LAURENTIAN BANK
FINANCIAL GROUP

SECOND QUARTER 2021

Report to Shareholders

For the period ended April 30, 2021

SECOND QUARTER 2021 FINANCIAL HIGHLIGHTS (COMPARED WITH SECOND QUARTER 2020)

- Adjusted net income[1] of $56.7 million, compared with $11.9 million.
- Reported net income of $53.1 million, compared with $8.9 million.
- Adjusted diluted earnings per share[1] of $1.23, compared with $0.20.
- Diluted earnings per share of $1.15, compared with $0.13.

Laurentian Bank Financial Group reported net income of $53.1 million and diluted earnings per share of $1.15 for the second quarter of 2021, compared with $8.9 million and $0.13 for the second quarter of 2020. Return on common shareholders' equity was 8.6% for the second quarter of 2021, compared with 1.0% for the second quarter of 2020. On an adjusted basis[1], net income was $56.7 million and diluted earnings per share were $1.23 for the second quarter of 2021, up from $11.9 million and $0.20 for the second quarter of 2020. Adjusted return on common shareholders' equity was 9.2% for the second quarter of 2021, compared with 1.5% a year ago.

For the six months ended April 30, 2021, reported net income was $97.9 million and diluted earnings per share were $2.11, compared with $41.1 million and $0.81 for the six months ended April 30, 2020. Return on common shareholders' equity was 7.8% for the six months ended April 30, 2021, compared with 3.0% for the six months ended April 30, 2020. On an adjusted basis[1], net income was $104.3 million and diluted earnings per share were $2.26 for the six months ended April 30, 2021, up from $48.8 million and $0.99 for six months ended April 30, 2020. Adjusted return on common shareholders' equity was 8.4% for the six months ended April 30, 2021, compared with 3.7% for the same period a year ago.

"The momentum we built in the first quarter of 2021 continued into the second quarter with strong performance in capital markets, lower provision for credit losses and our continued focus on cost discipline. We are excited to be celebrating Laurentian Bank's 175th anniversary over the next year with our customers, employees, investors, and our communities. This historic milestone is an opportunity to reflect on our remarkable past and to leverage our strong roots to build sustainable growth and profitability." said Rania Llewellyn, President and Chief Executive Officer.

In millions of Canadian dollars, except per share and percentage amounts (Unaudited)	For the three months ended April 30, 2021	April 30, 2020	Variance	For the six months ended April 30, 2021	April 30, 2020	Variance
Reported basis						
Net income	**$ 53.1**	$ 8.9	497 %	**$ 97.9**	$ 41.1	138 %
Diluted earnings per share	**$ 1.15**	$ 0.13	785 %	**$ 2.11**	$ 0.81	160 %
Return on common shareholders' equity	**8.6 %**	1.0 %		**7.8 %**	3.0 %	
Efficiency ratio	**71.9 %**	76.4 %		**71.1 %**	77.8 %	
Common Equity Tier 1 capital ratio	**10.1 %**	8.8 %				
Adjusted basis[1]						
Adjusted net income	**$ 56.7**	$ 11.9	376 %	**$ 104.3**	$ 48.8	114 %
Adjusted diluted earnings per share	**$ 1.23**	$ 0.20	515 %	**$ 2.26**	$ 0.99	128 %
Adjusted return on common shareholders' equity	**9.2 %**	1.5 %		**8.4 %**	3.7 %	
Adjusted efficiency ratio	**69.9 %**	74.8 %		**69.4 %**	75.7 %	

(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 APRIL 30, 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 April 30, 2021 and its operating results for the periods then ended, compared with the corresponding periods shown. This MD&A should be read in conjunction with the Condensed Interim Consolidated Financial Statements. This MD&A is dated June 1, 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 periods ended April 30, 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 $44.6 billion in balance sheet assets and $30.9 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					For the six months ended		
	April 30, 2021	January 31, 2021	Variance	April 30, 2020	Variance	**April 30, 2021**	April 30, 2020	Variance
Operating results								
Total revenue	**$ 249,768**	$ 247,374	1 %	$ 240,148	4 %	**$ 497,142**	$ 478,861	4 %
Net income	**$ 53,062**	$ 44,819	18 %	$ 8,885	497 %	**$ 97,881**	$ 41,057	138 %
Adjusted net income[1]	**$ 56,704**	$ 47,572	19 %	$ 11,912	376 %	**$ 104,276**	$ 48,812	114 %
Operating performance								
Diluted earnings per share	**$ 1.15**	$ 0.96	20 %	$ 0.13	785 %	**$ 2.11**	$ 0.81	160 %
Adjusted diluted earnings per share[1]	**$ 1.23**	$ 1.03	19 %	$ 0.20	515 %	**$ 2.26**	$ 0.99	128 %
Return on common shareholders' equity	**8.6 %**	7.1 %		1.0 %		**7.8 %**	3.0 %	
Adjusted return on common shareholders' equity[1]	**9.2 %**	7.5 %		1.5 %		**8.4 %**	3.7 %	
Net interest margin	**1.88 %**	1.84 %		1.88 %		**1.86 %**	1.85 %	
Efficiency ratio	**71.9 %**	70.4 %		76.4 %		**71.1 %**	77.8 %	
Adjusted efficiency ratio[1]	**69.9 %**	68.9 %		74.8 %		**69.4 %**	75.7 %	
Operating leverage	**(2.2)%**	3.6 %		3.5 %		**8.9 %**	(2.0)%	
Adjusted operating leverage[1]	**(1.5)%**	1.5 %		2.3 %		**8.6 %**	(2.6)%	
Financial position ($ millions)								
Loans and acceptances	**$ 33,004**	$ 33,228	(1)%	$ 33,726	(2)%	**$ 33,004**	$ 33,726	(2)%
Total assets	**$ 44,606**	$ 45,191	(1)%	$ 45,446	(2)%	**$ 44,606**	$ 45,446	(2)%
Deposits	**$ 22,981**	$ 23,607	(3)%	$ 25,304	(9)%	**$ 22,981**	$ 25,304	(9)%
Common shareholders' equity	**$ 2,404**	$ 2,359	2 %	$ 2,275	6 %	**$ 2,404**	$ 2,275	6 %
Basel III regulatory capital ratios								
Common Equity Tier 1 (CET1) capital ratio[2]	**10.1 %**	9.8 %		8.8 %		**10.1 %**	8.8 %	
CET1 risk-weighted assets ($ millions)	**$ 19,698**	$ 19,715		$ 20,870		**$ 19,698**	$ 20,870	
Credit quality								
Gross impaired loans as a % of loans and acceptances	**0.77 %**	0.82 %		0.70 %		**0.77 %**	0.70 %	
Net impaired loans as a % of loans and acceptances	**0.51 %**	0.56 %		0.52 %		**0.51 %**	0.52 %	
Provision for credit losses as a % of average loans and acceptances	**0.03 %**	0.20 %		0.67 %		**0.12 %**	0.42 %	
Common share information								
Closing share price[3]	**$ 42.54**	$ 30.90	38 %	$ 31.09	37 %	**$ 42.54**	$ 31.09	37 %
Price / earnings ratio	**11.6 x**	11.7 x		11.3 x		**11.6 x**	11.3 x	
Book value per share	**$ 55.37**	$ 54.42	2 %	$ 52.99	4 %	**$ 55.37**	$ 52.99	4 %
Dividends declared per share	**$ 0.40**	$ 0.40	— %	$ 0.67	(40)%	**$ 0.80**	$ 1.34	(40)%
Dividend yield	**3.8 %**	5.2 %		8.6 %		**3.8 %**	8.6 %	
Dividend payout ratio	**34.7 %**	41.5 %		503.6 %		**37.8 %**	165.0 %	
Adjusted dividend payout ratio[1]	**32.4 %**	38.9 %		328.7 %		**35.3 %**	134.9 %	

(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 charges and 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

	For the three months ended			For the six months ended	
In thousands of Canadian dollars, except per share amounts (Unaudited)	**April 30, 2021**	January 31, 2021	April 30, 2020	**April 30, 2021**	April 30, 2020
Impact on income before income taxes					
Reported income before income taxes	**$ 67,807**	$ 56,511	$ 1,553	**$ 124,318**	$ 36,232
Adjusting items, before income taxes					
Restructuring charges[1]					
Severance charges (recovery)	**(792)**	262	183	**(530)**	3,021
Other restructuring charges	**2,682**	359	143	**3,041**	39
	1,890	621	326	**2,511**	3,060
Items related to business combinations					
Amortization of net premium on purchased financial instruments[2]	**—**	—	179	**—**	411
Amortization of acquisition-related intangible assets[3]	**3,014**	3,073	3,542	**6,087**	6,941
	3,014	3,073	3,721	**6,087**	7,352
	4,904	3,694	4,047	**8,598**	10,412
Adjusted income before income taxes	**$ 72,711**	$ 60,205	$ 5,600	**$ 132,916**	$ 46,644
Impact on net income					
Reported net income	**$ 53,062**	$ 44,819	$ 8,885	**$ 97,881**	$ 41,057
Adjusting items, net of income taxes					
Restructuring charges[1]					
Severance charges (recovery)	**(582)**	193	134	**(389)**	2,220
Other restructuring charges	**1,972**	264	105	**2,236**	29
	1,390	457	239	**1,847**	2,249
Items related to business combinations					
Amortization of net premium on purchased financial instruments[2]	**—**	—	131	**—**	302
Amortization of acquisition-related intangible assets[3]	**2,252**	2,296	2,657	**4,548**	5,204
	2,252	2,296	2,788	**4,548**	5,506
	3,642	2,753	3,027	**6,395**	7,755
Adjusted net income	**$ 56,704**	$ 47,572	$ 11,912	**$ 104,276**	$ 48,812
Impact on diluted earnings per share					
Reported diluted earnings per share	**$ 1.15**	$ 0.96	$ 0.13	**$ 2.11**	$ 0.81
Adjusting items					
Restructuring charges[1]	**0.03**	0.01	0.01	**0.04**	0.05
Items related to business combinations	**0.05**	0.05	0.06	**0.10**	0.13
	0.08	0.06	0.07	**0.15**	0.18
Adjusted diluted earnings per share[4]	**$ 1.23**	$ 1.03	$ 0.20	**$ 2.26**	$ 0.99

(1) Restructuring charges in the second quarter of 2021 mainly consist of charges associated with the resolution of the union grievances and unfair labour practice complaints, including complaints relating to the revocation of the union certification, as well as charges associated with the continued optimization of the Quebec branch network. In prior quarters, restructuring charges were attributed to the optimization of the Quebec branch network and the related streamlining of certain back-office and corporate functions. In 2020, restructuring charges related mainly to the reorganization of retail brokerage activities and other measures aimed at improving efficiency. Restructuring charges are included in Non-interest expenses and include severance charges, salaries, legal fees, communication expenses, professional fees and charges related to lease contracts.

(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

	For the three months ended			For the six months ended	
In thousands of Canadian dollars, except per share amounts (Unaudited)	**April 30, 2021**	January 31, 2021	April 30, 2020	**April 30, 2021**	April 30, 2020
Reported net income available to common shareholders	**$ 49,946**	$ 41,702	$ 5,688	**$ 91,648**	$ 34,663
Adjusting items, net of income taxes	**3,642**	2,753	3,027	**6,395**	7,755
Adjusted net income available to common shareholders	**$ 53,588**	$ 44,455	$ 8,715	**$ 98,043**	$ 42,418
Average common shareholders' equity	**$ 2,377,617**	$ 2,337,010	$ 2,291,177	**$ 2,356,977**	$ 2,299,198
Return on common shareholders' equity	**8.6 %**	7.1 %	1.0 %	**7.8 %**	3.0 %
Adjusted return on common shareholders' equity	**9.2 %**	7.5 %	1.5 %	**8.4 %**	3.7 %

OUTLOOK

ECONOMIC OUTLOOK

The COVID-19 vaccination rollout and stimulative macro-economic policies have helped to restore confidence in developed economies and solidify the consensus outlook globally. In Canada, renewed lockdown measures announced by provincial governments this Spring have temporarily slowed the recovery. However, about 98% of the reduction in Canadian economic activity in 2020 has been recovered to date, with half of industries operating at or above pre-COVID levels. The federal government has extended financial assistance programs to further support businesses and individuals. The stronger economic outlook and positive vaccination rollout appear to have improved consumer spending intentions and augmented plans for businesses to invest in machinery and equipment. As a result of an increasing appetite for market risk, an improving outlook for corporate earnings and an accelerating demand for commodities, the S&P/TSX Composite Index has reached an all-time high.

Labour market conditions continue to improve despite experiencing a brief pause in April due to the latest round of lockdown measures. This has increased the level of full-time employment in occupations suitable to a work-from-home environment while the level of part-time workers is low due to on-going health restrictions. This has created an unequal recovery in which some industries are experiencing labour shortages. The unemployment rate stood at 8.1% in April which compares to 8.6% before the second COVID-19 wave, 13.7% at the peak in May 2020 and 5.6% pre-pandemic.

