

FIRST QUARTER 2021

Report to Shareholders

For the period ended January 31, 2021

HIGHLIGHTS OF FIRST QUARTER 2021

- Adjusted net income⁽¹⁾ of \$47.6 million for the first quarter of 2021, compared with \$36.9 million for the first quarter of 2020.
- Reported net income of \$44.8 million for the first quarter of 2021, compared with \$32.2 million for the first quarter of 2020.
- Adjusted diluted earnings per share⁽¹⁾ of \$1.03 for the first quarter of 2021, compared with \$0.79 for the first quarter of 2020.
- Diluted earnings per share of \$0.96 for the first quarter of 2021, compared with \$0.68 for the first quarter of 2020.

Laurentian Bank Financial Group reported net income of \$44.8 million and diluted earnings per share of \$0.96 for the first quarter of 2021, compared with \$32.2 million and \$0.68 for the first quarter of 2020. Return on common shareholders' equity was 7.1% for the first quarter of 2021, compared with 5.0% for the first quarter of 2020. On an adjusted basis, net income was \$47.6 million and diluted earnings per share were \$1.03 for the first quarter of 2021, up from \$36.9 million and \$0.79 for the first quarter of 2020. Adjusted return on common shareholders' equity was 7.5% for the first quarter of 2021, compared with 5.8% a year ago. Reported results include adjusting items, as detailed in the Non-GAAP and Key Performance Measures section.

"I am pleased to report that we had a good start to the year. Our results were driven by a strong performance in capital market activities, the resumption of growth in commercial banking and our strong cost discipline." said Rania Llewellyn, President and Chief Executive Officer. "We will take the experiences of the past year to propel us forward, as we renew our leadership team and create an organization that is agile, efficient and above all customer centric."

In millions of Canadian dollars, except per share and percentage amounts (Unaudited)	For the three months ended		
	January 31, 2021	January 31, 2020	Variance
Reported basis			
Net income	\$ 44.8	\$ 32.2	39 %
Diluted earnings per share	\$ 0.96	\$ 0.68	41 %
Return on common shareholders' equity	7.1 %	5.0 %	
Efficiency ratio	70.4 %	79.1 %	
Common Equity Tier 1 capital ratio	9.8 %	9.0 %	
Adjusted basis⁽¹⁾			
Adjusted net income	\$ 47.6	\$ 36.9	29 %
Adjusted diluted earnings per share	\$ 1.03	\$ 0.79	30 %
Adjusted return on common shareholders' equity	7.5 %	5.8 %	
Adjusted efficiency ratio	68.9 %	76.6 %	

(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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE PERIOD ENDED JANUARY 31, 2021

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition of Laurentian Bank of Canada (the "Group" or the "Bank") as at January 31, 2021 and its operating results for the period then ended, compared with the corresponding period shown. This MD&A should be read in conjunction with the Condensed Interim Consolidated Financial Statements. This MD&A is dated March 2, 2021.

Additional information about Laurentian Bank of Canada, including the 2020 Annual Information Form, is available on the Bank's 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 for the period ended January 31, 2021, 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.

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 2,900 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 \$45.2 billion in balance sheet assets and \$29.2 billion in assets under administration.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The Bank may, from time to time, make written or oral forward-looking statements within the meaning of applicable securities legislation, including in this document and the documents incorporated by reference herein, and in other documents filed with Canadian regulatory authorities or in other written or oral communications. Forward-looking statements include, but are not limited to, statements regarding business plans and strategies, priorities and financial objectives, the regulatory environment in which the Bank operates, the anticipated impact of the coronavirus ("COVID-19") pandemic on the Bank's operations, earnings results and financial performance and statements under the headings "Outlook", "COVID-19 Pandemic" and "Risk Appetite and Risk Management Framework" contained in the Bank's 2020 Annual Report, including the Management's Discussion and Analysis for the fiscal year ended October 31, 2020 and other statements that are not historical facts. Forward-looking statements typically are identified with words or phrases such as "believe", "assume", "estimate", "forecast", "outlook", "project", "vision", "expect", "foresee", "anticipate", "plan", "goal", "aim", "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. Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2020 Annual Report under the heading "Outlook". There is significant risk that the predictions, forecasts, projections or conclusions will prove to be inaccurate, that the Bank's assumptions may not be correct, and that actual results may differ materially from such predictions, forecasts, projections or conclusions.

The Bank cautions readers against placing undue reliance on forward-looking statements, as a number of factors, many of which are beyond its control and the effects of which can be difficult to predict, could influence, individually or collectively, the accuracy of the forward-looking statements and cause actual future results to differ significantly from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These factors include, but are not limited to risks relating to: the impacts of the COVID-19 pandemic on the Bank, its business, financial condition and prospects; technology, information systems and cybersecurity; technological disruption, competition and its ability to execute on its strategic objectives; the economic climate in the U.S. and Canada; accounting policies, estimates and developments; legal and regulatory compliance; fraud and criminal activity; human capital; insurance; business continuity; business infrastructure; environmental and social risk and climate change; and its ability to manage operational, regulatory, legal, strategic, reputational and model risks, all of which are described in more detail in the section titled "Risk Appetite and Risk Management Framework" beginning on page 43 of the 2020 Annual Report including the Management's Discussion and Analysis for the fiscal year ended October 31, 2020.

The Bank further cautions that the foregoing list of factors is not exhaustive. Additional risks and uncertainties not currently known to us or that the Bank currently deems to be immaterial may also have a material adverse effect on its financial position, financial performance, cash flows, business or reputation. Any forward-looking statements contained in this document represent the views of Management only as at the date hereof, are presented for the purposes of assisting investors and others in understanding certain key elements of the Bank's current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of the Bank's business and anticipated operating environment and may not be appropriate for other purposes. The Bank does not undertake to update any forward-looking statements, whether oral or written, made by the Bank or on its behalf whether as a result of new information, future events or otherwise, except to the extent required by securities regulations. Additional information relating to the Bank can be located on the SEDAR website at www.sedar.com.

HIGHLIGHTS

TABLE 1
FINANCIAL HIGHLIGHTS

In thousands of Canadian dollars, unless otherwise noted, except per share and percentage amounts (Unaudited)	For the three months ended				
	January 31, 2021	October 31, 2020	Variance	January 31, 2020	Variance
Operating results					
Total revenue	\$ 247,374	\$ 243,539	2 %	\$ 238,713	4 %
Net income	\$ 44,819	\$ 36,811	22 %	\$ 32,172	39 %
Adjusted net income ⁽¹⁾	\$ 47,572	\$ 42,311	12 %	\$ 36,900	29 %
Operating performance					
Diluted earnings per share	\$ 0.96	\$ 0.79	22 %	\$ 0.68	41 %
Adjusted diluted earnings per share ⁽¹⁾	\$ 1.03	\$ 0.91	13 %	\$ 0.79	30 %
Return on common shareholders' equity	7.1 %	5.9 %		5.0 %	
Adjusted return on common shareholders' equity ⁽¹⁾	7.5 %	6.8 %		5.8 %	
Net interest margin	1.84 %	1.82 %		1.81 %	
Efficiency ratio	70.4 %	72.9 %		79.1 %	
Adjusted efficiency ratio ⁽¹⁾	68.9 %	69.9 %		76.6 %	
Operating leverage	3.6 %	1.3 %		(5.7)%	
Adjusted operating leverage ⁽¹⁾	1.5 %	(2.7)%		(7.5)%	
Financial position (\$ millions)					
Loans and acceptances	\$ 33,228	\$ 33,193	— %	\$ 33,527	(1)%
Total assets	\$ 45,191	\$ 44,168	2 %	\$ 44,283	2 %
Deposits	\$ 23,607	\$ 23,920	(1)%	\$ 25,201	(6)%
Common shareholders' equity	\$ 2,359	\$ 2,324	2 %	\$ 2,306	2 %
Basel III regulatory capital ratios					
Common Equity Tier 1 (CET1) capital ratio ⁽²⁾	9.8 %	9.6 %		9.0 %	
CET1 risk-weighted assets (\$ millions)	\$ 19,715	\$ 19,669		\$ 20,619	
Credit quality					
Gross impaired loans as a % of loans and acceptances	0.82 %	0.82 %		0.56 %	
Net impaired loans as a % of loans and acceptances	0.56 %	0.59 %		0.42 %	
Provision for credit losses as a % of average loans and acceptances	0.20 %	0.29 %		0.18 %	
Common share information					
Closing share price ⁽³⁾	\$ 30.90	\$ 26.21	18 %	\$ 42.95	(28)%
Price / earnings ratio	11.7 x	11.1 x		12.0 x	
Book value per share	\$ 54.42	\$ 53.74	1 %	\$ 53.95	1 %
Dividends declared per share	\$ 0.40	\$ 0.40	— %	\$ 0.67	(40)%
Dividend yield	5.2 %	6.1 %		6.2 %	
Dividend payout ratio	41.5 %	50.8 %		98.6 %	
Adjusted dividend payout ratio ⁽¹⁾	38.9 %	43.7 %		84.7 %	

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

(2) Using the Standardized Approach in determining credit risk and operational risk.

(3) 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. Table 2 shows adjusting items and their impact on reported results.

TABLE 2
IMPACT OF ADJUSTING ITEMS ON REPORTED RESULTS

In thousands of Canadian dollars, except per share amounts (Unaudited)	For the three months ended		
	January 31, 2021	October 31, 2020	January 31, 2020
Impact on income before income taxes			
Reported income before income taxes	\$ 56,511	\$ 41,647	\$ 34,679
Adjusting items, before income taxes			
Restructuring charges ⁽¹⁾			
Severance charges	262	2,253	2,838
Other restructuring charges	359	1,909	(104)
	621	4,162	2,734
Items related to business combinations			
Amortization of net premium on purchased financial instruments ⁽²⁾	—	100	232
Amortization of acquisition-related intangible assets ⁽³⁾	3,073	3,180	3,399
	3,073	3,280	3,631
	3,694	7,442	6,365
Adjusted income before income taxes	\$ 60,205	\$ 49,089	\$ 41,044
Impact on net income			
Reported net income	\$ 44,819	\$ 36,811	\$ 32,172
Adjusting items, net of income taxes			
Restructuring charges ⁽¹⁾			
Severance charges	193	1,659	2,086
Other restructuring charges	264	1,402	(76)
	457	3,061	2,010
Items related to business combinations			
Amortization of net premium on purchased financial instruments ⁽²⁾	—	77	171
Amortization of acquisition-related intangible assets ⁽³⁾	2,296	2,362	2,547
	2,296	2,439	2,718
	2,753	5,500	4,728
Adjusted net income	\$ 47,572	\$ 42,311	\$ 36,900
Impact on diluted earnings per share			
Reported diluted earnings per share	\$ 0.96	\$ 0.79	\$ 0.68
Adjusting items			
Restructuring charges ⁽¹⁾	0.01	0.07	0.05
Items related to business combinations	0.05	0.06	0.06
	0.06	0.13	0.11
Adjusted diluted earnings per share ⁽⁴⁾	\$ 1.03	\$ 0.91	\$ 0.79

(1) Restructuring charges mainly result from the optimization of the Quebec Retail Network operations and the related streamlining of certain back-office and corporate functions. In 2020, restructuring charges also resulted from the reorganization of retail brokerage activities and other measures aimed at improving efficiency. Restructuring charges include severance charges, salaries, provisions, communication expenses and professional fees and charges related to lease contracts. Restructuring charges are included in Non-interest expenses.

(2) Amortization of net premium on purchased financial instruments resulted 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 several 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 on page 21 of the Bank's 2020 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.

TABLE 3
RETURN ON COMMON SHAREHOLDERS' EQUITY

In thousands of Canadian dollars, except per share amounts (Unaudited)	For the three months ended		
	January 31, 2021	October 31, 2020	January 31, 2020
Reported net income available to common shareholders	\$ 41,702	\$ 33,937	\$ 28,975
Adjusting items, net of income taxes	2,753	5,500	4,728
Adjusted net income available to common shareholders	\$ 44,455	\$ 39,437	\$ 33,703
Average common shareholders' equity	\$ 2,337,010	\$ 2,307,411	\$ 2,307,045
Return on common shareholders' equity	7.1 %	5.9 %	5.0 %
Adjusted return on common shareholders' equity	7.5 %	6.8 %	5.8 %

COVID-19 PANDEMIC

The COVID-19 pandemic continues to raise health, economic and societal challenges globally in 2021. Governments worldwide have enacted multiple emergency measures to protect their citizens and slow the spread of the virus. From the beginning of the outbreak, governments and central banks have also put in place relief measures to help individuals and businesses alleviate some of the negative economic effects. In Canada, although economic activity had recovered partially from the second quarter of 2020 levels, it is again facing challenges after a resurgence in coronavirus infections, which led to renewed lockdown measures. The approvals of new vaccines as of December and the ensuing rollouts offer hope of a strong economic rebound in the second half of 2021.

In this context, the Bank's response to the pandemic to date has focused on keeping its employees and its customers safe. Furthermore, the measures the Bank has put in place have also provided the foundation to support operations in this period of heightened uncertainty. The Bank's liquidity and capital position continues to offer the required flexibility to support customers.

