitions	(3,272)	(1,067)	(961)	(5,300)
Net remeasurements	625	3,464	8,543	12,632
Provision for (reversal of) credit losses	(213)	1,140	8,526	9,453
Write-offs	—	—	(4,818)	(4,818)
Recoveries	—	—	495	495
Foreign exchange and other	4	—	(596)	(592)
Balance at end of period	$ 23,951	$ 9,968	$ 38,767	$ 72,686
Total allowances for loan losses	$ 21,706	$ 9,613	$ 38,767	$ 70,086
Total allowances for off-balance sheet exposures	2,245	355	—	2,600
Total allowances for credit losses	$ 23,951	$ 9,968	$ 38,767	$ 72,686
Total exposure				
Total allowances for loan losses	$ 29,745	$ 28,160	$ 45,912	$ 103,817
Total allowances for off-balance sheet exposures	3,872	2,367	—	6,239
Total allowances for credit losses	$ 33,617	$ 30,527	$ 45,912	$ 110,056

7. LOANS AND ALLOWANCES FOR CREDIT LOSSES (CONT'D)

	For the three months ended January 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Personal loans				
Balance at beginning of period	$ 11,070	$ 22,498	$ 4,934	$ 38,502
Transfers:				
to Stage 1	4,454	(4,347)	(107)	—
to Stage 2	(933)	1,215	(282)	—
to Stage 3	(21)	(1,178)	1,199	—
Originations	124	—	—	124
Derecognitions	(166)	(376)	(766)	(1,308)
Net remeasurements of allowances	(4,694)	3,050	7,271	5,627
Provision for (reversal of) credit losses	(1,236)	(1,636)	7,315	4,443
Write-offs	—	—	(5,852)	(5,852)
Recoveries	—	—	981	981
Foreign exchange and other	—	—	(242)	(242)
Balance at end of period	$ 9,834	$ 20,862	$ 7,136	$ 37,832
Total allowances for loan losses	$ 8,208	$ 19,349	$ 7,136	$ 34,693
Total allowances or off-balance sheet exposures	1,626	1,513	—	3,139
Total allowances for credit losses	$ 9,834	$ 20,862	$ 7,136	$ 37,832
Residential mortgage loans				
Balance at beginning of period	$ 2,446	$ 1,840	$ 443	$ 4,729
Transfers:				
to Stage 1	357	(334)	(23)	—
to Stage 2	(86)	257	(171)	—
to Stage 3	(1)	(86)	87	—
Originations	8	—	—	8
Derecognitions	(332)	(300)	(59)	(691)
Net remeasurements of allowances	(417)	233	815	631
Provision for (reversal of) credit losses	(471)	(230)	649	(52)
Write-offs	—	—	(122)	(122)
Recoveries	—	—	41	41
Foreign exchange and other	—	—	(379)	(379)
Balance at end of period	$ 1,975	$ 1,610	$ 632	$ 4,217
Total allowances for loan losses	$ 1,965	$ 1,591	$ 632	$ 4,188
Total allowances for off-balance sheet exposures	10	19	—	29
Total allowances for credit losses	$ 1,975	$ 1,610	$ 632	$ 4,217

7. LOANS AND ALLOWANCES FOR CREDIT LOSSES (CONT'D)

	For the three months ended January 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Commercial loans				
Balance at beginning of period	$ 22,192	$ 8,252	$ 32,980	$ 63,424
Transfers:				
to Stage 1	1,713	(1,399)	(314)	—
to Stage 2	(686)	604	82	—
to Stage 3	(14)	(228)	242	—
Originations	2,786	—	—	2,786
Derecognitions	(3,493)	(285)	(1,079)	(4,857)
Net remeasurements	(1,361)	3,878	5,663	8,180
Provision for (reversal of) credit losses	(1,055)	2,570	4,594	6,109
Write-offs	—	—	(2,546)	(2,546)
Recoveries	—	—	(65)	(65)
Foreign exchange and other	(12)	—	(1,181)	(1,193)
Balance at end of period	$ 21,125	$ 10,822	$ 33,782	$ 65,729
Total allowances for loan losses	$ 18,989	$ 10,092	$ 33,782	$ 62,863
Total allowances for off-balance sheet exposures	2,136	730	—	2,866
Total allowances for credit losses	$ 21,125	$ 10,822	$ 33,782	$ 65,729
Total exposure				
Total allowances for loan losses	$ 29,162	$ 31,032	$ 41,550	$ 101,744
Total allowances for off-balance sheet exposures	3,772	2,262	—	6,034
Total allowances for credit losses	$ 32,934	$ 33,294	$ 41,550	$ 107,778