Households, particularly homeowners, are benefiting from a positive wealth effect from strong housing price appreciation and record high corporate equity values. Conditions in Canadian resale housing markets are tight. Low mortgage rates, as well as a preference for teleworking and safe socialization are maintaining demand at elevated levels and keeping supply low. Housing starts also hit an all-time high over the last six months, led by an increase in homebuilding activity outside of the greater Toronto, Montreal, and Vancouver areas.

The V-shaped recovery, an acceleration in the Consumer Price Index, and a rebound in the term premium reflecting additional global sovereign debt issuance, led to moderate increases in North American interest rates in the first quarter of calendar 2021. In Canada, the lower pace of federal bonds repurchased by the Bank of Canada, reflecting the progress made towards the economic recovery, also contributed to the rate increase. The Bank of Canada remains committed to holding the policy interest rate at the effective lower bound only until the 2 percent inflation target is sustainably achieved. This has led markets to price a potential first interest rates increase in 2022 instead of in 2023. Fueled by government stimulus and stronger consumer demand inflationary pressures are rising. This new economic reality may provide both market challenges and opportunities until the economy recalibrates.

In the U.S., the accelerated vaccination campaign and the passage of the US$1.9 billion American Rescue Plan contributed to a strong rebound in consumer and business spending. Household purchases of recreational vehicles continued to be strong in early 2021, extending the positive trend observed since the beginning of the pandemic.

Finally, the strong appreciation of the Canadian dollar in recent months, reaching US$0.82 in early May, was driven by record high non-energy commodity prices and a reduced pace of asset purchases by the Bank of Canada, especially relative to other central banks.

IMPACT OF COVID-19 PANDEMIC

The COVID-19 pandemic continues to create 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 implemented relief measures to assist individuals and businesses with some of the negative economic effects. In Canada, households and companies have generally adapted well to the situation, although the labour market remains difficult for many Canadians. As the vaccination program continues its rollout and the economy reopens, activity is expected to improve in the second half of 2021, despite the setback posed by a third wave of the pandemic and the related restrictions.

In this context, the Bank's response to the pandemic has focused on ensuring the health and safety of its customers and employees. The measures the Bank has put in place have also provided the foundation to support operations in this period of heightened uncertainty. The Bank 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 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 half of 2021. A reduction in consumer spending continues to impact personal loan volumes and transaction-driven fees. In this quarter, improvements in forward-looking assumptions resulted in a sequential decrease in expected credit losses, which, combined with lower than anticipated write-offs, resulted in a lower level of provision for credit losses compared with previous quarters. The continued uncertainty with respect to the ongoing impact of the pandemic may result in future volatility in expected credit losses until we see a more normalized global operating environment.

While the Bank is taking actions to mitigate the impact of COVID-19 on its daily operations and financial results, the pandemic is expected to continue to impact operating results in the near term. Numerous unpredictable and evolving factors will have to be considered, such as the duration and spread of the pandemic, including the rise of variants; its impact on customers, employees and third-party providers; the response of government authorities to the crisis and global social and economic impacts. As such, it remains challenging to forecast 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 pandemic. Therefore, it is difficult to predict whether the higher level of expected credit losses recorded since April 2020 will result in significant write-offs and if the Bank will be required to recognize additional increases in expected credit losses in subsequent periods.

The COVID-19 pandemic may also increase costs as the Bank prioritizes health and safety measures and complies with applicable requirements, and may 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 relating to 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 10.1% as at April 30, 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.

BUSINESS HIGHLIGHTS

Revocation of union certification

On April 21, 2021, the Bank announced that the Canada Industrial Relations Board (CIRB) had revoked the union certification covering the unionized employees of the Bank, following the vote by the majority of its affected employees in favour of the revocation and withdrawal of the complaints filed by the union. Approximately 20% of the Bank's employees were represented by the union certification prior to its revocation.

Key executive appointment

On April 1, 2021, the Bank announced a key executive appointment that will support the new strategic direction of the Bank, with a focus on cultivating a "customer-first" culture, driving an agile and innovative mindset and engaging and empowering its employees to work as "One Team".

Karine Abgrall-Teslyk has joined the Bank as Executive Vice President and Head of Personal Banking. This follows the Bank's announcement in December 2020 to split Commercial and Personal Banking into two operating units to better position each for success.

In this new role, Ms. Abgrall-Teslyk will lead the Bank's "One Team" approach to personal banking, which includes the Quebec branch network, Digital Banking and B2B Bank.

Residential mortgage loans end to end process review

As part of its plan to improve the customer experience and to renew growth in residential mortgage loans, the Bank has initiated an end to end review of its mortgage process. In the second quarter, it undertook a review of the broker channel origination process and will extend this review to its branch mortgage business for both originations and renewals, as well as broker renewals.

Diversification and optimization of funding sources

Outlook upgrades by S&P Global Ratings and DBRS Morningstar
On April 16, 2021, the Bank announced that S&P Global Ratings ("S&P") revised its long-term rating outlook on the Bank to stable from negative and affirmed the Bank's "BBB" and "A-2" long and short term issuer credit ratings, and that DBRS Morningstar revised its long-term rating trends on the Bank to stable from negative and affirmed the Bank's "A (low)" and "R1 (low)" long and short term issuer credit ratings.

Covered bonds
On April 21, 2021, the Bank announced that it had received approval from Canada Mortgage and Housing Corporation ("CMHC") to establish a $2.0 billion legislative covered bond programme ("Programme") pursuant to the Canadian Registered Covered Bond Programs Guide, published by CMHC. On May 6, 2021, the Bank issued its inaugural $250.0 million covered bonds which will bear interest at an annual coupon of 1.603%, payable semi-annually. The Programme further diversifies the Bank's funding sources, reduces the cost of funding and is expected to help the Bank deliver competitively priced products to its customers.

Limited recourse capital notes
On May 7, 2021, the Bank issued Limited Recourse Capital Notes, Series 1 (Non-Viability Contingent Capital (NVCC)) (Subordinated Indebtedness) ("LRCN") for an aggregate principal amount of $125 million. LRCN bear interest at a rate of 5.30% annually, payable semi-annually, for the initial period from the date of issue to June 15, 2026. LRCN provide a preferential tax treatment to the issuer as compared to other sources of Tier 1 capital, which lowers the Bank's overall cost of capital.

In connection with the issuance of LRCN, the Bank also issued Non-Cumulative 5-Year Fixed Rate Reset Class A Preferred Shares, Series 17 (Non-Viability Contingent Capital (NVCC)) ("Preferred Shares Series 17") to Computershare Trust Company of Canada as trustee for a newly formed trust (the "Limited Recourse Trust"). In case of non-payment of principal of, or interest on, LRCN when due, the recourse of each noteholder will be limited to that holder's proportionate share of the Limited Recourse Trust's assets which, except in limited circumstances, will consist of Preferred Shares Series 17.

The net proceeds of the issuance will be used to redeem the Bank's outstanding 5,000,000 Non-Cumulative Class A Preferred Shares, Series 15 (Non-Viability Contingent Capital (NVCC)) on June 15, 2021, at an aggregate redemption price of $125 million.

UPDATE ON KEY INITIATIVES

Recently, a series of senior executive appointments were announced 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. The Bank has committed to outlining the new strategic direction by year-end.

Over the past few years, the Bank had launched major initiatives. The following section provides an update on these key projects.

Core-banking system replacement program

In 2019, the Bank migrated all of B2B Bank products and most of its loans to business customers to a new core-banking system. Given the impacts of COVID-19 and the review of the strategic plan, the Bank is evaluating this project and its timeline.

Quebec branch network optimization

In 2020, the Bank completed the conversion of its traditional branch network to a 100% Advice model. In the second quarter of 2021, three more branches were merged. Going forward, the Bank will continuously review its branch network adapting to its customer first culture and to the anticipated rollout of its digital strategy.

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 the review of the strategic plan, the Bank is evaluating this project and its timeline.

ANALYSIS OF CONSOLIDATED RESULTS

TABLE 4
CONDENSED CONSOLIDATED RESULTS – REPORTED BASIS

	For the three months ended			For the six months ended	
In thousands of Canadian dollars (Unaudited)	**April 30, 2021**	January 31, 2021	April 30, 2020	**April 30, 2021**	April 30, 2020
Net interest income	**$ 171,476**	$ 173,074	$ 170,747	**$ 344,550**	$ 339,532
Other income	**78,292**	74,300	69,401	**152,592**	139,329
Total revenue	**249,768**	247,374	240,148	**497,142**	478,861
Amortization of net premium on purchased financial instruments	**—**	—	179	**—**	411
Provision for credit losses	**2,400**	16,800	54,900	**19,200**	69,800
Non-interest expenses	**179,561**	174,063	183,516	**353,624**	372,418
Income before income taxes	**67,807**	56,511	1,553	**124,318**	36,232
Income taxes	**14,745**	11,692	(7,332)	**26,437**	(4,825)
Net income	**53,062**	44,819	8,885	**97,881**	41,057
Preferred share dividends, including applicable taxes	**3,116**	3,117	3,197	**6,233**	6,394
Net income available to common shareholders	**$ 49,946**	41,702	$ 5,688	**$ 91,648**	$ 34,663

TABLE 5
CONDENSED CONSOLIDATED RESULTS – ADJUSTED BASIS[1]

	For the three months ended			For the six months ended	
In thousands of Canadian dollars (Unaudited)	**April 30, 2021**	January 31, 2021	April 30, 2020	**April 30, 2021**	April 30, 2020
Net interest income	**$ 171,476**	$ 173,074	$ 170,747	**$ 344,550**	$ 339,532
Other income	**78,292**	74,300	69,401	**152,592**	139,329
Total revenue	**249,768**	247,374	240,148	**497,142**	478,861
Provision for credit losses	**2,400**	16,800	54,900	**19,200**	69,800
Adjusted non-interest expenses[1]	**174,657**	170,369	179,648	**345,026**	362,417
Adjusted income before income taxes[1]	**72,711**	60,205	5,600	**132,916**	46,644
Adjusted income taxes[1]	**16,007**	12,633	(6,312)	**28,640**	(2,168)
Adjusted net income[1]	**56,704**	47,572	11,912	**104,276**	48,812
Preferred share dividends, including applicable taxes	**3,116**	3,117	3,197	**6,233**	6,394
Adjusted net income available to common shareholders[1]	**$ 53,588**	$ 44,455	$ 8,715	**$ 98,043**	$ 42,418

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

SECOND QUARTER OF 2021 COMPARED WITH SECOND QUARTER OF 2020

Net income was $53.1 million and diluted earnings per share were $1.15 for the second quarter of 2021, compared with $8.9 million and $0.13 for the second quarter of 2020. Adjusted net income was $56.7 million for the second quarter of 2021, up from $11.9 million for the second quarter of 2020, and adjusted diluted earnings per share were $1.23, compared with $0.20 for the second quarter of 2020.

Total revenue

Total revenue was $249.8 million for the second quarter of 2021, up 4% compared with $240.1 million for the second quarter of 2020.

Net interest income increased by $0.7 million to $171.5 million for the second quarter of 2021, compared with $170.7 million for the second quarter of 2020, despite lower loan volumes. The increase was mainly due to improved funding costs, mostly as the utilization of secured funding increased year-over-year. Net interest margin was 1.88% for the second quarter of 2021, unchanged compared with the second quarter of 2020, essentially for the same reasons, and despite the lower interest rate environment.

Other income increased by $8.9 million or 13% to $78.3 million for the second quarter of 2021, compared with $69.4 million for the second quarter of 2020. The increase was mainly due to the strong contribution from capital market and treasury activities, which improved by $4.5 million compared with the second quarter of 2020. Higher lending fees stemming from increased commercial activity also contributed to the increase.

Provision for credit losses

The provision for credit losses was $2.4 million for the second quarter of 2021 compared with $54.9 million for the second quarter of 2020, a decrease of $52.5 million as the prior year reflected higher provisions on performing loans due to the impact of the COVID-19 pandemic. Releases of provisions on performing loans of $9.9 million and lower provisions on impaired loans in the quarter also contributed to the improvement. While uncertainty over the impact of the COVID-19 pandemic remains, the releases were largely due to improvements of the economic outlook.

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 $179.6 million for the second quarter of 2021, a decrease of $4.0 million or 2% compared with the second quarter of 2020. Adjusted non-interest expenses amounted to $174.7 million for the second quarter of 2021, a decrease of $5.0 million or 3% compared with the second quarter of 2020.

Salaries and employee benefits amounted to $97.5 million for the second quarter of 2021 an increase of $3.5 million compared with the second quarter of 2020. Year-over-year, higher performance-based compensation related to the Bank's improved performance more than offset a decrease in salaries reflecting the headcount reduction implemented in 2020.

Premises and technology costs were $49.9 million for the second quarter of 2021, a decrease of $0.9 million compared with the second quarter of 2020, mainly as a result of cost discipline.

Other non-interest expenses were $30.3 million for the second quarter of 2021, a decrease of $8.1 million, compared with the second 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 the current economic conditions.

Restructuring charges were $1.9 million for the second quarter of 2021, an increase of $1.6 million compared with the second quarter of 2020. Refer to the Non-GAAP and Key Performance Measures section for further details.