Employees and customers

At the outset of the crisis, the Bank's first priority has been to ensure the health and safety of its customers and employees. Management continues to assess the situation on an ongoing basis and is taking action, as necessary. Precautionary measures mainly focus on ensuring a safe environment. Today, more than 70% of employees are working from home. For customer-facing employees and customers, physical distancing measures and workforce separation strategies were implemented to minimize the number of individuals at any given location and have proven to be effective so far. During the first quarter, a new virtual care platform was launched, giving employees access to health-care professionals. Commitment from employees continues to be strong and productivity remains high.

Most retail branches, business centers, operations and call centers remain open. Day-to-day banking continues to be accessible, 24/7, using online banking, and customers can continue to use ATMs — the Bank's or Interac or the Exchange Network available from coast to coast. The Bank also continues to work with retail and business customers to manage the impacts of this unprecedented crisis and support them through programs initiated by the federal and provincial governments.

Operating results

The COVID-19 pandemic continues to have a significant impact on the Bank's operating results. The decrease in certain targeted loan portfolios, in part due to the COVID-19 pandemic, impacted interest income in the later part of 2020 and in the first quarter of 2021. A reduction in consumer spending is also impacting personal loan volumes and transaction-driven fees. Provision for credit losses in the first quarter of 2021 decreased sequentially while remaining higher than pre-COVID-19 levels. However, the overall uncertainty regarding forward-looking economic scenarios may result in volatility in the provision for credit losses until there is a more widespread roll out and acceptance of COVID-19 vaccine in Canada and the resultant expected return to a more normalized operating environment.

While the Bank is taking actions to mitigate the impact of COVID-19 on its daily operations and financial results, the pandemic has and is expected to continue to impact its operating results until it subsides and likely for a period thereafter. Numerous unpredictable and evolving factors will have to be considered, such as the duration and spread of the pandemic; its impact on customers, employees and third-party providers; the response of government authorities to the crisis and the global social and economic impacts. As such, it remains difficult to predict the effects of COVID-19 on the Bank's future results.

The allowance for credit losses is sensitive to the inputs used in models, including macroeconomic variables used in the forward-looking scenarios and their respective weights. The magnitude of the impact of COVID-19 on the Canadian and U.S. economies remains highly uncertain, including assessments of the impact of government and/or regulatory responses to the outbreak. Therefore, it is difficult to predict whether the increase in expected credit losses recorded in 2020 will result in significant write-offs and if the Bank will recognize additional increases in expected credit losses in subsequent periods.

The COVID-19 pandemic may also increase some costs as the Bank prioritizes health and safety matters and complies with mitigation measures imposed upon it, and cause the Bank to reduce, delay or alter initiatives that may otherwise have increased its long-term value.

The Bank's risk management framework provides the necessary mechanisms to manage the impact of the crisis on its business and operations. The core risk factors relating to the Bank's operations are described in the "Risk Appetite and Risk Management Framework" section on page 47 of the Bank's 2020 Annual Report. Refer, also, to page 66 of the Bank's 2020 Annual Report under the "Other risks that may affect future results" section for further details about the impacts of the COVID-19 pandemic.

Capital and liquidity

The Bank is well positioned to manage capital and liquidity risks. The Common Equity Tier 1 ratio stood at 9.8% as at January 31, 2021, in excess of the minimum regulatory requirement. As the Bank continues to support its customers, and in accordance with regulatory developments and policy responses, the Bank expects its regulatory capital ratio to remain above regulatory and target management levels.

The liquidity coverage ratio remains above industry levels. The Bank's liquidity position was healthy at the onset of the COVID-19 crisis and remains so today. The Bank will continue to prudently monitor capital and liquidity levels.

OUTLOOK

ECONOMIC OUTLOOK

The COVID-19 pandemic continues to inflict personal and economic hardships on individuals and companies globally. Although the number of global, U.S. and Canadian COVID-19 cases have been declining since mid-January, the rate of transmission remains elevated. Concerns remain regarding the efficacy of vaccination rollouts and transmission of new variants which could alter the timing and magnitude of the economic recovery.

In Canada, the second COVID-19 wave slowed the positive economic momentum in late 2020 and early 2021. The recently renewed lockdown measures in Ontario and Quebec are less restrictive on economic activity than the initial lockdowns were and both provinces began a partial reopening in selected sectors and regions in early February, all of which should accelerate the economic recovery.

The Canadian economy has recovered about 80% of the loss in activity relative to pre-pandemic levels. However, service sectors requiring close physical proximity continue to lag other industries. Global demand for commodities, underpinned by the China-led rebound, has lifted Canadian exports and helped the S&P/TSX Composite Index to reach an all-time high. The Bank of Canada has signalled its intent to keep an accommodative stance until the recovery is well underway by maintaining its policy rate at 0.25% and continuing asset purchases in order to maintain low borrowing costs for households and businesses.

Labour market conditions have been improving at an uneven pace across regions. Full-time employment for highly educated workers, and in particular, occupations suitable for work-from-home, are moving steadily closer to pre-pandemic levels. In contrast, the situation remains fragile for part-time workers earning below-average salaries, creating the potential for an increase in long-term unemployment. The unemployment rate stood at 9.4% in January which compares to 8.6% before the second COVID-19 wave, 13.7% at the peak in May and 5.6% pre-pandemic.

Despite the uneven rebound in job market conditions, emergency aid programs put in place by governments for businesses and individuals are compensating for the loss of labour income. Both household disposable income and savings remain elevated, reflecting caution and restraint on the part of consumers to spend and generally reducing the household debt. Businesses, however, signalled an intention to invest in machinery and equipment as encouraging vaccine developments improved the outlook.

Trends in the Canadian housing market conditions remain mixed. Softness in the rental market and small condo units located in expensive areas reflects the large drop in immigration, the prevalence of online schooling and the acceptance of teleworking. A preference for larger homes continues to foster strong activity and price appreciation for more spacious housing in both large and smaller cities and keeps the overall level of homebuilding high.

In the U.S., the vaccination rollout is occurring at a faster pace than in most developed countries, including Canada. The new U.S. administration is attempting to pass a \$1.9 trillion coronavirus relief package which would provide additional stimulus to the economy.

The Canadian and US federal governments have maintained or increased restrictions on out-of-country travel. Consequently, consumers have been reallocating discretionary spending towards recreational boats and vehicles.

Finally, the Canadian dollar recently traded at approximately US\$0.79, significantly appreciating since late 2020. The improving outlook for commodities and general U.S. dollar's weakness contributed to this appreciation.

UPDATE ON KEY INITIATIVES

Over the past few years, the Bank launched major initiatives with the objective of building a stronger foundation and modernizing itself in order to improve financial performance. The following section provides an update on these key projects.

Core-banking system replacement program

In 2019, the Bank completed Phase 1 of the core banking system replacement program resulting in the migration of all B2B Bank products and most of its loans to business customers to this new system. Given the impacts of COVID-19 on its business and following the recent change in management, the Bank is currently reviewing this project and its timeline.

Advanced internal ratings-based approach to credit risk

As part of its plan to improve the Bank's foundation, the Bank pursued throughout 2020 its initiative to adopt the AIRB approach to credit risk, subject to regulatory approval. Given the impacts of COVID-19 on its business and following the recent change in management, the Bank is currently reviewing this project and its timeline.

KEY EXECUTIVE APPOINTMENTS

On January 8, 2021, the Bank announced that Yvan Deschamps has been appointed Executive Vice President and Chief Financial Officer, effective April 6, 2021. Mr. Deschamps is currently Senior Vice President, Finance, Accounting and Corporate Development and succeeds François Laurin, who informed the Bank of his desire to retire at the next Annual General Meeting. Upon Mr. Laurin's retirement in April, Mr. Deschamps will use the depth of his financial expertise to help guide the growth and profitability of the business.

On February 4, 2021, the Bank announced a series of senior executive appointments to help drive a renewed strategic direction for the Bank with a focus on simplifying processes and enhancing digital capabilities, further engaging and empowering the Bank's team members, and creating a more customer-centric culture.

Sébastien Bélair has been appointed Executive Vice President and Chief Human Resources Officer, based in the Montreal head office. Mr. Bélair will drive the Bank's strategy of engaging and empowering employees to work collaboratively as One Team. His focus will be on building high-performing teams in a diversified and inclusive workplace.

Yves Denomme has joined the Bank as Executive Vice President, Operations. His mandate is to reduce complexity, improve and streamline customer processes and drive cost optimization across the Bank.

Adam Swinemar has joined the Bank as Senior Vice President, Digital Banking. Mr. Swinemar will lead digital strategy across Personal and Commercial Banking, including day-to-day business operations of the digital channels. He will develop and oversee strategic digital initiatives to simplify and improve the customer experience, and create operational efficiencies.

Each of these new leaders will contribute to the thorough review of all Laurentian Bank's operations to ensure the organization has the right priorities, resources and personnel to position the bank to return to growth.

ANALYSIS OF CONSOLIDATED RESULTS

TABLE 4
CONDENSED CONSOLIDATED RESULTS – REPORTED BASIS

In thousands of Canadian dollars (Unaudited)	For the three months ended		
	January 31, 2021	October 31, 2020	January 31, 2020
Net interest income	\$ 173,074	\$ 169,346	\$ 168,785
Other income	74,300	74,193	69,928
Total revenue	247,374	243,539	238,713
Amortization of net premium on purchased financial instruments	—	100	232
Provision for credit losses	16,800	24,200	14,900
Non-interest expenses	174,063	177,592	188,902
Income before income taxes	56,511	41,647	34,679
Income taxes	11,692	4,836	2,507
Net income	44,819	36,811	32,172
Preferred share dividends, including applicable taxes	3,117	2,874	3,197
Net income available to common shareholders	\$ 41,702	\$ 33,937	\$ 28,975

TABLE 5
CONDENSED CONSOLIDATED RESULTS – ADJUSTED BASIS⁽¹⁾

In thousands of Canadian dollars (Unaudited)	For the three months ended		
	January 31, 2021	October 31, 2020	January 31, 2020
Net interest income	\$ 173,074	\$ 169,346	\$ 168,785
Other income	74,300	74,193	69,928
Total revenue	247,374	243,539	238,713
Provision for credit losses	16,800	24,200	14,900
Adjusted non-interest expenses ⁽¹⁾	170,369	170,250	182,769
Adjusted income before income taxes ⁽¹⁾	60,205	49,089	41,044
Adjusted income taxes ⁽¹⁾	12,633	6,778	4,144
Adjusted net income ⁽¹⁾	47,572	42,311	36,900
Preferred share dividends, including applicable taxes	3,117	2,874	3,197
Adjusted net income available to common shareholders ⁽¹⁾	\$ 44,455	\$ 39,437	\$ 33,703

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

FIRST QUARTER OF 2021 COMPARED WITH FIRST QUARTER OF 2020

Net income was \$44.8 million and diluted earnings per share were \$0.96 for the first quarter of 2021, compared with \$32.2 million and \$0.68 for the first quarter of 2020. Adjusted net income was \$47.6 million for the first quarter of 2021, up 29% from \$36.9 million for the first quarter of 2020, and adjusted diluted earnings per share were \$1.03, up 30% compared with \$0.79 for the first quarter of 2020.

Total revenue

Total revenue was \$247.4 million for the first quarter of 2021, up 4% compared with \$238.7 million for the first quarter of 2020.

Net interest income increased by \$4.3 million to \$173.1 million for the first quarter of 2021, compared with \$168.8 million for the first quarter of 2020, despite lower loan volumes. The increase was mainly due to improved funding costs, mostly as the utilization of secured funding increased, as well as to higher prepayment penalties on residential mortgage loans. Net interest margin was 1.84% for the first quarter of 2021, an increase of 3 basis points compared with the first quarter of 2020, essentially for the same reasons.

Other income increased by \$4.4 million or 6% to \$74.3 million for the first quarter of 2021, compared with \$69.9 million for the first quarter of 2020. The increase was mainly due to the strong contribution from capital market activities, which improved by \$7.8 million compared with the first quarter of 2020. This was partly offset by a decrease in service charges and VISA card service revenues due to ongoing changes to the retail banking environment, exacerbated by the COVID-19 pandemic.

Provision for credit losses

The provision for credit losses amounted to \$16.8 million for the first quarter of 2021 compared with \$14.9 million for the first quarter of 2020, an increase of \$1.9 million. The increase year-over-year was mainly due to an increase in allowances on impaired commercial loans.

Refer to the "Risk Management" section of the MD&A and to Note 5 to the Condensed Interim Consolidated Financial Statements for more information on provision for credit losses and allowances for credit losses.

Non-interest expenses

Non-interest expenses amounted to \$174.1 million for the first quarter of 2021, a decrease of \$14.8 million or 8% compared with the first quarter of 2020. Adjusted non-interest expenses amounted to \$170.4 million for the first quarter of 2021, a decrease of \$12.4 million or 7% compared with the first quarter of 2020.

Salaries and employee benefits amounted to \$95.4 million for the first quarter of 2021, essentially unchanged compared with the first quarter of 2020. Year-over-year, higher performance-based compensation related to strong capital market activities was mostly offset by a decrease in salaries reflecting the headcount reduction implemented in 2020.

Premises and technology costs were \$48.5 million for the first quarter of 2021, a decrease of \$1.3 million compared with the first quarter of 2020, mainly as a result of continued efforts to streamline costs, as well as a slowdown of the pace of IT projects.

Other non-interest expenses were \$29.6 million for the first quarter of 2021, a decrease of \$11.6 million, compared with the first quarter of 2020. The improvement mainly resulted from lower regulatory costs, as well as lower advertising, business development and travel expenses, ensuing from efficiency measures and current economic conditions.