Sale of commercial loans

During the three months ended January 31, 2019, the Bank sold commercial loans amounting to $105.4 million and recognized a net gain of nil in other income. No such sales occurred during the three months ended January 31, 2020 and the three months ended October 31, 2019.

Finance lease receivables

The Commercial loans line item includes net investment in leases of $1,086.1 million as at January 31, 2020 ($997.8 million as at October 31, 2019).

8. SECURITIZATION AND STRUCTURED ENTITIES

8.1 TRANSFER OF FINANCIAL ASSETS

The Bank sells mortgage loans to the Canada Mortgage Bond (CMB) program and to third-party investors under the National Housing Act (NHA) Mortgage-Backed Securities (MBS) program set-up by the Canada Mortgage and Housing Corporation (CMHC), as well as through a multi-seller conduit set up by another Canadian bank.

Financial assets not qualifying for derecognition and associated financial liabilities

The following table summarizes the carrying amounts of financial assets that do not qualify for derecognition and their associated financial liabilities included on the Consolidated Balance Sheet.

		As at January 31 2020		As at October 31 2019
Residential mortgage loans	**$**	**7,408,132**	$	6,952,703
Replacement Assets[1]		**464,025**		844,926
Debt related to securitization activities	**$**	**(7,928,484)**	$	(7,840,373)

(1) Includes cash and deposits with banks, securities purchased under reverse repurchase agreements and securities acquired as part of the principal reinvestment account that is required to be maintained for the Bank to participate in the CMB program.

In addition, as at January 31, 2020, the Bank has also securitized other residential mortgage loans for a total amount of $483.1 million ($530.2 million as at October 31, 2019) as part of the NHA MBS program. The resulting NHA MBS are presented as part of Residential mortgage loans. These NHA MBS were pledged as collateral with the Bank of Canada.

8.2 STRUCTURED ENTITIES SECURITIZATON VEHICLES

The Bank sells loans and finance lease receivables to intermediate partnerships, B2B Securitization Limited Partnership and LBC Leasing Limited Partnership (the Partnerships), respectively. To fund these purchases, the Partnerships issue interest-bearing liabilities to securitization conduits of other Canadian banks. These Partnerships are consolidated and the related interest-bearing liabilities issued by the Partnerships are recorded as debt related to securitization activities.

Financial assets securitized through other structured entities

The following table summarizes the carrying amounts of financial assets securitized through other structured entities that do not qualify for derecognition and their associated financial liabilities included on the Consolidated Balance Sheet.

		As at January 31 2020		As at October 31 2019
Personal loans	**$**	**1,029,380**	$	1,087,058
Commercial loans[1]		**666,568**		746,259
Debt related to securitization activities	**$**	**(998,492)**	$	(1,072,960)

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

9. SHARE CAPITAL

Preferred shares

The variation and outstanding number and amount of preferred shares was as follows.

	For the three months ended					
			January 31 2020			January 31 2019
	Number of shares		Amount	Number of shares		Amount
Non-Cumulative Class A Preferred Shares						
Series 13						
Outstanding at beginning and end of period	**5,000,000**	**$**	**122,071**	5,000,000	$	122,071
Series 15						
Outstanding at beginning and end of period	**5,000,000**	**$**	**121,967**	5,000,000	$	121,967
	10,000,000	**$**	**244,038**	10,000,000	$	244,038

There were no outstanding Non-Cumulative Class A Preferred Shares Series 14 and Series 16 as at January 31, 2020 (no outstanding preferred shares Series 14 and Series 16 as at January 31, 2019 and October 31, 2019).