Efficiency ratio
The adjusted efficiency ratio was 69.9% for the second quarter of 2021, down from 74.8% for the second quarter of 2020, as a result of an increase in total revenue and lower adjusted non-interest expenses. Adjusted operating leverage was positive year-over-year. The efficiency ratio on a reported basis was 71.9% for the second quarter of 2021, down from 76.4% for the second quarter of 2020.

Income taxes

For the quarter ended April 30, 2021, the income tax expense was $14.7 million, and the effective tax rate was 21.7%. The lower tax rate, compared to the statutory rate, is attributed to a lower taxation level of income 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 April 30, 2020, the income tax recovery was $7.3 million, and the effective tax rate was not meaningful given the results of that quarter.

SIX MONTHS ENDED APRIL 30, 2021 COMPARED WITH SIX MONTHS ENDED APRIL 30, 2020

Net income was $97.9 million and diluted earnings per share were $2.11 for the six months ended April 30, 2021, compared with $41.1 million and $0.81 for the six months ended April 30, 2020. Adjusted net income was $104.3 million for the six months ended April 30, 2021, up from $48.8 million for the six months ended April 30, 2020, and adjusted diluted earnings per share were $2.26 for the six months ended April 30, 2021, up from $0.99 for the six months ended April 30, 2020.

Total revenue

Total revenue was $497.1 million for the six months ended April 30, 2021 up 4% compared with $478.9 million for the six months ended April 30, 2020.

Net interest income increased by $5.0 million to $344.6 million for the six months ended April 30, 2021, compared with $339.5 million for the six months ended April 30, 2020. The increase was mainly due to improved funding costs, mostly as the utilization of secured funding increased year-over-year, partly offset by lower loan volumes. Net interest margin increased by 1 bp to 1.86% for the six months ended April 30, 2021, compared with 1.85% for the six months ended April 30, 2020, essentially for the same reasons.

Other income increased by $13.3 million or 10% to $152.6 million for the six months ended April 30, 2021, compared with $139.3 million for the six months ended April 30, 2020. The increase was mainly due to the strong contribution from capital markets and treasury operations, which increased by $12.3 million compared with the six months ended April 30, 2021 and to higher lending fees from improved commercial activity. This was partly offset by a decrease in service charges and card service revenues compared with the six months ended April 30, 2020 due to ongoing changes to the retail banking environment, exacerbated by the COVID-19 pandemic.

Provision for credit losses

The provision for credit losses decreased by $50.6 million to $19.2 million for the six months ended April 30, 2021 compared with $69.8 million for the six months ended April 30, 2020, as the prior year reflected higher provisions on performing loans due to the impact of the COVID-19 pandemic. Releases of provisions on performing loans of $10.8 million and lower provisions on impaired loans in the first half of 2021 also contributed to the decrease.

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 decreased by $18.8 million or 5% to $353.6 million for the six months ended April 30, 2021, compared with $372.4 million for the six months ended April 30, 2020. Adjusted non-interest expenses decreased by $17.4 million or 5% to $345.0 million for the six months ended April 30, 2021, compared with $362.4 million for the six months ended April 30, 2020.

Salaries and employee benefits increased by $3.6 million to $192.9 million for the six months ended April 30, 2021, compared with the six months ended April 30, 2020. Year-over-year, higher performance-based compensation related to the Bank's improved performance was partly offset by a decrease in salaries reflecting the headcount reduction implemented in 2020.

Premises and technology costs decreased by $2.2 million to $98.3 million for the six months ended April 30, 2021, compared with the six months ended April 30, 2020, mainly as a result of cost discipline.

Other non-interest expenses decreased by $19.7 million to $59.9 million for the six months ended April 30, 2021, compared with the six months ended April 30, 2020. The improvement mainly resulted from lower regulatory costs, as well as lower advertising, business development and travel expenses, ensuing from efficiency measures and the current economic conditions.

Restructuring charges decreased by $0.5 million to $2.5 million for the six months ended April 30, 2021, compared with $3.1 million for the six months ended April 30, 2020. Refer to the Non-GAAP and Key Performance Measures section for further details.

Efficiency ratio

The adjusted efficiency ratio was 69.4% for the six months ended April 30, 2021, down from 75.7% for the six months ended April 30, 2020, as a result of lower adjusted non-interest expenses and an increase in total revenue. The adjusted operating leverage was positive year-over-year. The efficiency ratio, on a reported basis, was 71.1% for the six months ended April 30, 2021, down from 77.8% for the six months ended April 30, 2020.

Income taxes

For the six months ended April 30, 2021, the income tax expense was $26.4 million and the effective tax rate was 21.3%. The lower tax rate, compared to the statutory rate, is attributed to a lower taxation level of income from foreign operations, as well as from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income. For the six months ended April 30, 2020, the income tax recovery was $4.8 million and the effective tax rate was not meaningful given the results of that period.

SECOND QUARTER OF 2021 COMPARED WITH FIRST QUARTER OF 2021

Net income was $53.1 million and diluted earnings per share were $1.15 for the second quarter of 2021, compared with $44.8 million and $0.96 for the first quarter of 2021. Adjusted net income was $56.7 million and adjusted diluted earnings per share were $1.23 for the second quarter of 2021, compared with $47.6 million and $1.03 for the first quarter of 2021.

Total revenue increased by $2.4 million to $249.8 million for the second quarter of 2021, compared with $247.4 million for the previous quarter.

Net interest income decreased by $1.6 million sequentially to $171.5 million. The decrease mainly reflects the negative impact of three fewer days in the second quarter, partly offset by improved funding costs. Net interest margin was 1.88% for the second quarter of 2021, an increase of 4 basis points compared with 1.84% for the first quarter of 2021, mainly as a result of improved funding costs and change in business mix.

Other income amounted to $78.3 million for the second quarter of 2021, an increase of $4.0 million compared with $74.3 million for the previous quarter, mainly as a result of higher contribution from brokerage operations and to higher lending fees from improved commercial activity.

Provision for credit losses was $2.4 million for the second quarter of 2021, a decrease of $14.4 million compared with $16.8 million for the first quarter of 2021. Releases of provisions on performing loans of $9.9 million and lower provisions on impaired loans in the quarter contributed to the decrease. Refer to the "Risk Management" section for additional information.

Non-interest expenses increased by $5.5 million to $179.6 million for the second quarter of 2021 from $174.1 million in the first quarter of 2021. Adjusted non-interest expenses amounted to $174.7 million in the second quarter of 2021, up from $170.4 million in the first quarter of 2021. Higher salaries and employee benefits, mainly as a result of higher performance-based compensation given the Bank's improved performance, as well as higher technology costs and professional fees contributed to the increase sequentially.

ANALYSIS OF FINANCIAL CONDITION

TABLE 6
CONDENSED BALANCE SHEET

In thousands of Canadian dollars (Unaudited)		**As at April 30, 2021**		As at October 31, 2020
Assets				
Cash and deposits with banks	**$**	**574,551**	$	672,842
Securities		**6,199,203**		5,799,216
Securities purchased under reverse repurchase agreements		**3,177,935**		3,140,228
Loans and acceptances, net		**32,824,169**		33,019,603
Other assets		**1,829,804**		1,535,771
	$	**44,605,662**	$	44,167,660
Liabilities and Shareholders' Equity				
Deposits	**$**	**22,981,259**	$	23,920,203
Other liabilities		**7,670,175**		7,102,277
Debt related to securitization activities		**10,903,078**		10,184,497
Subordinated debt		**349,610**		349,442
Shareholders' equity		**2,701,540**		2,611,241
	$	**44,605,662**	$	44,167,660

As at April 30, 2021, total assets amounted to $44.6 billion, a 1% 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 April 30, 2021, these assets amounted to $10.0 billion, an increase of $0.3 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 22% of total assets as at April 30, 2021, in line with October 31, 2020.

Loans

Loans and bankers' acceptances, net of allowances, stood at $32.8 billion as at April 30, 2021, a decrease of $0.2 billion or 1% since October 31, 2020. During the first half of 2021, commercial loan growth resumed, while personal loans and residential mortgage loans declined.

Commercial loans and acceptances amounted to $13.2 billion as at April 30, 2021, an increase of 4% since October 31, 2020. Real estate lending accounted for most of the increase and continued to show resilience during the COVID-19 pandemic amidst the lower interest rate environment. Growth in inventory financing volumes since October 31, 2020 also contributed to the increase, reflecting seasonality as dealers restocked some of their inventories despite continued supply chain challenges to sustain the high consumer demand for recreational goods.

Personal loans amounted to $3.9 billion as at April 30, 2021, a decrease of $0.2 billion or 5% 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 $15.9 billion as at April 30, 2021, a decrease of $0.5 billion or 3% 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 repayments.

Other assets

Other assets stood at $1.8 billion as at April 30, 2021, compared with $1.5 billion as at October 31, 2020. The year-over-year increase resulted mainly from higher receivables, prepaid expenses and other items.

LIABILITIES

Deposits

Deposits decreased by $0.9 billion or 4% to $23.0 billion as at April 30, 2021 compared with $23.9 billion as at October 31, 2020, mainly as the Bank optimized its funding sources to align with its asset levels. Personal deposits stood at $18.3 billion as at April 30, 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 growth in personal notice and demand deposits of $0.5 billion or 10% over the same period.

Business and other deposits decreased by $0.4 billion over the same period to $4.7 billion, mostly due to a decrease in wholesale funding as the Bank optimized its funding costs as outlined above.

Personal deposits represented 80% of total deposits as at April 30, 2021, compared with 79% as at October 31, 2020, and contributed to the Bank's good liquidity position.

Other liabilities

Other liabilities increased to $7.7 billion as at April 30, 2021 from $7.1 billion as at October 31, 2020. The year-over-year increase resulted mainly from higher obligations related to securities sold under repurchase agreements associated with trading activities.

Debt related to securitization activities

Debt related to securitization activities increased by $0.7 billion or 7% compared with October 31, 2020 and stood at $10.9 billion as at April 30, 2021, contributing to the improvement in funding costs. 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 stood at $349.6 million as at April 30, 2021, essentially unchanged compared with October 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 $2,701.5 million as at April 30, 2021, compared with $2,611.2 million as at October 31, 2020.

Compared to October 31, 2020, retained earnings increased by $101.1 million as the net income contribution of $97.9 million and other gains related to employee benefit plans and equity securities designated at fair value through other comprehensive income of $44.1 million were partly offset by dividends amounting to $40.9 million. Accumulated other comprehensive income decreased by $18.1 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 $55.37 as at April 30, 2021 compared to $53.74 as at October 31, 2020.

CAPITAL MANAGEMENT

REGULATORY CAPITAL

OSFI requires banks to meet minimum risk-based capital ratios drawn on the Basel Committee on Banking Supervision (BCBS) capital framework, commonly referred to as Basel III. Under OSFI's "Capital Adequacy Requirements" guideline, the Bank must maintain minimum levels of capital depending on various criteria. Tier 1 capital, the most permanent and subordinated forms of capital, consists of two components: Common Equity Tier 1 capital and Additional Tier 1 capital. Tier 1 capital 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.

Regulatory capital developments

Changes to Capital, Leverage and Liquidity Requirements and related Disclosures.
On March 11, 2021, OSFI released for public consultation revisions to the Capital Adequacy Requirements (CAR) Guideline, Leverage Requirements (LR) Guideline, and Liquidity Adequacy Requirements (LAR) Guideline (together, "the Guidelines") applicable as of November 1, 2022. The proposed revisions to the CAR and LR Guidelines reflect OSFI's domestic implementation of the final Basel III reforms as set out in the consolidated Basel Framework published by the BCBS. In addition, proposed revisions to these guidelines, as well as those proposed to the LAR Guideline, include changes to reflect specific capital and liquidity requirements applicable to small and medium sized deposit-taking institutions (SMSBs). These changes align to the draft new SMSB Capital and Liquidity Requirements Guideline (the SMSB Capital and Liquidity Guideline) that was also released on the same date for public consultation.

Concurrent with the consultation, OSFI is consulting on proposed changes to the Pillar 3 Disclosure Guideline applicable to Domestic Systemically Important Banks (D-SIBs) as of November 1, 2022. These enhanced disclosure requirements incorporate revisions to the Guidelines to support transparency and promote market discipline. For SMSBs, OSFI has included consultative questions for SMSB stakeholders and feedback received will be used to develop OSFI's future Pillar 3 Disclosure Guideline for SMSBs.

The Bank will continue to monitor and prepare for developments impacting regulatory capital requirements.

OSFI consultation on enhanced assurance expectations

On April 13, 2021, OSFI launched a ten-week consultation with the publication of a discussion paper, Assurance on Capital, Leverage and Liquidity Returns for federally regulated insurers (FRIs) and deposit-taking institutions (DTIs). The paper focuses on enhancing and aligning assurance expectations given the increasing complexity arising from the evolving regulatory reporting framework. OSFI proposes to have assurance expectations apply to capital, leverage and liquidity returns of all federally regulated DTIs.

Regulatory capital developments in support of COVID-19 efforts

In the second quarter of 2020, OSFI announced several measures to afford financial institutions further flexibility in addressing current conditions due to COVID-19. These measures are discussed in the section "Regulatory capital developments in support of COVID-19 efforts" of the Bank's Annual Report 2020, on page 40. No other significant regulatory development specific to this topic has occurred during the first two quarters of 2021.