Restructuring charges were \$0.6 million for the first quarter of 2021 and mainly included severance charges and professional fees.

Efficiency ratio

The adjusted efficiency ratio was 68.9% for the first quarter of 2021, compared with 76.6% for the first quarter of 2020, as a result of lower adjusted expenses and an increase in total revenue. Adjusted operating leverage was positive year-over-year. The efficiency ratio on a reported basis was 70.4% for the first quarter of 2021, compared with 79.1% for the first quarter of 2020, as a result of lower expenses and an increase in total revenue.

Income taxes

For the quarter ended January 31, 2021, the income tax expense was \$11.7 million, and the effective tax rate was 20.7%. The lower tax rate, compared to the statutory rate, is attributed to a lower taxation level of revenue 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, 2020, income tax expense was \$2.5 million, and the effective tax rate was 7.2%. Year-over-year, the higher income tax rate is mainly attributed to the proportionally higher domestic income.

FIRST QUARTER OF 2021 COMPARED WITH FOURTH QUARTER OF 2020

Net income was \$44.8 million and diluted earnings per share were \$0.96 for the first quarter of 2021, compared with \$36.8 million and \$0.79 for the fourth quarter of 2020. Adjusted net income was \$47.6 million and adjusted diluted earnings per share were \$1.03 for the first quarter of 2021, compared with \$42.3 million and \$0.91 for the fourth quarter of 2020.

Total revenue increased by \$3.8 million to \$247.4 million for the first quarter of 2021, compared with \$243.5 million for the previous quarter.

Net interest income increased by \$3.7 million sequentially to \$173.1 million. The increase mainly reflects the impact of the evolution in the loan portfolio mix and the increase in utilization of secured funding. Net interest margin was 1.84% for the first quarter of 2021, an increase of 2 basis points compared with 1.82% for the fourth quarter of 2020.

Other income amounted to \$74.3 million for the first quarter of 2021, essentially unchanged compared with \$74.2 million for the previous quarter. The higher contribution from capital market activities in first quarter of 2021 compared with the fourth quarter of 2020 was partly offset by lower lending fees.

Provision for credit losses totalled \$16.8 million for the first quarter of 2021, a \$7.4 million decrease compared with \$24.2 million for the fourth quarter of 2020. Credit losses for the first quarter of 2021 were driven by the Bank's most recent assumptions resulting in lower loan losses on performing loans partly offset by higher losses on impaired loans. Refer to the "Risk Management" section for additional information.

Non-interest expenses decreased by \$3.5 million to \$174.1 million for the first quarter of 2021 from \$177.6 million in the fourth quarter of 2020, essentially as the fourth quarter results included higher restructuring charges. Adjusted non-interest expenses amounted to \$170.4 million in the first quarter of 2021, essentially unchanged compared with the fourth quarter of 2020. Sequentially, seasonally higher salaries and employee benefits, mainly as a result of higher share-based compensation, were mostly offset by lower technology and other expenses ensuing from efficiency and cost control measures.

ANALYSIS OF FINANCIAL CONDITION

TABLE 6
CONDENSED BALANCE SHEET

In thousands of Canadian dollars (Unaudited)	As at January 31, 2021	As at October 31, 2020
Assets		
Cash and deposits with banks	\$ 759,994	\$ 672,842
Securities	6,208,737	5,799,216
Securities purchased under reverse repurchase agreements	3,504,934	3,140,228
Loans and acceptances, net	33,042,432	33,019,603
Other assets	1,674,511	1,535,771
	\$ 45,190,608	\$ 44,167,660
Liabilities and Shareholders' Equity		
Deposits	\$ 23,607,352	\$ 23,920,203
Other liabilities	8,005,132	7,102,277
Debt related to securitization activities	10,583,649	10,184,497
Subordinated debt	349,528	349,442
Shareholders' equity	2,644,947	2,611,241
	\$ 45,190,608	\$ 44,167,660

As at January 31, 2021, total assets amounted to \$45.2 billion, a 2% increase from \$44.2 billion as at October 31, 2020, mostly due to the higher level of liquid assets.

Liquid assets

Liquid assets consist of cash, deposits with banks, securities and securities purchased under reverse repurchase agreements. As at January 31, 2021, these assets totalled \$10.5 billion, an increase of \$0.9 billion compared with \$9.6 billion as at October 31, 2020.

The Bank continues to prudently manage its level of liquid assets. The Bank's funding sources remain well diversified and sufficient to meet all liquidity requirements. Liquid assets represented 23% of total assets as at January 31, 2021, compared with 22% as at October 31, 2020.

Loans

Loans and bankers' acceptances, net of allowances, stood at \$33.0 billion as at January 31, 2021, unchanged compared with the level as at October 31, 2020. During the first quarter of 2021, commercial loan growth resumed, which was offset by reductions in personal loans and residential mortgage loans.

Commercial loans and acceptances amounted to \$13.2 billion as at January 31, 2021, an increase of 3% since October 31, 2020. Growth in inventory financing volumes resumed in the quarter, reflecting seasonality as dealers begin to restock their inventories despite continued supply chain challenges. Real estate lending also contributed to growth and continued to show resilience during the COVID-19 pandemic amidst the lower interest rate environment.

Personal loans amounted to \$4.0 billion as at January 31, 2021, a decrease of \$0.1 billion or 4% since October 31, 2020, mainly as a result of the continued reduction in the investment loan portfolio, reflecting the continued reduction in the use of leverage by consumers.

Residential mortgage loans amounted to \$16.1 billion as at January 31, 2021, a decrease of \$0.2 billion or 1% since October 31, 2020. The acquisition of mortgage loans from third parties, as part of the Bank's program to optimize the usage of the National Housing Act mortgage-backed securities allocations, has contributed to mitigating the impact of other repayments.

Other assets

Other assets stood at \$1.7 billion as at January 31, 2021, essentially unchanged compared with October 31, 2020.

LIABILITIES

Deposits

Deposits decreased by \$0.3 billion or 1% to \$23.6 billion as at January 31, 2021 compared with \$23.9 billion as at October 31, 2020, mainly as the Bank optimized its funding sources to align with its asset level. Personal deposits stood at \$18.3 billion as at January 31, 2021, down \$0.5 billion compared with October 31, 2020. The decrease resulted mainly from lower term deposits sourced through intermediaries managed down as the Bank increased its debt related to securitization activities to optimize funding costs as described

below, partly offset by higher volumes of demand deposits generated through the various direct to customer distribution channels of the Bank.

Business and other deposits increased by \$0.2 billion over the same period to \$5.3 billion, mostly due to an increase in wholesale funding as the Bank took advantage of favourable market conditions to augment its term funding.

Personal deposits represented 77% of total deposits as at January 31, 2021, compared with 79% as at October 31, 2020, and contributed to the Bank's good liquidity position.

Other liabilities

Other liabilities increased to \$8.0 billion as at January 31, 2021 from \$7.1 billion as at October 31, 2020. The year-over-year increase resulted mainly from higher obligations related to securities sold short associated with trading activities.

Debt related to securitization activities

Debt related to securitization activities increased by \$0.4 billion or 4% compared with October 31, 2020 and stood at \$10.6 billion as at January 31, 2021. Since the beginning of the year, mortgage loan securitization through the CMHC programs, supplemented by other secured funding, more than offset maturities of liabilities related to the Canada Mortgage Bond program, as well as normal repayments.

Subordinated debt

Subordinated debt was essentially unchanged and stood at \$349.5 million as at January 31, 2021, compared with \$349.4 million as at January 31, 2020. Subordinated debt is an integral part of the Bank's regulatory capital and affords its depositors additional protection.

SHAREHOLDERS' EQUITY

Shareholders' equity amounted to \$2,644.9 million as at January 31, 2021, compared with \$2,611.2 million as at October 31, 2020.

Compared to October 31, 2020, retained earnings increased by \$44.3 million as the net income contribution of \$44.8 million and other gains related to employee benefit plans and equity securities designated at fair value through other comprehensive income of \$19.9 million were partly offset by dividends amounting to \$20.4 million. Accumulated other comprehensive income decreased by \$14.3 million, essentially as a result of a reduction in the cumulative foreign currency translation amount. For additional information, please refer to the Consolidated Statement of Changes in Shareholders' Equity in the Condensed Interim Consolidated Financial Statements.

The Bank's book value per common share was \$54.42 as at January 31, 2021 compared to \$53.74 as at October 31, 2020.

There were 43,343,865 common shares outstanding as at March 1, 2021.

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 is 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. Institutions are expected to meet minimum risk-based capital requirements for exposure to credit risk, operational risk and market risk.

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 a 2.5% capital conservation buffer.

Table 7 outlines regulatory capital and regulatory capital ratios. The Bank complied with OSFI's capital requirements throughout the year.

TABLE 7
REGULATORY CAPITAL

In thousands of Canadian dollars, except percentage amounts (Unaudited)	As at January 31, 2021	As at October 31, 2020
Regulatory capital⁽¹⁾		
Common Equity Tier 1 capital	\$ 1,934,729	\$ 1,893,079
Tier 1 capital	\$ 2,178,767	\$ 2,137,117
Total capital	\$ 2,619,935	\$ 2,571,212
Total risk-weighted assets⁽²⁾	\$ 19,715,068	\$ 19,669,263
Regulatory capital ratios		
Common Equity Tier 1 capital ratio	9.8 %	9.6 %
Tier 1 capital ratio	11.1 %	10.9 %
Total capital ratio	13.3 %	13.1 %

(1) The Common Equity Tier 1, Tier 1 and Total capital ratios excluding the ECL transitional arrangements were 9.7%, 11.0% and 13.3% respectively as at January 31, 2021.

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

The Common Equity Tier 1 capital ratio stood at 9.8% as at January 31, 2021, compared with 9.6% as at October 31, 2020. The increase compared with October 31, 2020 mainly results from internal capital generation. This level of capital provides the Bank with the necessary operational flexibility to resume growth and to pursue key initiatives prudently, considering the economic conditions.

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 always meets or exceeds 3%. 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 4.8% as at January 31, 2021 and exceeded regulatory requirements.

TABLE 8
BASEL III LEVERAGE RATIO

In thousands of Canadian dollars, except percentage amounts (Unaudited)	As at January 31, 2021	As at October 31, 2020
Tier 1 capital	\$ 2,178,767	\$ 2,137,117
Total exposures	\$ 45,143,980	\$ 44,452,632
Basel III leverage ratio⁽¹⁾	4.8 %	4.8 %

(1) The Basel III leverage ratio excluding the ECL transitional arrangements was 4.8% as at January 31, 2021.

DIVIDENDS

On March 2, 2021, the Board of Directors declared a quarterly dividend of \$0.40 per common share, payable on May 1, 2021 to shareholders of record on April 1, 2021. Shares attributed under the Bank's Shareholder Dividend Reinvestment and Share Purchase Plan will continue to be made in common shares issued from Corporate Treasury at a 2% discount.

RISK MANAGEMENT

The Bank is exposed to various types of risks owing to its activities, mainly as it relates to the use of financial instruments. In order to manage these risks, various risk management policies and risk limits, as well as other controls have been implemented. These measures aim to optimize return considering risk in all operating segments. Refer to the section "Risk Appetite and Risk Management Framework" on page 43 of the Bank's 2020 Annual Report for additional information on the Bank's risk management framework.

CREDIT RISK

The following sections provide further details on the credit quality of the Bank's loan portfolio.

COVID-19 impact on credit risk and measurement uncertainty of expected credit loss estimates

To consider the evolving impact of the pandemic, as well as other changes to the Bank's environment, the Bank updated its economic scenarios to assess collective provisions as at January 31, 2021. The three scenarios, "base", "downside" and "upside", were probability weighted as part of the Bank's approach to determining the expected credit losses as at January 31, 2021 and are further described in Note 5 to the Condensed Interim Consolidated Financial Statements.

Collective allowances are sensitive to model inputs, including macroeconomic variables in the forward-looking scenarios and their respective probability weighting, among other factors. When possible, the Bank's ECL models were adapted to consider measures introduced by governments, central banks and regulators to promote liquidity and ease financial stress to individuals and businesses. To better assess loan losses, the Bank also applied expert judgment given this unprecedented situation. The COVID-19 pandemic led to significant changes to this forward-looking information in 2020, resulting in an increase in expected credit losses.

The magnitude of the impact of COVID-19 on the Canadian and U.S. economies remains highly uncertain including assessments of the impact of government and/or regulatory responses to the outbreak. Therefore, it remains difficult to predict whether the increase in expected credit losses will result in significant write-offs or if the Bank will need to recognize additional increases in expected credit losses in subsequent periods.

Provision for credit losses

The provision for credit losses increased by \$1.9 million to \$16.8 million for the first quarter of 2021 compared with \$14.9 million for the pre-COVID-19 first quarter of 2020. The increase in provision for credit losses was mainly driven by allowances on impaired commercial loans. The allowance levels reflect the high level of uncertainty related to the current economic conditions, including another contraction in economic activity at the beginning of 2021, the efficacy of vaccination rollouts, the transmission of new variants and the higher level of unemployment.

Credit losses on personal loans for the first quarter of 2021 decreased by \$1.7 million compared with the first quarter of 2020, essentially as a result of lower write-offs as customers benefited from government measures.