Common shares

The variation and outstanding number and amount of common shares was as follows.

	For the three months ended					
			January 31 2020			January 31 2019
	Number of shares		Amount	Number of shares		Amount
Common shares						
Outstanding at beginning of period	**42,624,861**	**$**	**1,139,193**	42,075,284	$	1,115,416
Issuance under the employee share purchase option plan	**1,670**		**76**	—		—
Issuance under the Shareholder Dividend Reinvestment and Share Purchase Plan	**121,106**		**5,189**	114,722		4,954
Net issuance costs	**n/a**		**(71)**	n/a		(18)
	42,747,637	**$**	**1,144,387**	42,190,006	$	1,120,352

Shareholder Dividend Reinvestment and Share Purchase Plan

The Bank determined that as of December 3, 2019, reinvestments related to the dividend declared would be made in common shares issued from treasury at a 2% discount.

Dividends declared

On February 27, 2020, the Board of Directors declared the regular dividend on the various series of preferred shares to shareholders of record on March 9, 2020.

On February 27, 2020, the Board of Directors declared a quarterly dividend of $0.67 per common share, payable on May 1, 2020, to shareholders of record on April 1, 2020.

9. SHARE CAPITAL (CONT'D)

Capital management

Regulatory capital
OSFI requires banks to meet minimum risk-based capital ratios drawn on the BCBS capital framework, commonly referred to as Basel III. Under OSFI's Capital Adequacy Requirements guideline, minimum Common Equity Tier 1, Total Tier 1 and Total capital ratios were set at 7.0%, 8.5% and 10.5% respectively for 2020 including the 2.5% capital conservation buffer.

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

The Bank has complied with regulatory capital requirements throughout the three-month period ended January 31, 2020. Regulatory capital is detailed below.

	As at January 31 2020	As at October 31 2019
Common shares	$ 1,144,387	$ 1,139,193
Retained earnings	1,156,681	1,161,668
Accumulated other comprehensive income, excluding cash flow hedge reserve	2,471	(102)
Share-based compensation reserve	2,569	1,815
Deductions from Common Equity Tier 1 capital[1]	(449,928)	(461,192)
Common Equity Tier 1 capital	1,856,180	1,841,382
Qualifying preferred shares	244,038	244,038
Additional Tier 1 capital	244,038	244,038
Tier 1 capital	2,100,218	2,085,420
Qualifying subordinated debt	349,187	349,101
Collective allowances	64,345	66,052
Deductions from Tier 2 capital[2]	(67)	(3,465)
Tier 2 capital	413,465	411,688
Total capital	$ 2,513,683	$ 2,497,108
Common Equity Tier 1 capital ratio	9.0%	9.0%
Tier 1 capital ratio	10.2%	10.2%
Total capital ratio	12.2%	12.2%

(1) Comprised of deductions for software and other intangible assets, goodwill, pension plan assets and other.
(2) Investments in own Tier 2 capital instruments.

10. SHARE-BASED COMPENSATION

Share purchase option plan

During the quarter ended January 31, 2020, the Bank awarded 423,537 stock options (383,326 stock options on December 4, 2018) under the New Stock Option Plan with an exercise price of $43.68 ($38.97 for the December 4, 2018 grant). The weighted-average fair value of the stock options was estimated at $5.27 ($6.78 for the December 4, 2018 grant) using the Black-Scholes model, as well as the assumptions presented in the table below.

During the quarter ended January 31, 2020, 1,670 common shares were issued under the employee share purchase option plan for a cash consideration of $0.1 million as part of a particular agreement with an employee.

Information relating to outstanding number of options is as follows. None of these options, as at January 31, 2020, were exercisable.

	As at January 31 2020	As at October 31 2019
Number of share purchase options outstanding under the Old Stock Option Purchase Plan	**124,962**	124,962
Number of share purchase options outstanding under the New Stock Option Plan	**775,007**	375,128

Assumptions related to the stock options valuations are as follows.