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 April 30, 2021**	As at October 31, 2020
Regulatory capital[1]		
Common Equity Tier 1 capital	**$ 1,985,391**	$ 1,893,079
Tier 1 capital	**$ 2,229,429**	$ 2,137,117
Total capital	**$ 2,664,315**	$ 2,571,212
Total risk-weighted assets[2]	**$ 19,697,909**	$ 19,669,263
Regulatory capital ratios		
Common Equity Tier 1 capital ratio	**10.1 %**	9.6 %
Tier 1 capital ratio	**11.3 %**	10.9 %
Total capital ratio	**13.5 %**	13.1 %

(1) The Common Equity Tier 1, Tier 1 and Total capital ratios excluding the ECL transitional arrangements were 10.0%, 11.3% and 13.5% respectively as at April 30, 2021.
(2) Using the Standardized approach in determining credit risk and operational risk.

The Common Equity Tier 1 capital ratio stood at 10.1% as at April 30, 2021, compared with 9.6% as at October 31, 2020. The increase compared with October 31, 2020 mainly results from internal capital generation and other gains related to employee benefit plans and equity securities designated at fair value through other comprehensive income. This level of capital provides the Bank with the necessary operational flexibility to resume growth and to pursue key initiatives prudently, considering economic conditions.

Outstanding Share Data

As at May 26, 2021, the number of outstanding common shares was 43,423,545, and the number of stock options was 1,013,588.

NVCC provisions require the conversion of the capital instrument into a variable number of common shares in the event that OSFI deems a bank to be non-viable or a federal or provincial government in Canada publicly announces that a bank has accepted or agreed to accept a capital injection. If a NVCC trigger event were to occur, NVCC capital instruments as at April 30, 2021, which are the Class A Preferred Shares Series 13 and Series 15, and the subordinated debentures due on June 22, 2022, as well as the recently issued LRCN (see below) would be converted into common shares pursuant to an automatic conversion formula with a conversion price based on the greater of: (i) a contractual floor price of $5.00, and (ii) the current market price of the Bank's common shares at the time of the trigger event (10-day weighted average). Based on a floor price of $5.00 and assuming no accrued interest and no declared and unpaid dividends, these NVCC capital instruments would convert into a maximum of 145,000,000 common shares, in aggregate, which would represent a dilution impact of 77.0% based on the number of common shares outstanding as at April 30, 2021.

Limited recourse capital notes issuance

On May 7, 2021, the Bank issued LRCN for net proceeds of $123.5 million. These LRCN fully qualify as Additional Tier 1 capital under the Basel III capital adequacy framework and the CAR Guideline as they include mandatory non-viability contingency capital provisions. These LRCN will be classified as equity on the balance sheet. The net proceeds from the issuance of LRCN will be used to redeem the Bank's outstanding 5,000,000 Non-Cumulative Class A Preferred Shares, Series 15 on June 15, 2021, for an aggregate redemption price of $125 million.

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 5.0% as at April 30, 2021 and exceeded regulatory requirements.

TABLE 8
BASEL III LEVERAGE RATIO

In thousands of Canadian dollars, except percentage amounts (Unaudited)	**As at April 30, 2021**	As at October 31, 2020
Tier 1 capital	**$ 2,229,429**	$ 2,137,117
Total exposures	**$ 44,871,821**	$ 44,452,632
Basel III leverage ratio[1]	**5.0 %**	4.8 %

(1) The Basel III leverage ratio excluding the ECL transitional arrangements was 4.9% as at April 30, 2021.

DIVIDENDS

On June 1, 2021, the Board of Directors declared a quarterly dividend of $0.40 per common share, payable on August 1, 2021 to shareholders of record on July 2, 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 April 30, 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 April 30, 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. In this quarter, improvements in forward-looking assumptions resulted in a decrease in expected credit losses. However the level of allowances remains elevated. The overall uncertainty with respect to the continuing impact of the pandemic may result in future volatility in expected credit losses until the eventual return to a more normalized worldwide operating environment.

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 pandemic. 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

Second quarter of 2021 compared with second quarter of 2020
Total provision for credit losses of $2.4 million decreased by $52.5 million or 96% compared with the second quarter of 2020, as the prior year reflected higher provisions on performing loans due to the impact of COVID-19. Releases of provisions on performing loans of $9.9 million and lower provisions on impaired loans in the second quarter of 2021 also contributed to the improvement. The provision for credit losses as a percentage of average loans and acceptances stood at 3 bps for the quarter, compared to 67 bps for the same quarter a year ago.

The provision for credit losses on performing loans was a recovery of $9.9 million for the second quarter of 2021 compared with a charge of $31.4 million for the second quarter of 2020, primarily reflecting releases of provisions on commercial loans, residential mortgage loans and personal loans. While uncertainty over the impact of the COVID-19 pandemic remains, the releases were largely due to improvements of the economic outlook in the current quarter.

The provision for credit losses on impaired loans of $12.3 million decreased by $11.2 million, due to lower provisions on commercial and personal loans, partly offset by higher provisions on residential mortgage loans.

Six months ended April 30, 2021 compared with six months ended April 30, 2020

Total provision for credit losses of $19.2 million decreased by $50.6 million or 72% compared with the six months ended April 30, 2020, as the prior year reflected higher provisions on performing loans due to the impact of COVID-19. Releases of provisions on performing loans of $10.8 million and lower provisions on impaired loans in the first half of 2021 also contributed to the improvement. The provision for credit losses as a percentage of average loans and acceptances of 12 bps for the six months ended April 30, 2021 improved by 30 bps.

The provision for credit losses on performing loans was a recovery of $10.8 million for the six months ended April 30, 2021 compared with a charge of $29.8 million for the six months ended April 30, 2020, primarily reflecting releases of provisions of commercial loans, personal loans and residential mortgage loans. While uncertainty over the impact of the COVID-19 pandemic remains, the releases were largely due to improvements of the economic outlook in the current quarter.

The provision for credit losses on impaired loans of $30.0 million decreased by $10.0 million, due to lower provisions on personal and commercial loans, partly offset by higher provisions on residential mortgage loans.

Second quarter of 2021 compared with first quarter of 2021

Total provision for credit losses of $2.4 million decreased by $14.4 million or 86% compared with the first quarter of 2021. Releases of provisions on performing loans and lower provisions on impaired loans in the quarter contributed to the decrease. The provision for credit losses as a percentage of average loans and acceptances of 3 bps improved by 17 bps.

The provision for credit losses on performing loans was a recovery of $9.9 million for the second quarter of 2021 compared with a recovery of $0.9 million for the first quarter of 2021, primarily reflecting releases of provisions of commercial loans, residential mortgage loans and personal loans. While uncertainty over the impact of the COVID-19 pandemic remains, the releases were largely due to improvements of the economic outlook in the current quarter.

The provision for credit losses on impaired loans of $12.3 million decreased by $5.4 million, due to lower provisions on commercial loans, partly offset by higher provisions on residential mortgage loans.

TABLE 9

PROVISION FOR CREDIT LOSSES

In thousands of Canadian dollars, except percentage amounts (Unaudited)	For the three months ended			For the six months ended	
	April 30, 2021	January 31, 2021	April 30, 2020	**April 30, 2021**	April 30, 2020
Personal loans					
Performing (Stage 1 and 2)	**$ (1,466)**	$ (307)	$ 9,600	**$ (1,773)**	$ 6,632
Impaired (Stage 3)	**2,700**	2,598	7,842	**5,298**	14,777
	1,234	2,291	17,442	**3,525**	21,409
Residential mortgage loans					
Performing (Stage 1 and 2)	**(2,854)**	1,779	771	**(1,075)**	1,186
Impaired (Stage 3)	**5,332**	2,298	625	**7,630**	1,690
	2,478	4,077	1,396	**6,555**	2,876
Commercial loans[1]					
Performing (Stage 1 and 2)	**(5,595)**	(2,359)	21,029	**(7,954)**	21,956
Impaired (Stage 3)	**4,283**	12,791	15,033	**17,074**	23,559
	(1,312)	10,432	36,062	**9,120**	45,515
Total loans					
Performing (Stage 1 and 2)	**(9,915)**	(887)	31,400	**(10,802)**	29,774
Impaired (Stage 3)	**12,315**	17,687	23,500	**30,002**	40,026
Provision for credit losses	**$ 2,400**	$ 16,800	$ 54,900	**$ 19,200**	$ 69,800
As a % of average loans and acceptances	**0.03 %**	0.20 %	0.67 %	**0.12 %**	0.42 %

(1) Including customers' liabilities under acceptances.

Impaired loans

Gross impaired loans amounted to $255.3 million as at April 30, 2021, down $17.4 million or 6% compared with October 31, 2020, mainly due to decreases in personal and commercial impaired loans.

Allowances for loan losses on impaired loans increased by $12.0 million compared with October 31, 2020, mainly with regards to the commercial loan portfolio. Allowances for loan losses on performing loans amounted to $90.9 million as at April 30, 2021, down $6.1 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 April 30, 2021		As at October 31, 2020
Gross impaired loans				
Personal	$	**23,019**	$	36,105
Residential mortgages		**67,319**		65,846
Commercial[1]		**164,959**		170,786
		255,297		272,737
Allowances for loan losses on impaired loans (Stage 3)		**(88,453)**		(76,435)
Net impaired loans	$	**166,844**	$	196,302
Impaired loans as a % of loans and acceptances				
Gross		**0.77 %**		0.82 %
Net		**0.51 %**		0.59 %
Allowances for loan losses against performing loans				
Stage 1	$	**(50,126)**	$	(56,866)
Stage 2		**(40,815)**		(40,221)
	$	**(90,941)**	$	(97,087)

(1) Including customers' liabilities under acceptances.

Payment relief programs

Loans subject to payment relief programs still outstanding amounted to $35.7 million or 0.1% of the loan portfolio as at April 30, 2021 and mainly consisted of commercial loans ($219.7 million mainly consisting of residential mortgage loans or 0.7% of the loan portfolio as at October 31, 2020). The Bank is monitoring the accounts which no longer benefit from the programs and its current assessment of the COVID-19 situation is that underlying losses should remain manageable. Refer to the section "Payment relief programs" on page 52 of the Bank's 2020 Annual Report and to 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 April 30, 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 April 30, 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	$	**19,914**	$	23,476
Decrease in the economic value of common shareholders' equity (net of income taxes)	$	**(27,002)**	$	(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 six months ended April 30, 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 Global Ratings (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 April 30, 2021, additional collateral that would be required in the event of a one-to-three-notch rating downgrade was not significant.

On April 15, 2021, DBRS revised its long-term rating trends on the Bank to stable from negative and affirmed the Bank's "A (low)" and "R1 (low)" long and short term issuer credit ratings. On April 16, 2021, S&P revised its long-term rating outlook on the Bank to stable from negative and affirmed the Bank's "BBB" and "A-2" long and short term issuer credit ratings.

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

TABLE 12
CREDIT RATINGS
As at May 26, 2021

	DBRS	S&P
Long-term deposits and debt	A (low)	BBB
Covered bonds	AAA	n/a
Short-term instruments	R-1 (low)	A-2
NVCC Subordinated debt	BBB (low)	BB+
NVCC Limited recourse capital notes	BB (high)	BB-
NVCC Preferred shares	Pfd-3	BB-
Outlook	Stable[1]	Stable[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 April 30, 2021

In thousands of Canadian dollars (Unaudited)	Term 0 to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specific maturity	Total
Assets									
Cash and non-interest-bearing deposits with banks	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 45,776	$ 45,776
Interest-bearing deposits with banks	428,080	—	—	25,000	—	—	—	75,695	528,775
Securities	355,440	515,262	383,508	111,536	1,207,862	1,745,148	1,530,759	349,688	6,199,203
Securities purchased under reverse repurchase agreements	2,502,883	127,530	—	311,421	236,101	—	—	—	3,177,935
Loans[1]									
Personal loans	17,012	38,283	34,147	11,941	94,948	58,157	10,600	3,643,183	3,908,273
Residential mortgages	1,030,066	933,747	1,016,237	867,993	2,942,489	8,926,391	54,262	112,954	15,884,139
Commercial loans	2,501,466	879,360	927,317	806,960	2,418,589	2,270,984	1,275,449	2,091,826	13,171,951
Customers' liabilities under acceptances	39,200	—	—	—	—	—	—	—	39,200
Allowances for loan losses	—	—	—	—	—	—	—	(179,394)	(179,394)
	3,587,744	1,851,390	1,977,702	1,686,894	5,456,027	11,255,532	1,340,312	5,668,569	32,824,169
Others	1,053	819	2,449	543	1,730	486	—	1,822,725	1,829,804
Total assets	$6,875,200	$2,495,001	$2,363,659	$2,135,393	$6,901,719	$13,001,166	$2,871,071	$ 7,962,453	$44,605,662
Liabilities and equity									
Deposits									
Personal deposits[1]	$1,691,298	$1,438,242	$1,847,059	$1,699,150	$3,527,403	$ 2,327,615	$ 26,419	$ 5,725,757	$18,282,941
Business, Banks and other deposits[1]	232,110	138,630	75,993	181,598	128,178	44,006	821	1,803,135	2,604,470
Wholesale deposits	288,000	308,920	158,517	—	605,041	733,370	—	—	2,093,848
	2,211,408	1,885,791	2,081,570	1,880,749	4,260,621	3,104,991	27,239	7,528,891	22,981,259
Obligations related to securities sold short[2]	668,200	89,378	12,994	53,815	248,222	849,389	1,166,758	—	3,088,756
Obligations related to securities sold under repurchase agreements	1,501,199	255,850	—	626,823	523,687	—	—	—	2,907,558
Other Liabilities	42,843	3,617	3,423	3,299	23,607	21,702	98,703	1,476,667	1,673,861
Debt related to securitization activities[3]	675,133	284,132	596,193	179,051	1,612,992	5,912,974	1,482,623	159,981	10,903,078
Subordinated debt	—	—	—	—	349,610	—	—	—	349,610
Equity	125,000	—	—	—	—	125,000	—	2,451,540	2,701,540
Total liabilities and equity	$5,223,782	$2,518,767	$2,694,180	$2,743,737	$7,018,738	$10,014,056	$2,775,323	$11,617,079	$44,605,662