Credit losses on residential mortgage loans for the first quarter of 2021 increased by \$2.6 million compared with the first quarter of 2020. The increase accounts for the Bank's most recent assumptions relating to the impact of the COVID-19 pandemic, including updated assessments regarding loans to clients which had benefited from deferral programs, as further detailed below.

Credit losses on commercial loans for the first quarter of 2021 increased by \$1.0 million compared with the first quarter of 2020, which mainly reflects the impact of increases in allowances on impaired loans.

Table 9 details the provision for credit losses.

TABLE 9
PROVISION FOR CREDIT LOSSES⁽¹⁾

In thousands of Canadian dollars, except percentage amounts (Unaudited)	For the three months ended		
	January 31, 2021	October 31, 2020	January 31, 2020
Personal loans			
Performing (Stage 1 and 2)	\$ (307)	\$ (1,254)	\$ (2,968)
Impaired (Stage 3)	2,598	4,546	6,935
	2,291	3,292	3,967
Residential mortgage loans			
Performing (Stage 1 and 2)	1,779	4,024	415
Impaired (Stage 3)	2,298	3,091	1,065
	4,077	7,115	1,480
Commercial loans			
Performing (Stage 1 and 2)	(2,359)	8,319	927
Impaired (Stage 3)	12,791	5,474	8,526
	10,432	13,793	9,453
Total loans			
Performing (Stage 1 and 2)	(887)	11,089	(1,626)
Impaired (Stage 3)	17,687	13,111	16,526
Provision for credit losses	16,800	24,200	14,900
As a % of average loans and acceptances	0.20 %	0.29 %	0.18 %

Impaired loans

Gross impaired loans amounted to \$274.1 million as at January 31, 2021, up \$1.4 million or 1% compared with October 31, 2020, mainly due to an increase in commercial impaired loans.

Allowances for loan losses against impaired loans increased by \$10.0 million compared with October 31, 2020, mainly with regards to the commercial loan portfolio. Allowances for loan losses against performing loans amounted to \$98.9 million as at January 31, 2021, up \$1.8 million compared with October 31, 2020, driven by the Bank's most recent assumptions relating to the impact of the COVID-19 pandemic. The Bank remains cautious in the current environment, as government support decreases, and while most payment deferral measures have recently ended.

See Note 5 to the Condensed Interim Consolidated Financial Statements for additional information.

TABLE 10
IMPAIRED LOANS

In thousands of Canadian dollars, except percentage amounts (Unaudited)	As at January 31, 2021	As at October 31, 2020
Gross impaired loans		
Personal	\$ 29,762	\$ 36,105
Residential mortgages	66,260	65,846
Commercial ⁽¹⁾	178,085	170,786
	274,107	272,737
Allowances for loan losses against impaired loans (Stage 3)	(86,459)	(76,435)
Net impaired loans	\$ 187,648	\$ 196,302
Impaired loans as a % of loans and acceptances		
Gross	0.82 %	0.82 %
Net	0.56 %	0.59 %
Allowances for loan losses against performing loans		
Stage 1	\$ (58,701)	\$ (56,866)
Stage 2	(40,166)	(40,221)
	\$ (98,867)	\$ (97,087)

(1) Including customers' liabilities under acceptances.

Payment relief programs

In response to the COVID-19 pandemic, the Bank continues to work with its customers who may need flexibility in managing their loans. Payment relief has been generally granted only to customers with good credit records. For commercial loans, customer requests and deferral programs were reviewed and approved on a case-by-case basis. These payment relief options allowed customers to temporarily stop making their regular payments, while interest continued to accrue on the outstanding balance. Payment deferrals were not considered to automatically trigger a significant increase in credit risk or result in such loans being moved into stage 2 or stage 3 for the purposes of calculating expected credit losses. Refer to the section "Payment relief programs" on page 52 of the Bank's 2020 Annual Report for additional information.

Loans subject to payment relief programs still outstanding as at January 31, 2021 amounted to \$25.1 million or 0.1% of the loan portfolio (\$219.7 million or 0.7% of the loan portfolio as at October 31, 2020) and mainly consist of residential mortgage loans. The Bank is monitoring these accounts, as well as those which no longer benefit from the programs. The Bank's current assessment of the COVID-19 situation is that underlying losses should remain manageable.

See Note 5 to the Consolidated Financial Statements for additional information.

MARKET RISK

Market risk is the financial loss that the Bank may 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, 2021. 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.

TABLE 11
SENSITIVITY ANALYSIS OF THE STRUCTURAL INTEREST RATE RISK

In thousands of Canadian dollars (Unaudited)	As at January 31, 2021	As at October 31, 2020
Effect of a 1% increase in interest rates		
Increase in net interest income before taxes over the next 12 months	\$ 15,224	\$ 23,476
Decrease in the economic value of common shareholders' equity (net of income taxes)	\$ (33,360)	\$ (36,690)

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 requirements.

The Bank maintains liquidity and funding that is appropriate for the execution of its strategy, with liquidity and funding risk remaining well within its approved limits.

The Bank monitors cash resources daily and ensures 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 the Bank's 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.

The Bank originates deposits from Personal, Business and Institutional customers, and has access to wholesale financing from diversified sources. Personal deposits are sourced through multiple channels including the Quebec Retail Network, Advisors and Brokers, as well as the Digital Channel. Wholesale funding options include loan securitization and the issuance of equity or debt instruments through capital markets. Limits on funding sources are monitored by the Asset-Liability Committee, the Executive Committee and the Board of Directors.

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 sufficient 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, 2021.

Credit ratings

Personal deposits, collected through the Quebec Retail Network as well as the Advisors and Brokers channel, constitute the most important source of financing for the Bank. The Bank also relies on the wholesale markets to obtain financing through securitization and unsecured financing. The Bank's capacity to obtain such financing, especially wholesale funding, is tied to the credit ratings set by rating agencies such as DBRS Morningstar (DBRS) and Standard & Poor's Rating Services (S&P). Revisions of the Bank's credit ratings may therefore influence financing operations, as well as other collateral obligations.

Changes to credit ratings could also impact the Bank's involvement with other operational banking arrangements. The Bank regularly monitors the impact of a hypothetical downgrade of its credit rating on collateral requirements. As at January 31, 2021, additional collateral that would be required in the event of a one-to-three-notch rating downgrade was not significant.

Table 12 presents the Bank's credit ratings as established by the rating agencies.

TABLE 12
CREDIT RATINGS

As at February 24, 2021

	DBRS	S&P
Long-term deposits and debt	A (low)	BBB
Short-term instruments	R-1 (low)	A-2
Non-Viability Contingent Capital (NVCC) Subordinated debt	BBB (low)	BB+
NVCC Preferred shares	Pfd-3	BB-
Outlook	Negative ⁽¹⁾	Negative ⁽²⁾

[1] Rating trends provide guidance in respect of DBRS's opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories: "Positive", "Stable", or "Negative". The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed. A positive or negative trend is not an indication that a rating change is imminent. Generally, the conditions that lead to the assignment of a negative or positive trend are resolved within a 12 month period.

[2] An S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future action. The S&P rating outlooks have the following meanings: "Positive" means that a rating may be raised; "Negative" means that a rating may be lowered; "Stable" means that a rating is not likely to change; "Developing" means a rating may be raised or lowered.

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.

TABLE 13
CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

As at January 31, 2021

In thousands of Canadian dollars (Unaudited)	Term								Total	
	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		
Assets										
Cash and non-interest-bearing deposits with banks	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 79,033	\$ 79,033
Interest-bearing deposits with banks	570,966	—	—	25,000	—	—	—	—	84,995	680,961
Securities	511,751	161,805	307,098	367,464	977,410	1,770,562	1,738,086	374,561	6,208,737	
Securities purchased under reverse repurchase agreements	3,127,012	—	79,634	—	298,288	—	—	—	—	3,504,934
Loans⁽¹⁾										
Personal loans	16,431	17,962	33,275	34,113	93,139	70,991	11,364	3,696,567	3,973,842	
Residential mortgages	924,328	1,235,823	929,081	1,064,637	3,426,552	8,364,720	43,120	113,716	16,101,977	
Commercial loans	2,172,670	1,241,350	884,431	804,471	2,400,210	2,063,461	1,327,771	2,257,575	13,151,939	
Allowances for loan losses	—	—	—	—	—	—	—	(185,326)	(185,326)	
	3,113,429	2,495,135	1,846,787	1,903,221	5,919,901	10,499,172	1,382,255	5,882,532	33,042,432	
Others	1,858	816	1,017	2,670	2,758	2,088	17,432	1,645,872	1,674,511	
Total assets	\$7,325,016	\$2,657,756	\$2,234,536	\$2,298,355	\$7,198,357	\$12,271,822	\$3,137,773	\$ 8,066,993	\$45,190,608	
Liabilities and equity										
Deposits										
Personal deposits ⁽¹⁾	\$2,133,425	\$1,664,924	\$1,438,828	\$1,865,980	\$3,343,851	\$ 2,459,393	\$ 27,275	\$ 5,333,114	\$18,266,790	
Business, Banks and other deposits ⁽¹⁾	219,454	201,367	140,888	118,002	166,496	46,292	851	1,701,463	2,594,813	
Wholesale deposits	951,000	74,148	238,450	159,719	613,012	709,420	—	—	2,745,749	
	3,303,879	1,940,439	1,818,166	2,143,701	4,123,359	3,215,105	28,126	7,034,577	23,607,352	
Obligations related to securities sold short ⁽²⁾	987,143	62,222	27,961	18,931	174,125	882,380	1,523,836	(3,560)	3,673,038	
Obligations related to securities sold under repurchase agreements	1,907,445	—	159,871	—	651,245	—	—	—	2,718,561	
Other Liabilities	2,994	3,548	3,491	3,470	22,807	31,146	90,465	1,455,612	1,613,533	
Debt related to securitization activities⁽³⁾										
Subordinated debt	339,469	704,394	291,290	610,207	1,637,770	5,754,191	1,100,762	145,566	10,583,649	
Equity	—	—	—	—	349,528	—	—	—	349,528	
	—	125,000	—	—	—	125,000	—	2,394,947	2,644,947	
Total liabilities and equity	\$6,540,930	\$2,835,603	\$2,300,779	\$2,776,309	\$6,958,834	\$10,007,822	\$2,743,189	\$11,027,142	\$45,190,608	

(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 behavioural prepayment model.

As at October 31, 2020

In thousands of Canadian dollars (Unaudited)	Term								Total
	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	
Assets									
Cash and non-interest-bearing deposits with banks	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 69,661	\$ 69,661
Interest-bearing deposits with banks	482,960	—	—	25,000	—	—	—	95,221	603,181
Securities	652,671	268,379	109,515	252,828	751,986	2,074,340	1,352,518	336,979	5,799,216
Securities purchased under reverse repurchase agreements	2,173,297	639,005	—	79,634	248,292	—	—	—	3,140,228
Loans⁽¹⁾									
Personal loans	18,583	17,726	14,713	33,193	91,301	104,487	12,224	3,828,648	4,120,875
Residential mortgages	1,087,848	1,083,096	1,216,124	968,575	3,871,161	7,948,695	50,837	115,554	16,341,890
Commercial loans	2,342,341	919,009	1,172,762	758,031	2,421,636	2,027,004	1,097,008	1,992,569	12,730,360
Customers' liabilities under acceptances	—	—	—	—	—	—	—	—	—
Allowances for loan losses	—	—	—	—	—	—	—	(173,522)	(173,522)
	3,448,772	2,019,831	2,403,599	1,759,799	6,384,098	10,080,186	1,160,069	5,763,249	33,019,603
Others	2,924	604	615	688	4,041	685	—	1,526,214	1,535,771
Total assets	\$ 6,760,624	\$ 2,927,819	\$ 2,513,729	\$ 2,117,949	\$ 7,388,417	\$ 12,155,211	\$ 2,512,587	\$ 7,791,324	\$ 44,167,660
Liabilities and equity									
Deposits									
Personal deposits ⁽¹⁾	\$ 2,166,644	\$ 2,105,253	\$ 1,671,329	\$ 1,461,809	\$ 3,358,456	\$ 2,774,267	\$ 28,893	\$ 5,229,499	\$ 18,796,150
Business, Banks and other deposits ⁽¹⁾	244,701	160,147	206,613	146,803	170,395	46,704	844	1,663,364	2,639,571
Institutional deposits	416,900	648,000	—	238,450	778,610	402,522	—	—	2,484,482
	2,828,245	2,913,400	1,877,942	1,847,062	4,307,461	3,223,493	29,737	6,892,863	23,920,203
Obligations related to securities sold short⁽²⁾	752,043	66,222	5,873	50,886	162,715	754,313	1,227,405	1,252	3,020,709
Obligations related to securities sold under repurchase agreements	343,343	1,404,868	—	159,793	503,645	—	—	—	2,411,649
Other Liabilities	3,048	3,610	3,552	3,531	23,208	31,695	92,018	1,509,257	1,669,919
Debt related to securitization activities⁽³⁾	536,301	362,566	708,099	290,437	1,637,102	5,406,786	1,092,918	150,288	10,184,497
Subordinated debt	—	—	—	—	349,442	—	—	—	349,442
Equity	—	—	125,000	—	—	125,000	—	2,361,241	2,611,241
Total liabilities and equity	\$ 4,462,980	\$ 4,750,666	\$ 2,720,466	\$ 2,351,709	\$ 6,983,573	\$ 9,541,287	\$ 2,442,078	\$ 10,914,900	\$ 44,167,660

(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 behavioural prepayment model.