	2020 grant	2019 grant
Risk free interest rate	**1.71%**	1.61%
Expected life of options	**8 years**	8 years
Expected volatility[1]	**19%**	22%
Expected dividend yield	**5.00%**	5.20%

(1) Expected volatility is extrapolated from the implied volatility of the Bank's share price and observable market inputs, which are not necessarily representation of actual results.

Performance-based share unit plans

During the first quarter of 2020, the Bank granted 113,956 PSUs valued at $45.70 each. The rights to these units will vest in December 2022 and upon meeting the related performance criteria.

Restricted share unit plans

During the first quarter of 2020, under the restricted share unit plan, annual bonuses for certain employees amounting to $1.3 million were converted into 28,690 entirely vested restricted share units. Simultaneously, the Bank also granted 173,956 additional restricted share units valued at $45.70 each that will vest in December 2022.

During the first quarter of 2020, under the restricted share unit plan for employees of the Capital Markets sector, annual bonuses for certain employees amounting to $0.5 million were converted into 11,323 entirely vested restricted share units. This plan does not provide for any employer contribution and a third of these restricted share units are redeemed in December at each of the first three anniversary dates of the grant.

Share-based compensation plans' expense and related liability

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

	For the three months ended		
	January 31 2020	October 31 2019	January 31 2019
Expense arising from cash-settled share-based compensation transactions	**$ 3,283**	$ 2,835	$ 7,406
Effect of hedges	**1,868**	(311)	(2,362)
	$ 5,151	$ 2,524	$ 5,044

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

The carrying amount of the liability relating to the cash-settled plans was $42.1 million as at January 31, 2020 ($47.3 million as at October 31, 2019). The intrinsic value of the total liability related to fully vested rights and units was $26.2 million as at January 31, 2020 ($27.1 million as at October 31, 2019).

11. POST-EMPLOYMENT BENEFITS

Expense for post-employment benefits

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

	For the three months ended		
	January 31 2020	October 31 2019	January 31 2019
Defined benefit pension plans	**$ 3,186**	$ 3,140	$ 3,461
Defined contribution pension plans	**2,000**	1,951	2,030
Other plans	**156**	(745)	218
	$ 5,342	$ 4,346	$ 5,709

12. EARNINGS PER SHARE

Basic and diluted earnings per share is detailed as follows.

	For the three months ended		
	January 31 2020	October 31 2019	January 31 2019
Earnings per share – basic			
Net income	**$ 32,172**	$ 41,343	$ 40,256
Preferred share dividends, including applicable taxes	**3,197**	3,196	3,257
Net income available to common shareholders	**$ 28,975**	$ 38,147	$ 36,999
Average number of outstanding common shares (in thousands)	**42,666**	42,518	42,114
Earnings per share – basic	**$ 0.68**	$ 0.90	$ 0.88
Earnings per share – diluted			
Net income available to common shareholders	**$ 28,975**	$ 38,147	$ 36,999
Average number of outstanding common shares (in thousands)	**42,666**	42,518	42,114
Dilutive share purchase options (in thousands)	**74**	66	19
Diluted weighted average number of outstanding common shares (in thousands)	**42,740**	42,583	42,133
Earnings per share – diluted	**$ 0.68**	$ 0.90	$ 0.88

There has been no transaction involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these consolidated financial statements which would require the restatement of earnings per share.

13. FINANCIAL INSTRUMENTS – FAIR VALUE

Determining fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of financial instruments is best evidenced by an independent quoted market price for the same instrument in an active market when available. Otherwise, fair value is measured using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of valuation inputs (Level 1, 2 or 3). Additional information on the fair value hierarchy and the valuation methodologies used by the Bank to measure the fair value of financial instruments can be found in Note 23 of the 2019 annual consolidated financial statements. There were no changes in fair value measurement methods in the period.