(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								
	0 to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specific maturity	Total
Assets									
Cash and non-interest-bearing deposits with banks	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 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	$10,914,901	$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 per share and percentage amounts (Unaudited)	**April 30, 2021**	January 31, 2021	October 31, 2020	July 31, 2020	April 30, 2020	January 31, 2020	October 31, 2019	July 31, 2019
Net interest income	**$ 171,476**	$ 173,074	$ 169,346	$ 173,546	$ 170,747	$ 168,785	$ 173,205	$ 176,042
Other income	**78,292**	74,300	74,193	75,063	69,401	69,928	68,433	68,611
Total revenue	**249,768**	247,374	243,539	248,609	240,148	238,713	241,638	244,653
Amortization of net premium on purchased financial instruments	**—**	—	100	127	179	232	284	336
Provision for credit losses	**2,400**	16,800	24,200	22,300	54,900	14,900	12,600	12,100
Non-interest expenses	**179,561**	174,063	177,592	183,777	183,516	188,902	180,828	177,858
Income before income taxes	**67,807**	56,511	41,647	42,405	1,553	34,679	47,926	54,359
Income taxes	**14,745**	11,692	4,836	6,188	(7,332)	2,507	6,583	6,561
Net income	**$ 53,062**	$ 44,819	$ 36,811	$ 36,217	$ 8,885	$ 32,172	$ 41,343	$ 47,798
Earnings per share								
Basic	**$ 1.15**	$ 0.96	$ 0.79	$ 0.77	$ 0.13	$ 0.68	$ 0.90	$ 1.05
Diluted	**$ 1.15**	$ 0.96	$ 0.79	$ 0.77	$ 0.13	$ 0.68	$ 0.90	$ 1.05

CORPORATE GOVERNANCE AND CHANGES TO INTERNAL CONTROL OVER FINANCIAL REPORTING

During the second quarter ended April 30, 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 second quarter ended April 30, 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 pandemic, 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 APRIL 30, 2021

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

In thousands of Canadian dollars (Unaudited)	Notes	As at April 30, 2021	As at October 31, 2020
Assets			
Cash and non-interest bearing deposits with banks		$ 45,776	$ 69,661
Interest-bearing deposits with banks		528,775	603,181
Securities	4 and 6		
At amortized cost		3,032,749	3,109,698
At fair value through profit or loss (FVTPL)		2,871,937	2,414,939
At fair value through other comprehensive income (FVOCI)		294,517	274,579
		6,199,203	5,799,216
Securities purchased under reverse repurchase agreements		3,177,935	3,140,228
Loans	5 and 6		
Personal		3,908,273	4,120,875
Residential mortgage		15,884,139	16,341,890
Commercial		13,171,951	12,730,360
Customers' liabilities under acceptances		39,200	—
		33,003,563	33,193,125
Allowances for loan losses		(179,394)	(173,522)
		32,824,169	33,019,603
Other			
Derivatives		358,133	295,122
Premises and equipment		192,578	199,869
Software and other intangible assets		364,269	380,259
Goodwill		112,914	117,286
Deferred tax assets		49,196	62,216
Other assets		752,714	481,019
		1,829,804	1,535,771
		$ 44,605,662	$ 44,167,660
Liabilities and shareholders' equity			
Deposits	7		
Personal		$ 18,282,941	$ 18,796,150
Business, banks and other		4,698,318	5,124,053
		22,981,259	23,920,203
Other			
Obligations related to securities sold short		3,088,756	3,020,709
Obligations related to securities sold under repurchase agreements		2,907,558	2,411,649
Acceptances		39,200	—
Derivatives		123,164	127,412
Deferred tax liabilities		53,072	55,333
Other liabilities	14	1,458,425	1,487,174
		7,670,175	7,102,277
Debt related to securitization activities	6	10,903,078	10,184,497
Subordinated debt		349,610	349,442
Shareholders' equity			
Preferred shares	8	244,038	244,038
Common shares	8	1,166,031	1,159,488
Retained earnings		1,254,113	1,152,973
Accumulated other comprehensive income		34,080	52,215
Share-based compensation reserve	9	3,278	2,527
		2,701,540	2,611,241
		$ 44,605,662	$ 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 April 30, 2021	For the three months ended January 31, 2021	For the three months ended April 30, 2020	For the six months ended April 30, 2021	For the six months ended April 30, 2020
Interest and dividend income	13					
Loans		$ **277,124**	$ 288,817	$ 335,547	$ **565,941**	$ 690,168
Securities		**11,404**	11,753	16,210	**23,157**	33,906
Deposits with banks		**463**	427	1,532	**890**	3,861
Other, including derivatives		**21,987**	25,373	10,959	**47,360**	15,868
		310,978	326,370	364,248	**637,348**	743,803
Interest expense	13					
Deposits		**91,648**	103,851	140,534	**195,499**	294,379
Debt related to securitization activities		**42,551**	43,908	45,791	**86,459**	93,488
Subordinated debt		**3,710**	3,828	3,742	**7,538**	7,573
Other, including derivatives		**1,593**	1,709	3,434	**3,302**	8,831
		139,502	153,296	193,501	**292,798**	404,271
Net interest income		**171,476**	173,074	170,747	**344,550**	339,532
Other income						
Lending fees		**17,048**	16,097	14,801	**33,145**	30,095
Fees and securities brokerage commissions		**17,098**	14,110	12,226	**31,208**	22,826
Commissions from sales of mutual funds		**11,856**	11,635	10,202	**23,491**	21,136
Service charges		**7,961**	7,237	8,478	**15,198**	17,805
Income from financial instruments		**6,552**	9,091	6,935	**15,643**	11,741
Card service revenues		**6,610**	6,699	6,723	**13,309**	15,274
Fees on investment accounts		**4,529**	3,755	4,583	**8,284**	8,844
Insurance income, net		**2,942**	2,689	2,087	**5,631**	5,149
Other		**3,696**	2,987	3,366	**6,683**	6,459
		78,292	74,300	69,401	**152,592**	139,329
Total revenue		**249,768**	247,374	240,148	**497,142**	478,861
Amortization of net premium on purchased financial instruments		**—**	—	179	**—**	411
Provision for credit losses	5	**2,400**	16,800	54,900	**19,200**	69,800
Non-interest expenses						
Salaries and employee benefits	9 and 10	**97,455**	95,406	93,972	**192,861**	189,241
Premises and technology		**49,869**	48,456	50,722	**98,325**	100,489
Other		**30,347**	29,580	38,496	**59,927**	79,628
Restructuring charges	15	**1,890**	621	326	**2,511**	3,060
		179,561	174,063	183,516	**353,624**	372,418
Income before income taxes		**67,807**	56,511	1,553	**124,318**	36,232
Income taxes		**14,745**	11,692	(7,332)	**26,437**	(4,825)
Net income		$ **53,062**	$ 44,819	$ 8,885	$ **97,881**	$ 41,057
Preferred share dividends, including applicable taxes		**3,116**	3,117	3,197	**6,233**	6,394
Net income available to common shareholders		$ **49,946**	$ 41,702	$ 5,688	$ **91,648**	$ 34,663
Weighted-average number of common shares outstanding (in thousands)						
Basic		**43,370**	43,273	42,812	**43,321**	42,738
Diluted		**43,430**	43,273	42,812	**43,350**	42,775
Earnings per share	11					
Basic		$ **1.15**	$ 0.96	$ 0.13	$ **2.12**	$ 0.81
Diluted		$ **1.15**	$ 0.96	$ 0.13	$ **2.11**	$ 0.81
Dividends declared per share						
Common share		$ **0.40**	$ 0.40	$ 0.67	$ **0.80**	$ 1.34
Preferred share - Series 13		$ **0.26**	$ 0.26	$ 0.26	$ **0.52**	$ 0.52
Preferred share - Series 15		$ **0.37**	$ 0.37	$ 0.37	$ **0.73**	$ 0.73

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 April 30, 2021	January 31, 2021	April 30, 2020	For the six months ended April 30, 2021	April 30, 2020
Net income	**$ 53,062**	$ 44,819	$ 8,885	**$ 97,881**	$ 41,057
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	**(1,156)**	17	919	**(1,139)**	902
Reclassification of net (gains) losses on debt securities at FVOCI to net income	**(35)**	(204)	(17)	**(239)**	7
	(1,191)	(187)	902	**(1,378)**	909
Net change in value of derivatives designated as cash flow hedges	**10,887**	(1,333)	31,756	**9,554**	33,998
Net foreign currency translation adjustments					
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**(18,859)**	(19,277)	23,860	**(38,136)**	26,279
Net gains (losses) on hedges of investments in foreign operations	**5,346**	6,479	(5,498)	**11,825**	(5,351)
	(13,513)	(12,798)	18,362	**(26,311)**	20,928
	(3,817)	(14,318)	51,020	**(18,135)**	55,835
Items that may not subsequently be reclassified to the Statement of Income					
Remeasurement gains (losses) on employee benefit plans	**11,905**	4,620	(8,674)	**16,525**	(11,578)
Net gains (losses) on equity securities designated at FVOCI	**12,358**	15,243	(24,425)	**27,601**	(19,667)
	24,263	19,863	(33,099)	**44,126**	(31,245)
Total other comprehensive income, net of income taxes	**20,446**	5,545	17,921	**25,991**	24,590
Comprehensive income	**$ 73,508**	$ 50,364	$ 26,806	**$ 123,872**	$ 65,647

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 April 30, 2021	January 31, 2021	April 30, 2020	For the six months ended April 30, 2021	April 30, 2020
Net change in debt securities at FVOCI					
Unrealized net gains (losses) on debt securities at FVOCI	**$ (417)**	$ 6	$ 331	**$ (411)**	$ 325
Reclassification of net (gains) losses on debt securities at FVOCI to net income	**(13)**	(73)	(6)	**(86)**	3
	(430)	(67)	325	**(497)**	328
Net change in value of derivatives designated as cash flow hedges	**3,919**	(481)	11,453	**3,438**	12,261
Net foreign currency translation adjustments					
Net gains (losses) on hedges of investments in foreign operations	**15**	(86)	102	**(71)**	102
Remeasurement gains (losses) on employee benefit plans	**4,287**	1,664	(3,128)	**5,951**	(4,175)
Net gains (losses) on equity securities designated at FVOCI	**4,456**	5,496	(8,813)	**9,952**	(7,096)
	$ 12,247	$ 6,526	$ (61)	**$ 18,773**	$ 1,420

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Canadian dollars (Unaudited)	For the six months ended April 30			Accumulated Other Comprehensive Income					
	Preferred shares (Note 8)	Common shares (Note 8)	Retained earnings	Debt securities at FVOCI	Cash flow hedges	Translation of foreign operations	Total	Share-based compen-sation reserve	Total shareholders' equity
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			97,881						97,881
Other comprehensive income, net of income taxes									
Unrealized net losses on debt securities at FVOCI				(1,139)			(1,139)		(1,139)
Reclassification of net gains on debt securities at FVOCI to net income				(239)			(239)		(239)
Net change in value of derivatives designated as cash flow hedges					9,554		9,554		9,554
Net unrealized foreign currency translation losses on investments in foreign operations						(38,136)	(38,136)		(38,136)
Net gains on hedges of investments in foreign operations						11,825	11,825		11,825
Remeasurement gains on employee benefit plans			16,525						16,525
Net gains on equity securities designated at FVOCI			27,601						27,601
Comprehensive income			142,007	(1,378)	9,554	(26,311)	(18,135)		123,872
Issuance of share capital		6,543							6,543
Share-based compensation								751	751
Dividends									
Preferred shares, including applicable taxes			(6,233)						(6,233)
Common shares			(34,634)						(34,634)
Balance as at April 30, 2021	$ 244,038	$ 1,166,031	$ 1,254,113	$ 406	$ 53,147	$ (19,473)	$ 34,080	$ 3,278	$ 2,701,540