ADDITIONAL FINANCIAL INFORMATION - QUARTERLY RESULTS

TABLE 14

ADDITIONAL FINANCIAL INFORMATION - QUARTERLY RESULTS

In thousands of Canadian dollars, except percentage amounts (Unaudited)	January 31, 2021	October 31, 2020	July 31, 2020	April 30, 2020	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019
Net interest income	\$ 173,074	\$ 169,346	\$ 173,546	\$ 170,747	\$ 168,785	\$ 173,205	\$ 176,042	\$ 164,564
Other income	74,300	74,193	75,063	69,401	69,928	68,433	68,611	75,317
Total revenue	247,374	243,539	248,609	240,148	238,713	241,638	244,653	239,881
Amortization of net premium on purchased financial instruments	—	100	127	179	232	284	336	390
Provision for credit losses	16,800	24,200	22,300	54,900	14,900	12,600	12,100	9,200
Non-interest expenses	174,063	177,592	183,777	183,516	188,902	180,828	177,858	183,131
Income before income taxes	56,511	41,647	42,405	1,553	34,679	47,926	54,359	47,160
Income taxes	11,692	4,836	6,188	(7,332)	2,507	6,583	6,561	3,847
Net income	\$ 44,819	\$ 36,811	\$ 36,217	\$ 8,885	\$ 32,172	\$ 41,343	\$ 47,798	\$ 43,313
Earnings per share								
Basic	\$ 0.96	\$ 0.79	\$ 0.77	\$ 0.13	\$ 0.68	\$ 0.90	\$ 1.05	\$ 0.95
Diluted	\$ 0.96	\$ 0.79	\$ 0.77	\$ 0.13	\$ 0.68	\$ 0.90	\$ 1.05	\$ 0.95

CORPORATE GOVERNANCE AND CHANGES TO INTERNAL CONTROL OVER FINANCIAL REPORTING

During the first quarter ended January 31, 2021, 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 of Canada approved this document prior to its release.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies followed by the Bank are outlined in Notes 2 and 3 to the 2020 Annual Consolidated Financial Statements. The Condensed Interim Consolidated Financial Statements for the first quarter ended January 31, 2021 have been prepared in accordance with these accounting policies.

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 Estimates" of the Bank's 2020 Annual Report, as well as to Notes 2 and 3 to the 2020 Annual Consolidated Financial Statements, for additional information.

COVID-19 impact on judgments, estimates and assumptions

The preparation of financial information requires the use of estimates and judgments about future economic conditions. The global pandemic related to an outbreak of COVID-19 has amplified uncertainty on the assumptions used by management in making its judgments and estimates. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Canadian and U.S. economies and the Bank's business is highly uncertain and difficult to predict at this time. Accordingly, there is a higher level of uncertainty with respect to management's judgments and estimates. Refer to the section "Critical Accounting Policies and Estimations" of the Bank's 2020 Annual Report, as well as to Notes 2 and 3 to the 2020 Annual Consolidated Financial Statements.

FUTURE CHANGES TO ACCOUNTING POLICIES

The IASB has issued new standards and amendments to existing standards which are applicable for the Bank in various annual periods beginning on November 1, 2021. Except for the adoption of the Conceptual Framework for Financial Reporting as at November 1, 2020, there have been no significant updates to the future accounting changes disclosed in Note 4 of the 2020 Annual Consolidated Financial Statements and in the section "Future Accounting Changes" of the Bank's 2020 Annual Report.

LAURENTIAN BANK OF CANADA

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS AT AND FOR THE PERIOD ENDED JANUARY 31, 2021

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CONSOLIDATED BALANCE SHEET

In thousands of Canadian dollars (Unaudited)	Notes	As at January 31, 2021	As at October 31, 2020
Assets			
Cash and non-interest bearing deposits with banks		\$ 79,033	\$ 69,661
Interest-bearing deposits with banks		680,961	603,181
Securities	4 and 6		
At amortized cost		2,903,618	3,109,698
At fair value through profit or loss (FVTPL)		3,030,714	2,414,939
At fair value through other comprehensive income (FVOCI)		274,405	274,579
		6,208,737	5,799,216
Securities purchased under reverse repurchase agreements		3,504,934	3,140,228
Loans	5 and 6		
Personal		3,973,842	4,120,875
Residential mortgage		16,101,977	16,341,890
Commercial		13,151,939	12,730,360
		33,227,758	33,193,125
Allowances for loan losses		(185,326)	(173,522)
		33,042,432	33,019,603
Other			
Derivatives		319,577	295,122
Premises and equipment		194,011	199,869
Software and other intangible assets		372,803	380,259
Goodwill		115,033	117,286
Deferred tax assets		59,107	62,216
Other assets		613,980	481,019
		1,674,511	1,535,771
		\$ 45,190,608	\$ 44,167,660
Liabilities and shareholders' equity			
Deposits	7		
Personal		\$ 18,266,790	\$ 18,796,150
Business, banks and other		5,340,562	5,124,053
		23,607,352	23,920,203
Other			
Obligations related to securities sold short		3,673,038	3,020,709
Obligations related to securities sold under repurchase agreements		2,718,561	2,411,649
Derivatives		103,795	127,412
Deferred tax liabilities		54,342	55,333
Other liabilities	14	1,455,396	1,487,174
		8,005,132	7,102,277
Debt related to securitization activities	6	10,583,649	10,184,497
Subordinated debt		349,528	349,442
Shareholders' equity			
Preferred shares	8	244,038	244,038
Common shares	8	1,162,674	1,159,488
Retained earnings		1,197,243	1,152,973
Accumulated other comprehensive income		37,897	52,215
Share-based compensation reserve	9	3,095	2,527
		2,644,947	2,611,241
		\$ 45,190,608	\$ 44,167,660

The accompanying notes are in integral part of the Condensed Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF INCOME

In thousands of Canadian dollars, except per share amounts (Unaudited)	Notes	For the three months ended		
		January 31, 2021	October 31, 2020	January 31, 2020
Interest and dividend income	13			
Loans		\$ 288,817	\$ 290,794	\$ 354,621
Securities		11,753	10,662	17,696
Deposits with banks		427	281	2,329
Other, including derivatives		25,373	28,839	4,909
		326,370	330,576	379,555
Interest expense	13			
Deposits		103,851	112,874	153,845
Debt related to securitization activities		43,908	42,531	47,697
Subordinated debt		3,828	3,824	3,831
Other, including derivatives		1,709	2,001	5,397
		153,296	161,230	210,770
Net interest income		173,074	169,346	168,785
Other income				
Lending fees		16,097	16,893	15,294
Fees and securities brokerage commissions		14,110	12,570	10,600
Commissions from sales of mutual funds		11,635	11,183	10,934
Service charges		7,237	7,981	9,327
Income from financial instruments		9,091	9,082	4,806
Card service revenues		6,699	6,700	8,551
Fees on investment accounts		3,755	4,196	4,261
Insurance income, net		2,689	2,817	3,062
Other		2,987	2,771	3,093
		74,300	74,193	69,928
Total revenue		247,374	243,539	238,713
Amortization of net premium on purchased financial instruments		—	100	232
Provision for credit losses	5	16,800	24,200	14,900
Non-interest expenses				
Salaries and employee benefits	9 and 10	95,406	88,811	95,269
Premises and technology		48,456	49,949	49,767
Other		29,580	34,670	41,132
Restructuring charges	15	621	4,162	2,734
		174,063	177,592	188,902
Income before income taxes		56,511	41,647	34,679
Income taxes		11,692	4,836	2,507
Net income		\$ 44,819	\$ 36,811	\$ 32,172
Preferred share dividends, including applicable taxes		3,117	2,874	3,197
Net income available to common shareholders		\$ 41,702	\$ 33,937	\$ 28,975
Weighted-average number of common shares outstanding (in thousands)				
Basic		43,273	43,161	42,666
Diluted		43,273	43,161	42,740
Earnings per share	11			
Basic		\$ 0.96	\$ 0.79	\$ 0.68
Diluted		\$ 0.96	\$ 0.79	\$ 0.68
Dividends declared per share				
Common share		\$ 0.40	\$ 0.40	\$ 0.67
Preferred share - Series 13		\$ 0.26	\$ 0.26	\$ 0.26
Preferred share - Series 15		\$ 0.37	\$ 0.37	\$ 0.37

The accompanying notes are in integral part of the Condensed Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of Canadian dollars (Unaudited)	For the three months ended		
	January 31, 2021	October 31, 2020	January 31, 2020
Net income	\$ 44,819	\$ 36,811	\$ 32,172
Other comprehensive income, 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	(26)	(17)
Reclassification of net (gains) losses on debt securities at FVOCI to net income	(204)	(53)	24
	(187)	(79)	7
Net change in value of derivatives designated as cash flow hedges	(1,333)	(3,109)	2,242
Net foreign currency translation adjustments			
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	(19,277)	(2,155)	2,419
Net gains on hedges of investments in foreign operations	6,479	1,201	147
	(12,798)	(954)	2,566
	(14,318)	(4,142)	4,815
Items that may not subsequently be reclassified to the Statement of Income			
Remeasurement gains (losses) on employee benefit plans	4,620	6,959	(2,904)
Net gains on equity securities designated at FVOCI	15,243	4,315	4,758
	19,863	11,274	1,854
Total other comprehensive income, net of income taxes	5,545	7,132	6,669
Comprehensive income	\$ 50,364	\$ 43,943	\$ 38,841

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, 2021	October 31, 2020	January 31, 2020
Net change in debt securities at FVOCI			
Unrealized net gains (losses) on debt securities at FVOCI	\$ 6	\$ (29)	\$ (6)
Reclassification of net (gains) losses on debt securities at FVOCI to net income	(73)	(19)	9
	(67)	(48)	3
Net change in value of derivatives designated as cash flow hedges	(481)	(1,157)	808
Net foreign currency translation adjustments			
Net gains on hedges of investments in foreign operations	(86)	(422)	—
Remeasurement gains (losses) on employee benefit plans	1,664	2,459	(1,047)
Net gains on equity securities designated at FVOCI	5,496	1,556	1,717
	\$ 6,526	\$ 2,388	\$ 1,481

The accompanying notes are in integral part of the Condensed Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended January 31, 2021

In thousands of Canadian dollars (Unaudited)	Preferred shares (Note 8)	Common shares (Note 8)	Retained earnings	Accumulated Other Comprehensive Income			Total	Share-based compensation reserve	Total shareholders' equity
				Debt securities at FVOCI	Cash flow hedges	Translation of foreign operations			
Balance as at October 31, 2020	\$ 244,038	\$ 1,159,488	\$ 1,152,973	\$ 1,784	\$ 43,593	6,838	\$ 52,215	\$ 2,527	\$ 2,611,241
Net income			44,819						44,819
Other comprehensive income, net of income taxes									
Unrealized net gains on debt securities at FVOCI				17			17		17
Reclassification of net gains on debt securities at FVOCI to net income				(204)			(204)		(204)
Net change in value of derivatives designated as cash flow hedges					(1,333)		(1,333)		(1,333)
Net unrealized foreign currency translation losses on investments in foreign operations						(19,277)	(19,277)		(19,277)
Net gains on hedges of investments in foreign operations						6,479	6,479		6,479
Remeasurement gains on employee benefit plans			4,620						4,620
Net gains on equity securities designated at FVOCI			15,243						15,243
Comprehensive income			64,682	(187)	(1,333)	(12,798)	(14,318)		50,364
Issuance of share capital		3,186							3,186
Share-based compensation								568	568
Dividends									
Preferred shares, including applicable taxes			(3,117)						(3,117)
Common shares			(17,295)						(17,295)
Balance as at January 31, 2021	\$ 244,038	\$ 1,162,674	\$ 1,197,243	\$ 1,597	\$ 42,260	\$ (5,960)	\$ 37,897	\$ 3,095	\$ 2,644,947

The accompanying notes are in integral part of the Condensed Interim Consolidated Financial Statements.