Financial instruments recorded at fair value in the financial statements are classified in Level 2 of the fair value hierarchy, except for securities of $401.7 million which are classified in Level 1 as at January 31, 2020 ($393.0 million as at October 31, 2019). Financial instruments recorded at fair value classified in Level 3 are not significant. There were no significant transfers between Level 1 and Level 2 of the hierarchy in the period.

14. INCOME RELATED TO FINANCIAL INSTRUMENTS

Net interest income from financial instruments

	For the three months ended		
	January 31, 2020	October 31, 2019	January 31, 2019
Interest and similar income			
Interest income calculated using the effective interest method			
Financial instruments measured at amortized cost	**$ 368,605**	$ 375,309	$ 377,684
Financial instruments measured at FVOCI	**454**	548	1,837
Interest and similar income for financial instruments not measured at amortized cost[1]	**10,496**	11,499	14,054
	379,555	387,356	393,575
Interest and similar expense			
Interest expenses calculated using the effective interest method			
Financial instruments measured at amortized cost	**203,502**	205,514	202,973
Interest expense and derivative expense for financial instruments that are measured at FVTPL	**7,268**	8,637	18,002
	210,770	214,151	220,975
Net interest income	**$ 168,785**	$ 173,205	$ 172,600

(1) Includes interest income, derivative income and dividend income for financial instruments that are measured at FVTPL and from equity securities designated at FVOCI. Dividend income is $4.4 million for the three months ended January 31, 2020, $ 15.7 million for the three months ended October 31, 2019 and $3.8 million for the three months ended January 31, 2019).

15. CONTINGENT LIABILITIES

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

16. RESTRUCTURING CHARGES

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

	For the three months ended		
	January 31 2020	October 31 2019	January 31 2019
Balance at beginning of the period	**$ 9,322**	$ 3,598	$ 4,754
Restructuring charges incurred during the period	**2,734**	5,431	2,006
Payments made during the period	**(5,973)**	293	(2,170)
Balance at end of the period	**$ 6,083**	$ 9,322	$ 4,590

In 2019, we reiterated our intention to optimize our Financial Clinic operations and announced the streamlining of certain back-office and corporate functions. As part of these initiatives, restructuring charges of $2.7 million incurred during the first quarter of 2020 and mainly included severance charges. Additional costs are expected to be incurred as the changes are implemented.

THIS PAGE INTENTIONALLY LEFT BLANK

THIS PAGE INTENTIONALLY LEFT BLANK

THIS PAGE INTENTIONALLY LEFT BLANK

SHAREHOLDER INFORMATION

Corporate offices
Montreal
1360 René-Lévesque Blvd West,
Suite 600
Montreal, Quebec H3G 0E5
www.lbcfg.ca

Toronto
199 Bay St, Suite 600
Toronto, Ontario M5L 0A2
www.lbcfg.ca

Ombudsman's office
1360 René-Lévesque Blvd West
Suite 600
Montreal, Quebec H3G 0E5
ombudsman@lbcfg.ca
Tel.: 514-284-7192
or 1-800-479-1244

Transfer agent and registrar
Computershare
Investor Services Inc.
1500 Robert-Bourassa Blvd,
Suite 700
Montreal, Quebec H3A 3S8
service@computershare.com
Tel.: 514-982-7888
or 1-800-564-6253

Change of address and inquiries
Shareholders must notify the Bank's transfer agent and registrar of any change of address. Inquiries or requests may be directed to the Bank's Corporate Secretariat's Office at secretary.office@lbcfg.ca or by calling 514-284-4500 ext. 40448.

Direct deposit service
Shareholders of the Bank may, by advising the transfer agent in writing, have their dividends deposited directly into an account held at any financial institution member of the Payments Canada.

Investors and analysts
Investors and analysts may contact the Bank's Investor Relations Department at investor.relations@lbcfg.ca or by calling 514-284-4500 ext. 40452.

Media
Journalists may contact the Bank's Executive Office at media@lbcfg.ca or by calling 514-284-4500 ext. 40015.

Social media

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

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

STOCK SYMBOL AND DIVIDEND RECORD AND PAYMENT DATES

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

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

LAUTENTIAN BANK FINANCIAL GROUP