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)	Preferred shares (Note 8)	Common shares (Note 8)	Retained earnings	Accumulated Other Comprehensive Income: Debt securities at FVOCI	Cash flow hedges	Translation of foreign operations	Total	Share-based compensation reserve	Total shareholders' equity
									For the six months ended April 30
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			41,057						41,057
Other comprehensive income, net of income taxes									
Unrealized net gains on debt securities at FVOCI				902			902		902
Reclassification of net losses on debt securities at FVOCI to net income				7			7		7
Net change in value of derivatives designated as cash flow hedges					33,998		33,998		33,998
Net unrealized foreign currency translation gains on investments in foreign operations						26,279	26,279		26,279
Net losses on hedges of investments in foreign operations						(5,351)	(5,351)		(5,351)
Remeasurement losses on employee benefit plans			(11,578)						(11,578)
Net losses on equity securities designated at FVOCI			(19,667)						(19,667)
Comprehensive income			9,812	909	33,998	20,928	55,835		65,647
Issuance of share capital		10,941							10,941
Share-based compensation								1,143	1,143
Dividends									
Preferred shares, including applicable taxes			(6,394)						(6,394)
Common shares			(57,203)						(57,203)
Balance as at April 30, 2020	$ 244,038	$ 1,150,134	$ 1,100,627	$ 1,237	$ 55,047	$ 20,498	$ 76,782	$ 2,958	$ 2,574,539

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 April 30, 2021	January 31, 2021	April 30, 2020	For the six months ended April 30, 2021	April 30, 2020
Cash flows relating to operating activities						
Net income		**$ 53,062**	$ 44,819	$ 8,885	**$ 97,881**	$ 41,057
Adjustments to determine net cash flows relating to operating activities:						
Provision for credit losses	5	**2,400**	16,800	54,900	**19,200**	69,800
Deferred income taxes		**89**	540	(12,900)	**629**	(13,193)
Depreciation of premises and equipment		**5,903**	5,924	5,917	**11,827**	11,808
Amortization of software and other intangible assets		**10,329**	10,365	10,364	**20,694**	20,451
Change in operating assets and liabilities:						
Loans		**217,000**	(38,492)	(206,677)	**178,508**	(77,894)
Acceptances		**39,200**	—	141,079	**39,200**	93,598
Securities at FVTPL		**158,777**	(615,775)	(993,032)	**(456,998)**	(468,435)
Securities purchased under reverse repurchase agreements		**326,999**	(364,706)	440,090	**(37,707)**	(193,522)
Accrued interest receivable		**4,849**	5,373	(22,903)	**10,222**	(246)
Derivative assets		**(38,556)**	(24,455)	(261,365)	**(63,011)**	(258,710)
Deposits		**(626,093)**	(312,851)	103,313	**(938,944)**	(348,338)
Obligations related to securities sold short		**(584,282)**	652,329	(43,476)	**68,047**	771,423
Obligations related to securities sold under repurchase agreements		**188,997**	306,912	405,278	**495,909**	(30,118)
Accrued interest payable		**(19,970)**	(57,915)	11,228	**(77,885)**	(13,008)
Derivative liabilities		**19,369**	(23,617)	142,996	**(4,248)**	159,294
Debt related to securitization activities		**319,429**	399,152	350,747	**718,581**	364,390
Other, net		**(82,964)**	(128,394)	(72,269)	**(211,358)**	(10,394)
		(5,462)	(123,991)	62,175	**(129,453)**	117,963
Cash flows relating to financing activities						
Payment of lease liabilities		**(4,750)**	(4,676)	(3,966)	**(9,426)**	(8,629)
Net proceeds from issuance of common shares	8	**25**	—	(9)	**25**	11
Dividends		**(31,291)**	(3,058)	(26,002)	**(34,349)**	(73,404)
		(36,016)	(7,734)	(29,977)	**(43,750)**	(82,022)
Cash flows relating to investing activities						
Change in securities at amortized cost						
Acquisitions		**(703,132)**	(310,175)	(533,867)	**(1,013,307)**	(1,266,952)
Proceeds on sale and at maturity		**573,995**	516,257	355,068	**1,090,252**	1,375,041
Change in securities at FVOCI						
Acquisitions		**(170,796)**	(80,243)	(76,064)	**(251,039)**	(160,796)
Proceeds on sale and at maturity		**165,825**	101,090	48,627	**266,915**	138,626
Additions to premises and equipment and software and other intangible assets		**(8,307)**	(4,705)	(16,377)	**(13,012)**	(32,500)
Change in interest-bearing deposits with banks		**152,186**	(77,780)	183,046	**74,406**	(108,202)
		9,771	144,444	(39,567)	**154,215**	(54,783)
Effect of exchange rate changes on cash and non-interest-bearing deposits with banks		**(1,550)**	(3,347)	8,800	**(4,897)**	8,888
Net change in cash and non-interest bearing deposits with banks		**(33,257)**	9,372	1,431	**(23,885)**	(9,954)
Cash and non-interest bearing deposits with banks at beginning of period		**79,033**	69,661	79,273	**69,661**	90,658
Cash and non-interest bearing deposits with banks at end of period		**$ 45,776**	$ 79,033	$ 80,704	**$ 45,776**	$ 80,704
Supplemental disclosure about cash flows relating to operating activities:						
Interest paid during the period		**$ 159,308**	$ 215,504	$ 185,748	**$ 374,812**	$ 422,751
Interest received during the period		**$ 310,793**	$ 334,928	$ 331,378	**$ 645,721**	$ 731,817
Dividends received during the period		**$ 3,345**	$ 3,290	$ 4,081	**$ 6,635**	$ 7,936
Income taxes paid during the period		**$ 14,677**	$ 23,866	$ 1,927	**$ 38,543**	$ 6,998

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 April 30, 2021 were approved for issuance by the Board of Directors on June 1, 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 functional and 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 pandemic, 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 April 30, 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 April 30, 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 April 30, 2021	As at October 31, 2020
Securities issued or guaranteed		
by Canada[1]	**$ 1,042,670**	$ 1,048,606
by provinces	**1,724,792**	1,550,127
by municipalities	**136,216**	117,993
Other debt securities	**129,071**	392,972
	$ 3,032,749	$ 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 April 30, 2021
	Amortized cost	**Unrealized gains**	**Unrealized losses**	**Fair value[1]**
Securities issued or guaranteed				
by Canada[2]	**$ 29,650**	**$ 81**	**$ 264**	**$ 29,467**
by provinces	**12,259**	**101**	**278**	**12,082**
by municipalities	**43,514**	**623**	**39**	**44,098**
Other debt securities	**22,165**	**583**	**—**	**22,748**
Asset-backed securities	**522**	**4**	**—**	**526**
Preferred shares	**165,904**	**12,035**	**2,978**	**174,961**
Common shares and other securities	**10,636**	**—**	**1**	**10,635**
	$ 284,650	**$ 13,427**	**$ 3,560**	**$ 294,517**

(1) The allowances for credit losses on debt securities at FVOCI, amounting to $0.2 million as at April 30, 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.

Dividend income recognized in earnings on these investments was $2.5 million for the three months ended April 30, 2021 ($2.3 million for the three months ended January 31, 2021 and $2.7 million for three months ended April 30, 2020) and $4.8 million for the six months ended April 30, 2021 ($5.3 million for the six months ended April 30, 2020), including a negligible amount for investments that were sold during all such periods.

	For the six months ended	
	April 30, 2021	April 30, 2020
Fair value at beginning of period	**$ 170,157**	$ 189,716
Change in fair value	**35,487**	(18,759)
Designated at FVOCI	**34,300**	29,282
Sales or redemptions	**(54,348)**	(43,774)
Fair value at end of period	**$ 185,596**	$ 156,465

5. LOANS AND ALLOWANCES FOR CREDIT LOSSES

As at April 30, 2021 and April 30, 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 table shows the gross and net carrying amounts of loans and acceptances and off-balance sheet exposures as at April 30, 2021 and October 31, 2020, according to credit quality and ECL impairment stage of each loan category at amortized cost.

	As at April 30, 2021				As at October 31, 2020			
	Performing		Impaired		Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Personal loans								
Very low risk	$ 2,885,897	$ 8,037	$ —	$ 2,893,934	$ 2,931,558	$ 9,080	$ —	$ 2,940,638
Low risk	405,887	75,011	—	480,898	445,747	104,585	—	550,332
Medium risk	299,837	198,505	—	498,342	331,779	246,309	—	578,088
High risk	—	12,080	—	12,080	—	15,712	—	15,712
Default	—	—	23,019	23,019	—	—	36,105	36,105
Gross carrying amount	3,591,621	293,633	23,019	3,908,273	3,709,084	375,686	36,105	4,120,875
Allowances for loan losses	7,023	17,296	13,175	37,494	6,996	17,330	17,212	41,538
Net carrying amount	$ 3,584,598	$ 276,337	$ 9,844	$ 3,870,779	$ 3,702,088	$ 358,356	$ 18,893	$ 4,079,337
Residential mortgage loans								
Very low risk	$10,586,894	$ 427	$ —	$10,587,321	$10,008,099	$ 103,223	$ —	$10,111,322
Low risk	2,990,358	60,519	—	3,050,877	3,225,724	178,993	—	3,404,717
Medium risk	1,692,884	402,852	—	2,095,736	1,914,807	722,156	—	2,636,963
High risk	—	82,886	—	82,886	—	123,042	—	123,042
Default	—	—	67,319	67,319	—	—	65,846	65,846
Gross carrying amount	15,270,136	546,684	67,319	15,884,139	15,148,630	1,127,414	65,846	16,341,890
Allowances for loan losses	4,983	4,277	9,847	19,107	5,158	5,001	3,605	13,764
Net carrying amount	$15,265,153	$ 542,407	$ 57,472	$15,865,032	$15,143,472	$ 1,122,413	$ 62,241	$16,328,126
Commercial loans[1]								
Very low risk	$ 2,877,185	$ 5,999	$ —	$ 2,883,184	$ 2,506,784	$ 32,093	$ —	$ 2,538,877
Low risk	7,281,874	118,158	—	7,400,032	6,768,408	186,369	—	6,954,777
Medium risk	2,213,834	336,805	—	2,550,639	2,630,411	309,950	—	2,940,361
High risk	—	212,337	—	212,337	—	125,559	—	125,559
Default	—	—	164,959	164,959	—	—	170,786	170,786
Gross carrying amount	12,372,893	673,299	164,959	13,211,151	11,905,603	653,971	170,786	12,730,360
Allowances for loan losses	38,120	19,242	65,431	122,793	44,712	17,890	55,618	118,220
Net carrying amount	$12,334,773	$ 654,057	$ 99,528	$13,088,358	$11,860,891	$ 636,081	$ 115,168	$12,612,140
Total loans								
Gross carrying amount	$31,234,650	$ 1,513,616	$ 255,297	$33,003,563	$30,763,317	$ 2,157,071	$ 272,737	$33,193,125
Allowances for loan losses	50,126	40,815	88,453	179,394	56,866	40,221	76,435	173,522
Net carrying amount	$31,184,524	$ 1,472,801	$ 166,844	$32,824,169	$30,706,451	$ 2,116,850	$ 196,302	$33,019,603
Off-balance sheet exposures[2]								
Very low risk	$ 988,235	$ 25,269	$ —	$ 1,013,504	$ 1,345,872	$ 28,402	$ —	$ 1,374,274
Low risk	1,172,268	31,949	—	1,204,217	1,374,916	53,877	—	1,428,793
Medium risk	399,338	37,650	—	436,988	459,632	43,183	—	502,815
High risk	—	8,135	—	8,135	—	7,527	—	7,527
Default	—	—	—	—	—	—	—	—
Total exposure	2,559,841	103,003	—	2,662,844	3,180,420	132,989	—	3,313,409
exposures losses	4,623	1,473	—	6,096	8,324	3,124	—	11,448
Total exposure, net	$ 2,555,218	$ 101,530	$ —	$ 2,656,748	$ 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 April 30, 2021			As at October 31, 2020		
	Gross impaired loans	Allowances against impaired loans	Net impaired loans	Gross impaired loans	Allowances against impaired loans	Net impaired loans
Personal loans	$ 23,019	$ 13,175	$ 9,844	$ 36,105	$ 17,212	$ 18,893
Residential mortgage loans	67,319	9,847	57,472	65,846	3,605	62,241
Commercial loans[1]	164,959	65,431	99,528	170,786	55,618	115,168
	$ 255,297	$ 88,453	$ 166,844	$ 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.

Loans subject to payment relief programs still outstanding amounted to $35.7 million or 0.1% of the loan portfolio as at April 30, 2021 and mainly consisted of commercial loans ($219.7 million mainly consisting of residential mortgage loans or 0.7% of the loan portfolio as at October 31, 2020).