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

In thousands of Canadian dollars (Unaudited)	For the three months ended January 31, 2020									
	Preferred shares (Note 8)	Common shares (Note 8)	Retained earnings	Accumulated Other Comprehensive Income			Total	Share-based compensation reserve	Total shareholders' equity	
				Debt securities at FVOCI	Cash flow hedges	Translation of foreign operations				
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 losses on debt securities at FVOCI				(17)			(17)		(17)	
Reclassification of net 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 on investments in foreign operations						2,419	2,419		2,419	
Net gains on hedges of investments in foreign operations						147	147		147	
Remeasurement losses on employee benefit plans			(2,904)						(2,904)	
Net gains 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 in integral part of the Condensed Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of Canadian dollars (Unaudited)	Notes	For the three months ended		
		January 31, 2021	October 31, 2020	January 31, 2020
Cash flows relating to operating activities				
Net income		\$ 44,819	\$ 36,811	\$ 32,172
Adjustments to determine net cash flows relating to operating activities:				
Provision for credit losses	5	16,800	24,200	14,900
Deferred income taxes		540	(2,839)	(293)
Depreciation of premises and equipment		5,924	5,944	5,891
Amortization of software and other intangible assets		10,365	10,500	10,087
Change in operating assets and liabilities:				
Loans		(38,492)	(395,566)	128,783
Acceptances		—	(134,800)	(47,481)
Securities at FVTPL		(615,775)	755,830	524,597
Securities purchased under reverse repurchase agreements		(364,706)	(350,098)	(633,612)
Accrued interest receivable		5,373	(3,821)	22,657
Derivative assets		(24,455)	52,006	2,655
Deposits		(312,851)	(649,572)	(451,651)
Obligations related to securities sold short		652,329	(94,655)	814,899
Obligations related to securities sold under repurchase agreements		306,912	(187,043)	(435,396)
Accrued interest payable		(57,915)	12,558	(24,236)
Derivative liabilities		(23,617)	(32,972)	16,298
Debt related to securitization activities		399,152	822,805	13,643
Other, net		(128,394)	259,080	61,891
		(123,991)	128,368	55,804
Cash flows relating to financing activities				
Payment of lease liabilities		(4,676)	(4,664)	(4,663)
Net proceeds from issuance of common shares	8	—	1,568	20
Dividends		(3,058)	(17,362)	(47,402)
		(7,734)	(20,458)	(52,045)
Cash flows relating to investing activities				
Change in securities at amortized cost				
Acquisitions		(310,175)	(796,876)	(733,085)
Proceeds on sale and at maturity		516,257	839,564	1,019,973
Change in securities at FVOCI				
Acquisitions		(80,243)	(43,058)	(84,732)
Proceeds on sale and at maturity		101,090	53,457	89,999
Proceeds on sale of loan portfolios		—	54,376	—
Additions to premises and equipment and software and other intangible assets		(4,705)	(3,862)	(16,139)
Change in interest-bearing deposits with banks		(77,780)	(228,646)	(291,248)
		144,444	(125,045)	(15,232)
Effect of exchange rate changes on cash and non-interest-bearing deposits with banks		(3,347)	(803)	88
Net change in cash and non-interest bearing deposits with banks		9,372	(17,938)	(11,385)
Cash and non-interest bearing deposits with banks at beginning of period		69,661	87,599	90,658
Cash and non-interest bearing deposits with banks at end of period		\$ 79,033	\$ 69,661	\$ 79,273
Supplemental disclosure about cash flows relating to operating activities:				
Interest paid during the period		\$ 215,504	\$ 145,438	\$ 237,003
Interest received during the period		\$ 334,928	\$ 316,336	\$ 400,439
Dividends received during the period		\$ 3,290	\$ 3,608	\$ 3,855
Income taxes paid (received) during the period		\$ 23,866	\$ (3,703)	\$ 5,071

The accompanying notes are in integral part of the Condensed Interim Consolidated Financial Statements.

NOTES TO 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 primarily across Canada 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, Canada. 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, 2021 were approved for issuance by the Board of Directors on March 2, 2021.

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 Condensed Interim 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 Condensed Interim Consolidated Financial Statements should be read in conjunction with the Annual Consolidated Financial Statements for the year ended October 31, 2020 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.

These Condensed Interim Consolidated Financial Statements were prepared under a historical cost basis, except for certain items carried at fair value as discussed in Note 3 to the Annual Consolidated Financial Statements for the year ended October 31, 2020.

Unless otherwise indicated, all amounts are expressed in Canadian dollars, which is the Bank's presentation currency.

2.1 ACCOUNTING POLICY CHANGES

Conceptual Framework for Financial Reporting

In March 2018, the IASB issued a comprehensive set of concepts for financial reporting, the revised *Conceptual Framework for Financial Reporting* (Conceptual Framework), replacing the previous version of the Conceptual Framework issued in 2010. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the IASB in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors.

The revised Conceptual Framework was effective for annual reporting periods beginning on or after January 1, 2020 for companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction.

The adoption of the revised Conceptual Framework had no significant impact on the Bank's Consolidated Financial Statements as at November 1, 2020.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these Condensed Interim Consolidated Financial Statements, management is required to make significant judgments and subjective estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable.

Significant accounting judgments, estimates and assumptions have been made specifically in the following areas and are further discussed in the Annual Consolidated Financial Statements for the year ended October 31, 2020 as follows:

Fair value of financial instruments	Notes 3 and 23	Post-employment benefits	Notes 3 and 19
Allowances for credit losses	Notes 3 and 7	Income taxes	Notes 3 and 20
Goodwill and other intangible assets	Notes 3, 10 and 11	Provisions and contingent liabilities	Notes 3 and 30

In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of the items listed above, it is possible that the outcomes in future reporting periods could differ from those on which management's estimates are based. This could result in materially different estimates and judgments from those reached by management for the purposes of the Condensed Interim Consolidated Financial Statements.

COVID-19 impact on judgments, estimates and assumptions

The preparation of financial information requires the use of estimates and judgments about future economic conditions. The global pandemic related to an outbreak of a coronavirus (COVID-19) has amplified uncertainty on the assumptions used by management in making its judgments and estimates. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Canadian and U.S. economies and the Bank's business is highly uncertain and difficult to predict at this time. Accordingly, there is a higher level of uncertainty with respect to management's judgments and estimates.

3. FUTURE ACCOUNTING CHANGES

The IASB has issued new standards and amendments to existing standards which are applicable for the Bank in various annual periods beginning on November 1, 2021. Except for the adoption of the Conceptual Framework for Financial Reporting as at November 1, 2020, there have been no significant updates to the future accounting changes disclosed in Note 4 of the 2020 Annual Consolidated Financial Statements.

4. SECURITIES

Credit quality

As at January 31, 2021, debt securities at amortized cost and at FVOCI are classified in Stage 1, with their credit rating falling mainly in the "Low risk" category according to the Bank's internal risk-rating categories. As at January 31, 2021, allowances for credit losses amounted to \$0.2 million (\$0.2 million as at October 31, 2020) for debt securities at amortized cost and \$0.2 million (\$0.2 million as at October 31, 2020) for debt securities at FVOCI.

Securities at amortized cost

	As at January 31, 2021	As at October 31, 2020
Securities issued or guaranteed		
by Canada ⁽¹⁾	\$ 1,066,059	\$ 1,048,606
by provinces	1,594,809	1,550,127
by municipalities	178,793	117,993
Other debt securities	63,957	392,972
	\$ 2,903,618	\$ 3,109,698

(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 are detailed as follows:

	As at January 31, 2021			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value ⁽¹⁾
Securities issued or guaranteed				
by Canada ⁽²⁾	\$ 7,935	\$ 285	\$ —	\$ 8,220
by provinces	10,504	405	1	10,908
by municipalities	43,512	904	—	44,416
Other debt securities	23,811	932	—	24,743
Asset-backed securities	545	6	—	551
Preferred shares	171,035	4,623	10,716	164,942
Common shares and other securities	19,896	1,182	453	20,625
	\$ 277,238	\$ 8,337	\$ 11,170	\$ 274,405

(1) The allowances for credit losses on debt securities at FVOCI, amounting to \$0.2 million as at January 31, 2021 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.

As at October 31, 2020

	Amortized cost	Unrealized gains	Unrealized losses	Fair value ⁽¹⁾
Securities issued or guaranteed				
by Canada ⁽²⁾	\$ 16,405	\$ 482	\$ 8	\$ 16,879
by provinces	9,692	435	—	10,127
by municipalities	49,302	1,009	—	50,311
Other debt securities	25,471	904	9	26,366
Asset-backed securities	730	10	—	740
Preferred shares	177,122	2,171	28,025	151,268
Common shares and other securities	19,460	805	1,377	18,888
	\$ 298,182	\$ 5,816	\$ 29,419	\$ 274,579

(1) The allowances for credit losses on debt securities at FVOCI, amounting to \$0.2 million as at October 31, 2020 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, 2021, an amount of \$2.3 million in dividend income was recognized in earnings on these investments (\$2.6 million for three months ended January 31, 2020), including a negligible amount for investments that were sold during the three months ended January 31, 2021 and the three months ended January 31, 2020.

	For the three months ended	
	January 31, 2021	January 31, 2020
Fair value at beginning of period	\$ 170,157	\$ 189,716
Change in fair value	21,053	7,731
Designated at FVOCI	15,610	18,429
Sales or redemptions	(21,253)	(17,272)
Fair value at end of period	\$ 185,567	\$ 198,604

5. LOANS AND ALLOWANCES FOR CREDIT LOSSES

As at January 31, 2021 and January 31, 2020, loans are recognized on the Consolidated Balance Sheet at amortized cost as outlined in Note 3 to the Annual Consolidated Financial Statements for the year ended October 31, 2020.

Determining and measuring expected credit losses (ECL)

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, 2020.

Credit risk exposure

The following tables show the gross and net carrying amounts of loans and acceptances and off-balance sheet exposures as at January 31, 2021 and October 31, 2020, according to credit quality and ECL impairment stage of each loan category at amortized cost.

	As at January 31, 2021				
	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
Personal loans					
Very low risk	\$ 2,895,079	\$ 7,439	\$ —	\$ —	\$ 2,902,518
Low risk	412,765	87,629	—	—	500,394
Medium risk	308,648	217,557	—	—	526,205
High risk	—	14,963	—	—	14,963
Default	—	—	29,762	—	29,762
Gross carrying amount	3,616,492	327,588	29,762	—	3,973,842
Allowances for loan losses	7,257	17,714	16,211	—	41,182
Net carrying amount	\$ 3,609,235	\$ 309,874	\$ 13,551	\$ —	\$ 3,932,660
Residential mortgage loans					
Very low risk	\$ 10,379,915	\$ 16,391	\$ —	\$ —	\$ 10,396,306
Low risk	3,127,239	91,953	—	—	3,219,192
Medium risk	1,868,669	469,058	—	—	2,337,727
High risk	—	82,492	—	—	82,492
Default	—	—	66,260	—	66,260
Gross carrying amount	15,375,823	659,894	66,260	—	16,101,977
Allowances for loan losses	6,607	5,448	4,962	—	17,017
Net carrying amount	\$ 15,369,216	\$ 654,446	\$ 61,298	\$ —	\$ 16,084,960
Commercial loans⁽¹⁾					
Very low risk	\$ 2,463,903	\$ 20,529	\$ —	\$ —	\$ 2,484,432
Low risk	7,138,417	141,896	—	—	7,280,313
Medium risk	2,733,040	330,238	—	—	3,063,278
High risk	—	145,831	—	—	145,831
Default	—	—	178,085	—	178,085
Gross carrying amount	12,335,360	638,494	178,085	—	13,151,939
Allowances for loan losses	44,837	17,004	65,286	—	127,127
Net carrying amount	\$ 12,290,523	\$ 621,490	\$ 112,799	\$ —	\$ 13,024,812
Total loans					
Gross carrying amount	\$ 31,327,675	\$ 1,625,976	\$ 274,107	\$ —	\$ 33,227,758
Allowances for loan losses	58,701	40,166	86,459	—	185,326
Net carrying amount	\$ 31,268,974	\$ 1,585,810	\$ 187,648	\$ —	\$ 33,042,432
Off-balance sheet exposures⁽²⁾					
Very low risk	\$ 1,098,892	\$ 26,188	\$ —	\$ —	\$ 1,125,080
Low risk	1,194,259	30,239	—	—	1,224,498
Medium risk	395,545	35,471	—	—	431,016
High risk	—	9,081	—	—	9,081
Default	—	—	—	—	—
Total exposure	2,688,696	100,979	—	—	2,789,675
Allowances for off-balance sheet exposures losses	6,153	2,087	—	—	8,240
Total exposure, net	\$ 2,682,543	\$ 98,892	\$ —	\$ —	\$ 2,781,435

(1) Including customers' liabilities under acceptances.

(2) Including letters of guarantee and certain undrawn amounts under approved credit facilities.

As at October 31, 2020

	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3 ⁽¹⁾		
Personal loans					
Very low risk	\$ 2,931,558	\$ 9,080	\$ —	\$ —	\$ 2,940,638
Low risk	445,747	104,585	—	—	550,332
Medium risk	331,779	246,309	—	—	578,088
High risk	—	15,712	—	—	15,712
Default	—	—	36,105	—	36,105
Gross carrying amount	3,709,084	375,686	36,105	—	4,120,875
Allowances for loan losses	6,996	17,330	17,212	—	41,538
Net carrying amount	\$ 3,702,088	\$ 358,356	\$ 18,893	\$ —	\$ 4,079,337
Residential mortgage loans					
Very low risk	\$ 10,008,099	\$ 103,223	\$ —	\$ —	\$ 10,111,322
Low risk	3,225,724	178,993	—	—	3,404,717
Medium risk	1,914,807	722,156	—	—	2,636,963
High risk	—	123,042	—	—	123,042
Default	—	—	65,846	—	65,846
Gross carrying amount	15,148,630	1,127,414	65,846	—	16,341,890
Allowances for loan losses	5,158	5,001	3,605	—	13,764
Net carrying amount	\$ 15,143,472	\$ 1,122,413	\$ 62,241	\$ —	\$ 16,328,126
Commercial loans⁽¹⁾					
Very low risk	\$ 2,506,784	\$ 32,093	\$ —	\$ —	\$ 2,538,877
Low risk	6,768,408	186,369	—	—	6,954,777
Medium risk	2,630,411	309,950	—	—	2,940,361
High risk	—	125,559	—	—	125,559
Default	—	—	170,786	—	170,786
Gross carrying amount	11,905,603	653,971	170,786	—	12,730,360
Allowances for loan losses	44,712	17,890	55,618	—	118,220
Net carrying amount	\$ 11,860,891	\$ 636,081	\$ 115,168	\$ —	\$ 12,612,140
Total loans					
Gross carrying amount	\$ 30,763,317	\$ 2,157,071	\$ 272,737	\$ —	\$ 33,193,125
Allowances for loan losses	56,866	40,221	76,435	—	173,522
Net carrying amount	\$ 30,706,451	\$ 2,116,850	\$ 196,302	\$ —	\$ 33,019,603
Off-balance sheet exposures⁽²⁾					
Very low risk	\$ 1,345,872	\$ 28,402	\$ —	\$ —	\$ 1,374,274
Low risk	1,374,916	53,877	—	—	1,428,793
Medium risk	459,632	43,183	—	—	502,815
High risk	—	7,527	—	—	7,527
Total exposure	3,180,420	132,989	—	—	3,313,409
Allowances for off-balance sheet exposures losses	8,324	3,124	—	—	11,448
Total exposure, net	\$ 3,172,096	\$ 129,865	\$ —	\$ —	\$ 3,301,961

(1) Including customers' liabilities under acceptances.

(2) Including letters of guarantee and certain undrawn amounts under approved credit facilities.

Impaired loans

	As at January 31, 2021		
	Gross impaired loans	Allowances against impaired loans	Net impaired loans
Personal loans	\$ 29,762	\$ 16,211	\$ 13,551
Residential mortgage loans	66,260	4,962	61,298
Commercial loans ⁽¹⁾	178,085	65,286	112,799
	\$ 274,107	\$ 86,459	\$ 187,648

	As at October 31, 2020		
	Gross impaired loans	Allowances against impaired loans	Net impaired loans
Personal loans	\$ 36,105	\$ 17,212	\$ 18,893
Residential mortgage loans	65,846	3,605	62,241
Commercial loans ⁽¹⁾	170,786	55,618	115,168
	\$ 272,737	\$ 76,435	\$ 196,302

(1) Including customers' liabilities under acceptances.

Payment relief programs

In response to the COVID-19 pandemic, the Bank has established payment relief programs during the second quarter of 2020 to help its customers through payment deferrals for residential mortgage loans and some personal and commercial loans. Payment deferrals have not been granted in connection with loans that had been identified as impaired (Stage 3). The Bank continued to accrue and recognize interest income on loans where payment deferrals were granted.

The following table shows the value of loans subject to these deferrals still outstanding as at January 31, 2021.

	As at January 31, 2021	
	Loan value	As a % of loan portfolio
Personal loans	\$ 71	— %
Residential mortgage loans	17,527	0.1 %
Commercial loans	7,490	0.1 %
	\$ 25,088	0.1 %

Loans past due but not impaired

The following table shows personal and residential mortgage loans that are past due but not classified as impaired. The Commercial loans past due but not impaired are not significant. Loans granted payment deferrals are not considered past due if the new contractual terms are respected.

	As at January 31, 2021		
	1 day- 31 days	32 days- 90 days	Total
Personal loans	\$ 48,588	\$ 19,769	\$ 68,357
Residential mortgage loans	153,802	36,338	190,140
	\$ 202,390	\$ 56,107	\$ 258,497

	As at October 31, 2020		
	1 day- 31 days	32 days- 90 days	Total
Personal loans	\$ 51,919	\$ 20,796	\$ 72,715
Residential mortgage loans	172,001	34,298	206,299
	\$ 223,920	\$ 55,094	\$ 279,014

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.

Quarterly reconciliation

	For the three months ended January 31, 2021				
	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
Personal loans					
Balance at beginning of period	\$ 8,758	\$ 19,532	\$ 17,212	\$	45,502
Transfers:					
to Stage 1	3,454	(2,752)	(702)		—
to Stage 2	(655)	2,026	(1,371)		—
to Stage 3	(21)	(863)	884		—
Originations	128	—	—		128
Derecognitions	(164)	(496)	(2,936)		(3,596)
Net remeasurement of allowances	(2,777)	1,813	6,723		5,759
Provision for (reversal of) credit losses	(35)	(272)	2,598		2,291
Write-offs	—	—	(6,640)		(6,640)
Recoveries	—	—	3,263		3,263
Foreign exchange and other	—	—	(222)		(222)
Balance at end of period	\$ 8,723	\$ 19,260	\$ 16,211	\$	44,194
Total allowances for loan losses	\$ 7,257	\$ 17,714	\$ 16,211	\$	41,182
Total allowances for off-balance sheet exposures	1,466	1,546	—		3,012
Total allowances for credit losses	\$ 8,723	\$ 19,260	\$ 16,211	\$	44,194

	For the three months ended January 31, 2021				
	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
Residential mortgage loans					
Balance at beginning of period	\$ 5,401	\$ 5,048	\$ 3,605	\$	14,054
Transfers:					
to Stage 1	2,003	(1,762)	(241)		—
to Stage 2	(305)	1,076	(771)		—
to Stage 3	(17)	(200)	217		—
Originations	532	—	—		532
Derecognitions	(382)	(367)	(451)		(1,200)
Net remeasurement of allowances	(491)	1,692	3,544		4,745
Provision for (reversal of) credit losses	1,340	439	2,298		4,077
Write-offs	—	—	(917)		(917)
Recoveries	—	—	357		357
Foreign exchange and other	—	—	(381)		(381)
Balance at end of period	\$ 6,741	\$ 5,487	\$ 4,962	\$	17,190
Total allowances for loan losses	\$ 6,607	\$ 5,448	\$ 4,962	\$	17,017
Total allowances for off-balance sheet exposures	134	39	—		173
Total allowances for credit losses	\$ 6,741	\$ 5,487	\$ 4,962	\$	17,190

For the three months ended January 31, 2021

	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
Commercial loans					
Balance at beginning of period	\$ 51,031	\$ 18,765	\$ 55,618	\$	125,414
Transfers:					
to Stage 1	1,993	(1,822)	(171)		—
to Stage 2	(980)	1,834	(854)		—
to Stage 3	(174)	(1,086)	1,260		—
Originations	3,531	—	—		3,531
Derecognitions	(6,994)	(3,304)	(2,207)		(12,505)
Net remeasurement of allowances	1,374	3,269	14,763		19,406
Provision for (reversal of) credit losses	(1,250)	(1,109)	12,791		10,432
Write-offs	—	—	(3,289)		(3,289)
Recoveries	—	—	1,002		1,002
Foreign exchange and other	(391)	(150)	(836)		(1,377)
Balance at end of period	\$ 49,390	\$ 17,506	\$ 65,286	\$	132,182
Total allowances for loan losses	\$ 44,837	\$ 17,004	\$ 65,286	\$	127,127
Total allowances for off-balance sheet exposures	4,553	502	—		5,055
Total allowances for credit losses	\$ 49,390	\$ 17,506	\$ 65,286	\$	132,182
Total exposure					
Total allowances for loan losses	\$ 58,701	\$ 40,166	\$ 86,459	\$	185,326
Total allowances for off-balance sheet exposures	6,153	2,087	—		8,240
Total allowances for credit losses	\$ 64,854	\$ 42,253	\$ 86,459	\$	193,566

For the three months ended January 31, 2020

	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
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 remeasurement 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 for off-balance sheet exposures	1,506	1,988	—		3,494
Total allowances for credit losses	\$ 7,277	\$ 18,762	\$ 6,069	\$	32,108

For the three months ended January 31, 2020

	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
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 remeasurement 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

For the three months ended January 31, 2020

	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
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 remeasurement of allowances	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

Main macroeconomic factors

The following tables show the main macroeconomic factors used to estimate the collective allowances for credit losses as at January 31, 2021 and as at October 31, 2020.

As at January 31, 2021

	Base scenario		Upside scenario		Downside scenario	
	Next 12 months ⁽¹⁾	Remaining forecast period ⁽²⁾	Next 12 months ⁽¹⁾	Remaining forecast period ⁽²⁾	Next 12 months ⁽¹⁾	Remaining forecast period ⁽²⁾
	Main macroeconomic factors					
GDP growth	4.9%	4.3%	6.4%	4.7%	2.1%	5.0%
Average unemployment rate (percentage points)	9.2	7.3	8.4	6.8	10.6	8.4
Housing price index growth (decrease)	1.5%	5.1%	5.0%	5.7%	(4.5)%	4.2%
S&P/TSX index growth ⁽³⁾	11.9%	7.7%	16.3%	7.7%	3.2%	9.9%

As at October 31, 2020

	Base scenario		Upside scenario		Downside scenario	
	Next 12 months ⁽¹⁾	Remaining forecast period ⁽²⁾	Next 12 months ⁽¹⁾	Remaining forecast period ⁽²⁾	Next 12 months ⁽¹⁾	Remaining forecast period ⁽²⁾
	Main macroeconomic factors					
GDP growth	4.8%	4.3%	6.5%	4.8%	0.2%	5.8%
Average unemployment rate (percentage points)	9.5	7.0	8.5	6.6	11.1	8.8
Housing price index growth (decrease)	0.2%	4.8%	3.2%	5.9%	(11.8)%	2.0%
S&P/TSX index growth ⁽³⁾	11.8%	12.0%	19.9%	12.8%	0.1%	15.5%

(1) Expected variation over the next 12 months for growth indicators and average unemployment rate over the next 12 months. These factors are used for Stage 1 ECL calculations.

(2) Expected variation over the remaining forecast period of 24 months for growth indicators and average unemployment rate over the remaining forecast period of 24 months. These factors are used for Stage 2 and Stage 3 ECL calculations.

(3) Main stock index in Canada.

The main macroeconomic factors used for the personal and residential mortgage loan portfolios are the unemployment rate, the housing price index and the S&P/TSX growth. The main macroeconomic factors used for the commercial loan portfolio is the GDP growth. An increase in unemployment will generally correlate with higher allowances for credit losses, whereas an increase in the other macroeconomic factors (GDP growth, S&P/TSX growth and housing price index growth) will generally correlate with lower allowances for credit losses.

Description of scenarios

In the base scenario, the second wave of the COVID-19 pandemic leads authorities to implement lockdown measures. Economic activity contracts moderately in early 2021, to a lesser extent than in the spring of 2020 due to adaptation from businesses and individuals. The lockdown measures succeed in tapering off transmission but the economy reopens later than originally planned by governments. The reopening partially takes place in the second quarter of 2021 as the pandemic wave recedes sufficiently. Furthermore, the vaccination rollout improves in the second quarter of 2021 after a slow start. The recovery accelerates during the second half of 2021 in tandem with the broader reopening. Herd immunity in North America is reached in the fourth quarter of 2021. Consumers gradually spend part of excess savings and macro policies remain supportive, maintaining a strong positive economic momentum in 2022.

In the downside scenario, the second wave of the COVID-19 pandemic has a significant impact due to a post-holiday surge in new cases. New COVID-19 variants also increases transmission and lowers vaccine efficacy. Economic activity contracts severely in early 2021. The partial reopening beginning in the second quarter of 2021 is weak. The recovery is delayed. Permanent damage taking the form of long-term unemployment and business bankruptcies take place. The vaccination rollout is disrupted. Consumers retain a large share of accumulated savings for a longer period. Herd immunity is reached in early 2022 as a higher percentage of the population needs to be vaccinated. Most of the economic rebound occurs in 2022.

In the upside scenario, the rapid vaccination production and rollout contribute to lower virus transmission rapidly. The second wave of the COVID-19 pandemic fades. A broad reopening takes place in the second quarter of 2021. Herd immunity is reached in the third quarter of 2021. Consumers spend a large part of precautionary savings rapidly around the beginning of the post-COVID world. The pre-pandemic level of economic activity is reached during the second half of 2021. The bright economic outlook reinforces further risk appetite in financial markets, leading to stronger equity assets returns and a widening of the spread between short- and long-term interest rates.

Sensitivity analysis of allowances for credit losses on non-impaired loans

The following table shows a comparison of the Bank's allowances for credit losses on performing loans (Stages 1 and 2) under IFRS 9 as at January 31, 2021, including off-balance sheet exposures, with the estimated allowances for credit losses that would result if the base scenario was weighted at 100% or if all these performing loans were in Stage 1.

	Allowances for credit losses on performing loans	
Under IFRS 9	\$	107,107
Simulations		
100% base scenario	\$	94,930
Performing loans if they were all in Stage 1	\$	100,223

Finance lease receivables

The Commercial loans line item includes net investment in leases of \$914.9 million as at January 31, 2021 (\$961.6 million as at October 31, 2020).

Loans not recognized on balance sheet

Canada Emergency Business Account Program

Under the Canada Emergency Business Account (CEBA) Program, the Bank provides interest-free loans of up to \$60,000 to its eligible business customers. The funding for the CEBA Program is provided to the Bank by the Government of Canada. In addition, all loans are guaranteed by the Government of Canada. As such, the Bank is not assuming risks related to the loans and only acts as an administrator of the CEBA Program. The Bank receives an administration fee to recover the costs to administer the program for the Government of Canada. Accordingly, loans issued under the program are not recognized on the Bank's Consolidated Balance Sheet, since the conditions of a qualifying pass-through arrangement have been met and the Bank has determined that substantially all risks and rewards of ownership of the loans have been transferred to the Canadian government. As at January 31, 2021, the Bank had provided 1,790 customers with CEBA loans and had funded \$78.9 million in loans under the program (1,671 customers and \$66.8 million as at October 31, 2020).

6. SECURITIZATION AND STRUCTURED ENTITIES

6.1 TRANSFER OF FINANCIAL ASSETS

The Bank primarily sells mortgage loans through 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 other multi-seller conduits set up by other Canadian banks.