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 April 30, 2021			As at October 31, 2020		
	1 day-31 days	32 days-90 days	Total	1 day-31 days	32 days-90 days	Total
Personal loans	$ 50,208	$ 22,083	$ 72,291	$ 51,919	$ 20,796	$ 72,715
Residential mortgage loans	130,664	37,004	167,668	172,001	34,298	206,299
	$ 180,872	$ 59,087	$ 239,959	$ 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 of allowances for credit losses

	For the three months ended April 30, 2021				For the three months ended April 30, 2020			
	Performing		Impaired		Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Personal loans								
Balance at beginning of period	$ 8,723	$ 19,260	$ 16,211	$ 44,194	$ 7,277	$ 18,762	$ 6,069	$ 32,108
Transfers:								
to Stage 1	3,246	(2,730)	(516)	—	3,905	(3,806)	(99)	—
to Stage 2	(478)	1,363	(885)	—	(1,038)	1,360	(322)	—
to Stage 3	(28)	(827)	855	—	(31)	(1,060)	1,091	—
Originations	269	—	—	269	410	—	—	410
Derecognitions	(205)	(528)	(4,930)	(5,663)	(149)	(564)	(1,037)	(1,750)
Net remeasurement of allowances	(3,446)	1,898	8,176	6,628	(1,170)	11,743	8,209	18,782
Provision for (reversal of) credit losses	(642)	(824)	2,700	1,234	1,927	7,673	7,842	17,442
Write-offs	—	—	(7,323)	(7,323)	—	—	(4,788)	(4,788)
Recoveries	—	—	1,808	1,808	—	—	1,140	1,140
Foreign exchange and other	—	—	(221)	(221)	—	—	(221)	(221)
Balance at end of period	$ 8,081	$ 18,436	$ 13,175	$ 39,692	$ 9,204	$ 26,435	$ 10,042	$ 45,681
Total allowances for loan losses	$ 7,023	$ 17,296	$ 13,175	$ 37,494	$ 7,887	$ 24,892	$ 10,042	$ 42,821
Total allowances for off-balance sheet exposures	1,058	1,140	—	2,198	1,317	1,543	—	2,860
Total allowances for credit losses	$ 8,081	$ 18,436	$ 13,175	$ 39,692	$ 9,204	$ 26,435	$ 10,042	$ 45,681
Residential mortgage loans								
Balance at beginning of period	$ 6,741	$ 5,487	$ 4,962	$ 17,190	$ 2,389	$ 1,797	$ 1,076	$ 5,262
Transfers:								
to Stage 1	1,506	(1,278)	(228)	—	394	(383)	(11)	—
to Stage 2	(299)	1,133	(834)	—	(127)	241	(114)	—
to Stage 3	(9)	(684)	693	—	(2)	(67)	69	—
Originations	333	—	—	333	51	—	—	51
Derecognitions	(437)	(478)	(679)	(1,594)	(93)	(83)	(117)	(293)
Net remeasurement of allowances	(2,756)	115	6,380	3,739	146	694	798	1,638
Provision for (reversal of) credit losses	(1,662)	(1,192)	5,332	2,478	369	402	625	1,396
Write-offs	—	—	(578)	(578)	—	—	(1,186)	(1,186)
Recoveries	—	—	295	295	—	—	924	924
Foreign exchange and other	—	—	(164)	(164)	—	—	(383)	(383)
Balance at end of period	$ 5,079	$ 4,295	$ 9,847	$ 19,221	$ 2,758	$ 2,199	$ 1,056	$ 6,013
Total allowances for loan losses	$ 4,983	$ 4,277	$ 9,847	$ 19,107	$ 2,612	$ 2,123	$ 1,056	$ 5,791
Total allowances for off-balance sheet exposures	96	18	—	114	146	76	—	222
Total allowances for credit losses	$ 5,079	$ 4,295	$ 9,847	$ 19,221	$ 2,758	$ 2,199	$ 1,056	$ 6,013
Commercial loans								
Balance at beginning of period	$ 49,390	$ 17,506	$ 65,286	$ 132,182	$ 23,951	$ 9,968	$ 38,767	$ 72,686
Transfers:								
to Stage 1	940	(903)	(37)	—	1,097	(630)	(467)	—
to Stage 2	(1,297)	2,862	(1,565)	—	(592)	903	(311)	—
to Stage 3	(141)	(657)	798	—	(158)	(1,602)	1,760	—
Originations	2,382	—	—	2,382	2,905	—	—	2,905
Derecognitions	(7,035)	(774)	(3,048)	(10,857)	(3,408)	(3,972)	(1,063)	(8,443)
Net remeasurement of allowances	(2,536)	1,564	8,135	7,163	19,413	7,073	15,114	41,600
Provision for (reversal of) credit losses	(7,687)	2,092	4,283	(1,312)	19,257	1,772	15,033	36,062
Write-offs	—	—	(3,878)	(3,878)	—	—	(5,372)	(5,372)
Recoveries	—	—	347	347	—	—	322	322
Foreign exchange and other	(114)	(41)	(607)	(762)	463	6	(173)	296
Balance at end of period	$ 41,589	$ 19,557	$ 65,431	$ 126,577	$ 43,671	$ 11,746	$ 48,577	$ 103,994
Total allowances for loan losses	$ 38,120	$ 19,242	$ 65,431	$ 122,793	$ 40,909	$ 11,281	$ 48,577	$ 100,767
Total allowances for off-balance sheet exposures	3,469	315	—	3,784	2,762	465	—	3,227
Total allowances for credit losses	$ 41,589	$ 19,557	$ 65,431	$ 126,577	$ 43,671	$ 11,746	$ 48,577	$ 103,994
Total exposure								
Total allowances for loan losses	$ 50,126	$ 40,815	$ 88,453	$ 179,394	$ 51,408	$ 38,296	$ 59,675	$ 149,379
Total allowances for off-balance sheet exposures	4,623	1,473	—	6,096	4,225	2,084	—	6,309
Total allowances for credit losses	$ 54,749	$ 42,288	$ 88,453	$ 185,490	$ 55,633	$ 40,380	$ 59,675	$ 155,688

Year-to-date reconciliation of allowances for credit losses

	For the six months ended April 30, 2021				For the six months ended April 30, 2020			
	Performing		Impaired		Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Personal loans								
Balance at beginning of period	$ 8,758	$ 19,532	$ 17,212	$ 45,502	$ 7,297	$ 21,710	$ 4,732	$ 33,739
Transfers:								
to Stage 1	4,876	(3,865)	(1,011)	—	4,807	(4,710)	(97)	—
to Stage 2	(697)	2,585	(1,888)	—	(1,169)	1,520	(351)	—
to Stage 3	(77)	(938)	1,015	—	(120)	(1,422)	1,542	—
Originations	431	—	—	431	1,201	—	—	1,201
Derecognitions	(390)	(1,247)	(6,807)	(8,444)	(382)	(1,839)	(1,991)	(4,212)
Net remeasurement of allowances	(4,820)	2,369	13,989	11,538	(2,430)	11,176	15,674	24,420
Provision for (reversal of) credit losses	(677)	(1,096)	5,298	3,525	1,907	4,725	14,777	21,409
Write-offs	—	—	(13,963)	(13,963)	—	—	(12,002)	(12,002)
Recoveries	—	—	5,071	5,071	—	—	2,978	2,978
Foreign exchange and other	—	—	(443)	(443)	—	—	(443)	(443)
Balance at end of period	$ 8,081	$ 18,436	$ 13,175	$ 39,692	$ 9,204	$ 26,435	$ 10,042	$ 45,681
Total allowances for loan losses	$ 7,023	$ 17,296	$ 13,175	$ 37,494	$ 7,887	$ 24,892	$ 10,042	$ 42,821
Total allowances for off-balance sheet exposures	1,058	1,140	—	2,198	1,317	1,543	—	2,860
Total allowances for credit losses	$ 8,081	$ 18,436	$ 13,175	$ 39,692	$ 9,204	$ 26,435	$ 10,042	$ 45,681
Residential mortgage loans								
Balance at beginning of period	$ 5,401	$ 5,048	$ 3,605	$ 14,054	$ 2,032	$ 1,824	$ 1,050	$ 4,906
Transfers:								
to Stage 1	2,296	(2,084)	(212)	—	610	(564)	(46)	—
to Stage 2	(325)	1,310	(985)	—	(259)	441	(182)	—
to Stage 3	(13)	(548)	561	—	(2)	(91)	93	—
Originations	776	—	—	776	288	—	—	288
Derecognitions	(719)	(708)	(822)	(2,249)	(176)	(174)	(279)	(629)
Net remeasurement of allowances	(2,337)	1,277	9,088	8,028	350	763	2,104	3,217
Provision for (reversal of) credit losses	(322)	(753)	7,630	6,555	811	375	1,690	2,876
Write-offs	—	—	(1,495)	(1,495)	—	—	(2,553)	(2,553)
Recoveries	—	—	652	652	—	—	1,634	1,634
Foreign exchange and other	—	—	(545)	(545)	(85)	—	(765)	(850)
Balance at end of period	$ 5,079	$ 4,295	$ 9,847	$ 19,221	$ 2,758	$ 2,199	$ 1,056	$ 6,013
Total allowances for loan losses	$ 4,983	$ 4,277	$ 9,847	$ 19,107	$ 2,612	$ 2,123	$ 1,056	$ 5,791
Total allowances for off-balance sheet exposures	96	18	—	114	146	76	—	222
Total allowances for credit losses	$ 5,079	$ 4,295	$ 9,847	$ 19,221	$ 2,758	$ 2,199	$ 1,056	$ 6,013
Commercial loans								
Balance at beginning of period	$ 51,031	$ 18,765	$ 55,618	$ 125,414	$ 24,160	$ 8,828	$ 35,160	$ 68,148
Transfers:								
to Stage 1	2,741	(2,510)	(231)	—	1,567	(927)	(640)	—
to Stage 2	(1,895)	3,525	(1,630)	—	(789)	1,125	(336)	—
to Stage 3	(116)	(1,368)	1,484	—	(311)	(1,986)	2,297	—
Originations	4,976	—	—	4,976	5,691	—	—	5,691
Derecognitions	(10,591)	(4,030)	(3,082)	(17,703)	(4,327)	(2,447)	(1,861)	(8,635)
Net remeasurement of allowances	(4,052)	5,366	20,533	21,847	17,213	7,147	24,099	48,459
Provision for (reversal of) credit losses	(8,937)	983	17,074	9,120	19,044	2,912	23,559	45,515
Write-offs	—	—	(7,167)	(7,167)	—	—	(10,190)	(10,190)
Recoveries	—	—	1,349	1,349	—	—	817	817
Foreign exchange and other	(505)	(191)	(1,443)	(2,139)	467	6	(769)	(296)
Balance at end of period	$ 41,589	$ 19,557	$ 65,431	$ 126,577	$ 43,671	$ 11,746	$ 48,577	$ 103,994
Total allowances for loan losses	$ 38,120	$ 19,242	$ 65,431	$ 122,793	$ 40,909	$ 11,281	$ 48,577	$ 100,767
Total allowances for off-balance sheet exposures	3,469	315	—	3,784	2,762	465	—	3,227
Total allowances for credit losses	$ 41,589	$ 19,557	$ 65,431	$ 126,577	$ 43,671	$ 11,746	$ 48,577	$ 103,994
Total exposure								
Total allowances for loan losses	$ 50,126	$ 40,815	$ 88,453	$ 179,394	$ 51,408	$ 38,296	$ 59,675	$ 149,379
Total allowances for off-balance sheet exposures	4,623	1,473	—	6,096	4,225	2,084	—	6,309
Total allowances for credit losses	$ 54,749	$ 42,288	$ 88,453	$ 185,490	$ 55,633	$ 40,380	$ 59,675	$ 155,688

Main macroeconomic factors

The following tables show the main macroeconomic factors used to estimate the collective allowances for credit losses as at April 30, 2021 and as at October 31, 2020.

						As at April 30, 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	**4.3%**	**4.0%**	**5.8%**	**4.4%**	**2.5%**	**4.5%**
Average unemployment rate (percentage points)	**6.9**	**6.1**	**6.2**	**5.5**	**8.0**	**7.1**
Housing price index growth	**2.4%**	**5.0%**	**6.3%**	**5.3%**	**0.6%**	**3.2%**
S&P/TSX index growth[3]	**6.1%**	**8.7%**	**10.2%**	**8.6%**	**2.6%**	**10.3%**

						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 third wave of the COVID-19 pandemic is less severe than the second wave in terms of economic impact due to the adaptation of businesses and individuals. The vaccination rollout underway prevents a material increase in hospitalizations, limiting the length of lockdown measures. Canada reaches heard immunity at the end of the Summer of 2021, slightly after the U.S. achieves this objective in July. In the U.S., additional fiscal stimulus is passed by Congress in 2021 and reinforces the outlook. The Federal government's emergency programs are extended to prevent financial stress. The recovery accelerates as of June 2021 in tandem with the broader and persistent reopening. Consumers spend a small fraction of accumulated savings and macro policies remain generally supportive, maintaining a positive economic momentum in 2022 before trend growth resumes in 2023.

In the downside scenario, the third wave of the COVID-19 pandemic has a larger adverse impact on economic activity relative to the second wave. New COVID-19 variants lowers vaccine efficacy and increases hospitalizations. Canadian provincial governments are forced to re-implement lockdown measures for a longer period of time, leading to a brief contraction of real GDP in the coming months. The pharmaceutical industry adjusts vaccines to restore efficacy and herd immunity in Canada is reached in late 2021, delaying most of the rebound in real GDP in 2022. Consumers retain a large share of accumulated savings for a longer period due to uncertainty. In the U.S., political gridlock prevents Congress to approve another stimulus package during 2021, contributing to the return of risk-off sentiment in financial markets until the economic momentum improves in late 2021.