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, 2021	As at October 31, 2020
Residential mortgage loans	\$ 8,945,578	\$ 8,722,637
Replacement Assets ⁽¹⁾	375,069	459,967
Debt related to securitization activities	\$ (9,538,024)	\$ (9,393,861)

(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 program.

In addition, as at January 31, 2021, the Bank has also securitized other residential mortgage loans for a total amount of \$212.0 million (\$345.5 million as at October 31, 2020) as part of the NHA MBS program, which were not subsequently sold. The resulting NHA MBS are presented as part of residential mortgage loans. These NHA MBS were pledged as collateral with the Bank of Canada.

6.2 STRUCTURED ENTITIES SECURITIZATION VEHICLES

In the ordinary course of business, the Bank enters into transactions with structured entities as part of securitization programs to obtain alternative sources of funding. The Bank sells personal loans and finance lease receivables to two 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 as the Bank holds 100% of the rights, has the ability to direct the relevant activities and can exercise power to affect returns. The interest-bearing liabilities issued by the Partnerships are recorded as debt related to securitization activities involving structured entities.

Financial assets securitized through 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 in the Consolidated Balance Sheet.

	As at January 31, 2021	As at October 31, 2020
Personal loans	\$ 1,106,630	\$ 1,149,677
Commercial loans ⁽¹⁾	607,222	430,782
Debt related to securitization activities involving structured entities	\$ (1,045,625)	\$ (790,636)

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

7. DEPOSITS

	As at January 31, 2021			
	Demand ⁽¹⁾	Notice ⁽²⁾	Term ⁽³⁾	Total
Personal	\$ 133,567	\$ 5,213,693	\$ 12,919,530	\$ 18,266,790
Business, banks and other ⁽⁴⁾	1,200,511	478,627	3,661,424	5,340,562
	\$ 1,334,078	\$ 5,692,320	\$ 16,580,954	\$ 23,607,352

	As at October 31, 2020			
	Demand ⁽¹⁾	Notice ⁽²⁾	Term ⁽³⁾	Total
Personal	\$ 131,219	\$ 5,111,281	\$ 13,553,650	\$ 18,796,150
Business, banks and other ⁽⁴⁾	1,183,198	458,978	3,481,877	5,124,053
	\$ 1,314,417	\$ 5,570,259	\$ 17,035,527	\$ 23,920,203

(1) Demand deposits consist of deposits in respect of which the Bank is not authorized to require notice prior to withdrawal by customers. These deposits primarily consist of chequing accounts.

(2) Notice deposits consist of deposits in respect of which the Bank may legally require a withdrawal notice. These deposits generally consist of savings accounts.

(3) Term deposits include deposits maturing at a specific date, particularly term deposits and guaranteed investment certificates, as well as senior unsecured notes.

(4) In October 2019, the Bank has signed a credit facility agreement for an amount up to \$ 250 million secured by insured residential mortgage loans and maturing in August 2021, of which nil was drawn as at January 31, 2021 (nil as at October 31, 2020).

8. SHARE CAPITAL

Preferred shares

Issued and outstanding

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

	For the three months ended			
	January 31, 2021		January 31, 2020	
	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, 2021 (no outstanding Non-Cumulative Class A Preferred Shares Series 14 and Series 16 as at October 31, 2020).

Common shares

Issued and outstanding

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

	For the three months ended			
	January 31, 2021		January 31, 2020	
	Number of shares	Amount	Number of shares	Amount
Common shares				
Outstanding at beginning of year	43,237,931	\$ 1,159,488	42,624,861	\$ 1,139,193
Issuance under the employee share purchase option plan	—	—	1,670	76
Issuance under the Shareholder Dividend Reinvestment and Share Purchase Plan	104,769	3,204	121,106	5,189
Net issuance costs	n/a	(18)	n/a	(71)
	43,342,700	\$ 1,162,674	42,747,637	\$ 1,144,387

Shareholder dividend reinvestment and share purchase plan

The Bank determined that as of March 2, 2021, reinvestment related to the dividend declared would be made in common shares issued from treasury at a 2% discount.

Declared dividends

On February 17, 2021, the Board of Directors declared regular dividends on the various series of preferred shares to shareholders of record on March 8, 2021. On March 2, 2021, the Board of Directors declared a dividend of \$0.40 per common share, payable on May 1, 2021, to shareholders of record on April 1, 2021.

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 is 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 a 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, 2021.

Regulatory capital is detailed below.

	As at January 31, 2021	As at October 31, 2020
Common shares	\$ 1,162,674	\$ 1,159,488
Retained earnings	1,197,243	1,152,973
Accumulated other comprehensive income, excluding cash flow hedge reserve	(4,364)	8,622
Share-based compensation reserve	3,095	2,527
Transitional arrangements for expected credit losses in response to COVID-19 ⁽¹⁾	15,887	22,976
Deductions from Common Equity Tier 1 capital ⁽²⁾	(439,806)	(453,507)
Common Equity Tier 1 capital	1,934,729	1,893,079
Qualifying preferred shares	244,038	244,038
Additional Tier 1 capital	244,038	244,038
Tier 1 capital	2,178,767	2,137,117
Qualifying subordinated debt	349,528	349,442
Collective allowances	91,640	85,978
Deductions from Tier 2 capital ⁽³⁾	—	(1,325)
Tier 2 capital	441,168	434,095
Total capital	\$ 2,619,935	\$ 2,571,212
Common Equity Tier 1 capital ratio	9.8 %	9.6 %
Tier 1 capital ratio	11.1 %	10.9 %
Total capital ratio	13.3 %	13.1 %

(1) Represents ECL transitional arrangements provided by OSFI as detailed below.

(2) Comprised of deductions for software and other intangible assets, goodwill, pension plan assets and other.

(3) Investments in own Tier 2 capital instruments.

Transitional arrangements for expected credit losses in response to COVID-19

In April 2020, OSFI announced several measures to afford financial institutions further flexibility in addressing current conditions due to COVID-19, including notably:

- treating as performing loans all loans where payment deferrals are granted by the financial institution, up to a maximum of 6 months; and
- recognizing as Common Equity Tier 1 capital a portion of the credit allowances that would otherwise be included in Tier 2 capital.

The Bank has applied these relief measures as of April 30, 2020. The adjustment to the Common Equity Tier 1 capital ratio will be dynamically measured each quarter as the increase in Stage 1 and Stage 2 expected credit loss allowances relative to the baseline level. The baseline level is the amount of Stage 1 and Stage 2 allowances as at the quarter ending January 31, 2020. This increased amount is adjusted for tax effects and subject to a scaling factor that will decrease over time. The scaling factor was set at 70% in fiscal 2020, 50% in fiscal 2021 and will be 25% in fiscal 2022.

9. SHARE-BASED COMPENSATION

Share purchase option plan

Information relating to outstanding number of options is as follows. None of these options, as at January 31, 2021, were exercisable.

	As at January 31 2021	As at October 31 2020
Number of share purchase options outstanding under the Old Stock Option Purchase Plan	71,683	71,683
Number of share purchase options outstanding under the New Stock Option Plan	971,322	715,646

During the first quarter of 2021, the Bank awarded 269,861 stock options under the New Stock Option Plan with an exercise price of \$33.13. Assumptions related to the stock options valuations are as follows.

	2021 grant
Weighted-average fair value of options granted ⁽¹⁾	\$ 4.87
Share price at grant date	\$ 32.60
Risk free interest rate	0.62 %
Expected life of options	8 years
Expected volatility ⁽²⁾	24 %
Expected dividend yield	5.40 %

(1) Estimated using the Black-Scholes model, as well as the assumptions presented in the above table.

(2) 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 2021, the Bank granted 107,848 PSUs valued at \$33.12 each. The rights to these units will vest in December 2023 and upon meeting the related performance criteria.

Restricted share unit plans

During the first quarter of 2021, under the restricted share unit plan, annual bonuses for certain employees amounting to \$0.5 million were converted into 16,251 entirely vested restricted share units. Simultaneously, the Bank also granted 259,688 additional restricted share units valued at \$33.12 each that will vest in December 2023.

During the first quarter of 2021, under the restricted share unit plan for employees of the Capital Markets sector, annual bonuses for certain employees amounting to \$1.7 million were converted into 50,725 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, 2021	October 31, 2020	January 31, 2020
Expense arising from cash-settled share-based compensation transactions	\$ 9,672	\$ 1,461	\$ 3,283
Effect of hedges	(4,703)	617	1,868
	\$ 4,969	\$ 2,078	\$ 5,151

With a view of 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 \$32.0 million as at January 31, 2021 (\$28.4 million as at October 31, 2020). The intrinsic value of the total liability related to fully vested rights and units was \$17.3 million as at January 31, 2021 (\$14.4 million as at October 31, 2020).

10. 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, 2021	October 31, 2020	January 31, 2020
Defined benefit pension plans	\$ 3,266	\$ 3,218	\$ 3,186
Defined contribution pension plans	1,999	1,986	2,000
Other plans	142	214	156
	\$ 5,407	\$ 5,418	\$ 5,342

11. EARNINGS PER SHARE

Basic and diluted earnings per share is detailed as follows.

	For the three months ended		
	January 31, 2021	October 31, 2020	January 31, 2020
Earnings per share – basic			
Net income	\$ 44,819	\$ 36,811	\$ 32,172
Preferred share dividends, including applicable taxes	3,117	2,874	3,197
Net income attributable to common shareholders	\$ 41,702	\$ 33,937	\$ 28,975
Weighted-average number of outstanding common shares (in thousands)	43,273	43,161	42,666
Earnings per share – basic	\$ 0.96	\$ 0.79	\$ 0.68

	For the three months ended		
	January 31, 2021	October 31, 2020	January 31, 2020
Earnings per share – diluted			
Net income attributable to common shareholders	\$ 41,702	\$ 33,937	\$ 28,975
Weighted-average number of outstanding common shares (in thousands)	43,273	43,161	42,666
Dilutive share purchase options (in thousands)	—	—	74
Diluted weighted-average number of outstanding common shares (in thousands)	43,273	43,161	42,740
Earnings per share – diluted	\$ 0.96	\$ 0.79	\$ 0.68

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these Condensed Interim Consolidated Financial Statements which would require the restatement of earnings per share.

12. 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 2020 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 \$340.6 million which are classified in Level 1 as at January 31, 2021 (\$307.8 million as at October 31, 2020). 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.

13. INCOME RELATED TO FINANCIAL INSTRUMENTS

Net interest income

	For the three months ended		
	January 31, 2021	October 31, 2020	January 31, 2020
Interest and similar income			
Interest income calculated using the effective interest method			
Financial instruments measured at amortized cost	\$ 296,554	\$ 298,444	\$ 368,605
Financial instruments measured at FVOCI	563	577	454
Interest and similar income for financial instruments not measured at amortized cost ⁽¹⁾	29,253	31,555	10,496
	326,370	330,576	379,555
Interest and similar expense			
Interest expenses calculated using the effective interest method			
Financial instruments measured at amortized cost	152,956	160,637	203,502
Interest expense and derivative expense for financial instrument that are measured at FVTPL	340	593	7,268
	153,296	161,230	210,770
Net interest income	\$ 173,074	\$ 169,346	\$ 168,785

[1] Including interest income, derivative income and dividend income for financial instruments that are measured at FVTPL and from equity securities designated at FVOCI. Dividend income was \$3.4 million for the three months ended January 31, 2021 [\$3.1 million for the three months ended October 31, 2020 and \$4.4 million for the three months ended January 31, 2020].

14. CONTINGENT LIABILITIES

Contingent liabilities and legal provisions

In the ordinary course of business, the Bank and its subsidiaries are involved in various legal and regulatory proceedings. Such proceedings involve a variety of issues and the timing of their resolution is varied and uncertain.

Legal provisions are recognized when it becomes probable that the Bank will incur an expense related to legal proceedings and the amount can be reliably estimated. Legal provisions are recorded at the best estimate of the amounts required to settle the obligation as at the reporting date, taking into account the risks and uncertainties associated with the obligation. Management and external experts are involved in estimating any legal provision, as necessary. The actual costs of settling some obligations may be substantially higher or lower than the amounts of the provisions. In some cases, it is not possible to either determine whether an obligation is probable or to reliably estimate the amount of loss, in which case no accrual can be made. This is an area of significant judgment and uncertainty, given the varying stages of the proceedings, the fact that the Bank's liability, if any, has yet to be determined and the fact that the underlying matters will change from time to time. As such the extent of our financial and other exposure to such legal proceedings, after taking into account current accruals, could be material to our results of operations in any particular period.

15. RESTRUCTURING CHARGES

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

	For the three months ended	
	January 31, 2021	January 31, 2020
Balance at beginning of the period	\$ 5,041	\$ 9,322
Restructuring charges incurred during the period	621	2,734
Payments made during the period	(2,979)	(5,973)
Balance at end of the period	\$ 2,683	\$ 6,083

As at January 31, 2021 and January 31, 2020, the remaining provision mainly relates to lease contracts and severances.

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

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. 48395.

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 514-970-0564.

Media

Journalists may contact the Bank's Executive Office at media@lbcfg.ca or by calling 514-284-4500, ext. 40020.

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 by calling 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	51925D 82 5 / LB.PR.H	**	March 15
		**	June 15
		**	September 15
		**	December 15
Series 13	51925D 79 1 / LB.PR.J	**	
Series 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.