In the upside scenario, the third wave of the COVID-19 pandemic fades rapidly due to seasonality and the higher share of vaccinated Canadians pressing down the transmission rate. Herd immunity is reached in both U.S. and Canada before the end of June. The confidence boost brings consumers to spend a large part of accumulated savings rapidly. At the same time, in the U.S., additional fiscal stimulus is passed by Congress. Federal government's emergency programs are extended but fade during 2021 as businesses and workers re-engage in economic activities. Both U.S. and Canadian real GDP surpass pre-COVID levels during 2021, further fueling risk appetite in financial markets. The very robust economic momentum and inflationary pressures bring central banks to increase policy rates in 2022.

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 April 30, 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	**$**	**97,037**
Simulations		
100% base scenario	**$**	**73,631**
Performing loans if they were all in Stage 1	**$**	**78,551**

Finance lease receivables

The Commercial loans line item includes net investment in leases of $932.5 million as at April 30, 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 April 30, 2021, the Bank had provided 1,848 customers with CEBA loans and had funded $97.0 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 April 30, 2021		As at October 31, 2020
Residential mortgage loans	**$**	**9,029,650**	$	8,722,637
Replacement Assets[1]		**569,913**		459,967
Debt related to securitization activities	**$**	**(9,820,868)**	$	(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 April 30, 2021, the Bank has also securitized other residential mortgage loans for a total amount of $329.2 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. Of these NHA MBS, $166.4 million ($345.5 million as at October 31, 2020) were pledged as collateral with the Bank of Canada.

6.2 STRUCTURED ENTITIES SECURITIZATON 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 April 30, 2021		As at October 31, 2020
Personal loans	$	**1,055,811**	$	1,149,677
Commercial loans[1]		**528,335**		430,782
Debt related to securitization activities involving structured entities	$	**(1,082,210)**	$	(790,636)

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

7. DEPOSITS

								As at April 30, 2021
		Demand[1]		**Notice[2]**		**Term[3]**		**Total**
Personal	$	**143,855**	$	**5,597,556**	$	**12,541,530**	$	**18,282,941**
Business, banks and other[4]		**1,351,868**		**434,260**		**2,912,190**		**4,698,318**
	$	**1,495,723**	$	**6,031,816**	$	**15,453,720**	$	**22,981,259**

								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 April 30, 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 six months ended			
	April 30, 2021		April 30, 2020	
	Number of shares	Amount[1]	Number of shares	Amount[1]
Non-Cumulative Class A Preferred Shares (NVCC)				
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

(1) Incremental costs directly attributable to the issuance of preferred shares are recorded in equity as a deduction from the proceeds, net of applicable income taxes.

There were no outstanding Non-Cumulative Class A Preferred Shares Series 14 and Series 16 as at April 30, 2021 (no outstanding Non-Cumulative Class A Preferred Shares Series 14 and Series 16 as at October 31, 2020).

On May 12, 2021, the Bank announced that it will redeem, on June 15, 2021, all of its Non-Cumulative Class A Preferred Shares, Series 15 then outstanding.

Common shares

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

	For the six months ended			
	April 30, 2021		April 30, 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	**185,578**	**6,577**	312,717	10,968
Net issuance costs	**n/a**	**(34)**	n/a	(103)
	43,423,509	**$ 1,166,031**	42,939,248	$ 1,150,134

Shareholder dividend reinvestment and share purchase plan
The Bank determined that as of June 1, 2021, reinvestment related to the divided declared would be made in common shares issued from treasury at a 2% discount.

Declared dividends

On May 18, 2021, the Board of Directors declared regular dividends on the various series of preferred shares to shareholders of record on June 7, 2021. On June 1, 2021, the Board of Directors declared a dividend of $0.40 per common share, payable on August 1, 2021, to shareholders of record on July 2, 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 six-month period ended April 30, 2021.

Regulatory capital is detailed below.

	As at April 30, 2021	As at October 31, 2020
Common shares	$ 1,166,031	$ 1,159,488
Retained earnings	1,254,113	1,152,973
Accumulated other comprehensive income, excluding cash flow hedge reserve	(19,067)	8,622
Share-based compensation reserve	3,278	2,527
Transitional arrangements for expected credit losses in response to COVID-19[1]	12,182	22,976
Deductions from Common Equity Tier 1 capital[2]	(431,146)	(453,507)
Common Equity Tier 1 capital	1,985,391	1,893,079
Qualifying preferred shares	244,038	244,038
Additional Tier 1 capital	244,038	244,038
Tier 1 capital	2,229,429	2,137,117
Qualifying subordinated debt	349,610	349,442
Collective allowances	85,276	85,978
Deductions from Tier 2 capital[3]	—	(1,325)
Tier 2 capital	434,886	434,095
Total capital	$ 2,664,315	$ 2,571,212
Common Equity Tier 1 capital ratio	10.1 %	9.6 %
Tier 1 capital ratio	11.3 %	10.9 %
Total capital ratio	13.5 %	13.1 %

(1) Represents ECL transitional arrangements provided by OSFI. For additional information, see the sub-section entitled Regulatory capital developments in support of COVID-19 efforts on page 40 of the 2020 Annual Report.

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

(3) Investments in own Tier 2 capital instruments.

9. SHARE-BASED COMPENSATION

Share purchase option plan

Information relating to outstanding number of options is as follows. As at April 30, 2021, 35,842 options are exercisable.

	As at April 30, 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	941,905	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 this 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 (PSUs)

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. There was no grant of PSUs during the second quarter of 2021.

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 second quarter of 2021, under the restricted share unit plan, the Bank granted 51,774 restricted share units at $35.25 and 2,486 restricted share units at $40.23. A third of these restricted share units will vest and will be settled in December 2021, in December 2022 and in December 2023. The Bank also granted 709 additional restricted share units at $35.25 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			For the six months ended	
	April 30, 2021	January 31, 2021	April 30, 2020	**April 30, 2021**	April 30, 2020
Expense arising from cash-settled share-based compensation transactions	**$ 16,259**	$ 9,672	$ (8,840)	**$ 25,931**	$ (5,557)
Effect of hedges	**(12,357)**	(4,703)	11,736	**(17,060)**	13,604
	$ 3,902	$ 4,969	$ 2,896	**$ 8,871**	$ 8,047

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 $46.3 million as at April 30, 2021 ($28.4 million as at October 31, 2020). The intrinsic value of the total liability related to fully vested rights and units was $21.8 million as at April 30, 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			For the six months ended	
	April 30, 2021	January 31, 2021	April 30, 2020	**April 30, 2021**	April 30, 2020
Defined benefit pension plans	**$ 3,022**	$ 3,266	$ 3,117	**$ 6,288**	$ 6,303
Defined contribution pension plans	**2,010**	1,999	2,027	**4,009**	4,027
Other plans	**137**	142	153	**279**	309
	$ 5,169	$ 5,407	$ 5,297	**$ 10,576**	$ 10,639

11. EARNINGS PER SHARE

Basic and diluted earnings per share is detailed as follows.

	For the three months ended			For the six months ended	
	April 30, 2021	January 31, 2021	April 30, 2020	**April 30, 2021**	April 30, 2020
Earnings per share – basic					
Net income	**$ 53,062**	$ 44,819	$ 8,885	**$ 97,881**	$ 41,057
Preferred share dividends, including applicable taxes	**3,116**	3,117	3,197	**6,233**	6,394
Net income attributable to common shareholders	**$ 49,946**	$ 41,702	$ 5,688	**$ 91,648**	$ 34,663
Weighted-average number of outstanding common shares (in thousands)	**43,370**	43,273	42,812	**43,321**	42,738
Earnings per share – basic	**$ 1.15**	$ 0.96	$ 0.13	**$ 2.12**	$ 0.81
Earnings per share – diluted					
Net income attributable to common shareholders	**$ 49,946**	$ 41,702	$ 5,688	**$ 91,648**	$ 34,663
Weighted-average number of outstanding common shares (in thousands)	**43,370**	43,273	42,812	**43,321**	42,738
Dilutive share purchase options (in thousands)	**59**	—	—	**29**	37
Diluted weighted-average number of outstanding common shares (in thousands)	**43,430**	43,273	42,812	**43,350**	42,775
Earnings per share – diluted	**$ 1.15**	$ 0.96	$ 0.13	**$ 2.11**	$ 0.81

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 $324.2 million which are classified in Level 1 as at April 30, 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			For the six months ended	
	April 30, 2021	January 31, 2021	April 30, 2020	**April 30, 2021**	April 30, 2020
Interest and similar income					
Interest income calculated using the effective interest method					
Financial instruments measured at amortized cost	**$ 284,476**	$ 296,554	$ 346,930	**$ 581,030**	$ 715,535
Financial instruments measured at FVOCI	**531**	563	1,539	**1,094**	1,993
Interest and similar income for financial instruments not measured at amortized cost[1]	**25,971**	29,253	15,779	**55,224**	26,275
	310,978	326,370	364,248	**637,348**	743,803
Interest and similar expense					
Interest expenses calculated using the effective interest method					
Financial instruments measured at amortized cost	**139,208**	152,956	192,379	**292,164**	395,881
Interest expense and derivative expense for financial instrument that are measured at FVTPL	**294**	340	1,122	**634**	8,390
	139,502	153,296	193,501	**292,798**	404,271
Net interest income	**$ 171,476**	$ 173,074	$ 170,747	**$ 344,550**	$ 339,532

(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 $3.8 million for the three months ended April 30, 2021 ($3.4 million for the three months ended January 31, 2021 and $3.9 million for the three months ended April 30, 2020) and $7.2 million for the six months ended April 30, 2021 ($8.3 million for the six months ended April 30, 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 six months ended	
	April 30, 2021	April 30, 2020
Balance at beginning of the period	**$ 5,041**	$ 9,322
Restructuring charges incurred during the period	**2,511**	3,060
Payments made during the period	**(4,389)**	(8,118)
Balance at end of the period	**$ 3,163**	$ 4,264

As at April 30, 2021 and April 30, 2020, the remaining provision mainly relates to lease contracts and severances, as well as to legal fees.

16. SUBSEQUENT EVENTS

Covered bonds

On April 21, 2021, the Bank received approval from Canada Mortgage and Housing Corporation ("CMHC") to establish a $2.0 billion legislative covered bond programme ("Programme") pursuant to the Canadian Registered Covered Bond Programs Guide, published by CMHC, and, on May 6, 2021, the Bank issued its inaugural $250.0 million covered bonds which will bear interest at a rate of 1.603% annually, payable semi-annually. The covered bonds will be presented as Deposits on the Bank's Consolidated Balance Sheet.

The Bank will periodically transfer mortgages to LBC Covered Bond (Legislative) Guarantor Limited Partnership (the Guarantor LP) to support funding activities and asset coverage requirements under the Programme. The Guarantor LP was created to guarantee payment of the principal and interest owed to the bondholders. The covered bonds guaranteed by the Guarantor LP are direct, unsecured and unconditional obligations of the Bank; therefore, investors have a claim against the Bank which will continue if the covered bonds are not paid by the Bank and the mortgage assets in the Guarantor LP are insufficient to satisfy the obligations owing on the covered bonds. As at April 30, 2021, the total amount of mortgages transferred and outstanding was $330.1 million.

Limited recourse capital notes

On May 7, 2021, the Bank issued $125.0 million of Limited Recourse Capital Notes, Series 1 (Non-Viability Contingent Capital (NVCC)) (Subordinated Indebtedness) (the "LRCN Series 1"), with recourse limited to assets held by a third party trustee in a bare trust. The trust assets in respect of LRCN Series 1 consist of $125.0 million of the Bank's Non-Cumulative 5-Year Fixed Rate Reset Class A Preferred Shares, Series 17 (Non-Viability Contingent Capital (NVCC)) ("Preferred Shares Series 17") issued concurrently with LRCN Series 1. LRCN Series 1 bear interest at a fixed rate of 5.30% annually until June 15, 2026, and thereafter at a rate, reset every fifth year, equal to the 5-year Government of Canada Yield plus 4.334% until maturity on June 15, 2081.

For accounting purposes, the LRCN Series 1 are compound instruments with both equity and liability features. The liability component of the LRCN Series 1 has a nominal value and, as a result, the full proceeds received will be presented as equity on the Bank's Consolidated Balance Sheet. The Preferred Shares Series 17 will be eliminated on the Bank's consolidated balance sheet prior to a recourse event.

The net proceeds from the issuance will be used to redeem the Bank's outstanding 5,000,000 Non-Cumulative Class A Preferred Shares, Series 15 (Non-Viability Contingent Capital (NVCC)) on June 15, 2021, for an aggregate redemption price of $125 million.

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SHAREHOLDER INFORMATION

Corporate offices

Montreal
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Ombudsman's office

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

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

LAURENTIAN BANK
FINANCIAL GROUP