FIRST QUARTER 2022

Report to Shareholders

For the period ended January 31, 2022

Laurentian Bank of Canada reported net income of $55.5 million and diluted earnings per share of $1.17 for the first quarter of 2022, compared with $44.8 million and $0.96 for the first quarter of 2021. Return on common shareholders' equity was 8.5% for the first quarter of 2022, compared with 7.1% for the first quarter of 2021. Adjusted net income was $59.5 million and adjusted diluted earnings per share were $1.26 for the first quarter of 2022, up from $47.6 million and $1.03 for the first quarter of 2021. Adjusted return on common shareholders' equity was 9.2% for the first quarter of 2022, compared with 7.5% a year ago.

"The Bank's year of execution is off to a good start, driven by strong performance in Commercial Banking, our continued focus on cost management, and sound credit quality. Across the board, our One Winning Team is engaged and focused on putting our customers first and executing against the Bank's new 3-year strategic plan, which will deliver profitable growth and drive shareholder value." said Rania Llewellyn, President and Chief Executive Officer.

	For the three months ended				
In millions of dollars, except per share and percentage amounts (Unaudited)	**January 31, 2022**	October 31, 2021	Variance	January 31, 2021	Variance
Reported basis					
Net income (loss)	**$ 55.5**	$ (102.9)	n.m.	$ 44.8	24 %
Diluted earnings (loss) per share	**$ 1.17**	$ (2.39)	n.m.	$ 0.96	22 %
Return on common shareholders' equity[2]	**8.5 %**	(16.9)%		7.1 %	
Efficiency ratio[3]	**69.1 %**	142.3 %		70.4 %	
Common Equity Tier 1 (CET1) capital ratio[4]	**9.8 %**	10.2 %		9.8 %	
Adjusted basis					
Adjusted net income[1]	**$ 59.5**	$ 47.8	24 %	$ 47.6	25 %
Adjusted diluted earnings per share[2]	**$ 1.26**	$ 1.06	19 %	$ 1.03	22 %
Adjusted return on common shareholders' equity[2]	**9.2 %**	7.5 %		7.5 %	
Adjusted efficiency ratio[2]	**67.0 %**	65.5 %		68.9 %	

(1) This is a non-GAAP financial measure. Refer to the Non-GAAP Financial and Other Measures section on page 5 for more information.
(2) This is a non-GAAP ratio. Refer to the Non-GAAP Financial and Other Measures section on page 5 for more information.
(3) This is a supplementary financial measure. Refer to the Non-GAAP Financial and Other Measures section on page 5 for more information.
(4) In accordance with OSFI's "Capital Adequacy Requirements" guideline. Refer to the Capital Management section on page 12 for more information.

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE PERIOD ENDED JANUARY 31, 2022

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition of Laurentian Bank of Canada (the "Bank") as at January 31, 2022 and its operating results for the period then ended, compared with the corresponding period shown. This MD&A should be read in conjunction with the Condensed Interim Consolidated Financial Statements. This MD&A is dated March 1, 2022.

Additional information about Laurentian Bank of Canada, including the 2021 Annual Information Form, is available on the Bank's website at www.lbcfg.ca and on the Canadian Securities Administrators' SEDAR website at www.sedar.com.

BASIS OF PRESENTATION

The financial information reported herein is based on the Condensed Interim Consolidated Financial Statements for the period ended January 31, 2022, 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 OF CANADA

At Laurentian Bank, we believe we can change banking for the better. By seeing beyond numbers.

Founded in Montréal in 1846, Laurentian Bank helps families, businesses and communities thrive. Today, we have more than 2,900 employees working together as one team, to provide a broad range of financial services and advice-based solutions for customers across Canada and the United States. We protect, manage and grow $46.1 billion in balance sheet assets and $30.2 billion in assets under administration.

We drive results by placing our customers first, making the better choice, acting courageously, and believing everyone belongs.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, Laurentian Bank of Canada (the "Bank") will make written or oral forward-looking statements within the meaning of applicable securities legislation, including such as those contained in this document (and in the documents incorporated by reference herein), and in other documents filed filings with Canadian regulatory authorities, in reports to shareholders, and in other written or oral communications. These forward-looking statements are made in accordance with, and are intended to be forward-looking statements under, current securities legislation in Canada. They include, but are not limited to, statements regarding the Bank's vision, strategic goals, business plans and strategies, priorities and financial performance objectives; the economic and market review and outlook for Canadian, United States (U.S.), European, and global economies; the regulatory environment in which the Bank operates; the risk environment, including, credit risk, liquidity, and funding risks; the anticipated ongoing and potential impact of the coronavirus (COVID-19) pandemic on the Bank's operations, earnings, financial results and financial performance, condition, objectives, and on the global economy and financial markets conditions; the statements under the headings "Outlook", "Impact of COVID-19 Pandemic" and "Risk Appetite and Risk Management Framework" contained in the Bank's 2021 Annual Report for the year ended October 31, 2021 (the "2021 Annual Report"), including the Management's Discussion and Analysis for the fiscal year ended October 31, 2021; 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", "intend", "plan", "goal", "aim", "target", and expressions of future or conditional verbs such as "may", "should", "could", "would", "will", "intend" or the negative of any 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, which give rise to the possibility that the Bank's predictions, forecasts, projections, expectations, or conclusions may prove to be inaccurate; that the Bank's assumptions may be incorrect (in whole or in part); and that the Bank's financial performance objectives, visions, and strategic goals may not be achieved. Forward-looking statements should not be read as guarantees of future performance or results, or indications of whether or not actual results will be achieved. Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2021 Annual Report under the heading "Outlook", which assumptions are incorporated by reference herein.

We caution readers against placing undue reliance on forward-looking statements, as a number of risk factors, many of which are beyond the Bank's control and the effects of which can be difficult to predict or measure, could influence, individually or collectively, the accuracy of the forward-looking statements and cause the Bank's actual future results to differ significantly from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These risk factors include, but are not limited to, risks relating to: credit; market; liquidity and funding; insurance; operational; regulatory compliance (which could lead to us being subject to various legal and regulatory proceedings, the potential outcome of which could include regulatory restrictions, penalties, and fines); strategic; reputation; legal and regulatory environment; competitive and systemic risks; and other significant risks discussed in the risk-related portions of the Bank's 2021 Annual Report, such as those related to: the ongoing and potential impacts of the COVID-19 pandemic on the Bank, the Bank's business, financial condition and prospects; Canadian and global economic conditions (including the risk of higher inflation); geopolitical issues; Canadian housing and household indebtedness; technology, information systems and cybersecurity; technological disruption, privacy, data and third-party related risks; competition and the Bank's ability to execute on its strategic objectives; the economic climate in the U.S. and Canada; digital disruption and innovation (including, emerging fintech competitors); Interbank offered rate (IBOR) transition; changes in currency and interest rates (including the possibility of negative interest rates); accounting policies, estimates and developments; legal and regulatory compliance and changes; changes in government fiscal, monetary and other policies; tax risk and transparency; modernization of Canadian payment systems; fraud and criminal activity; human capital; insurance; business continuity; business infrastructure; emergence of widespread health emergencies or public health crises; emergence of COVID-19 variants; development and use of 'vaccine passports'; environmental and social risk; and climate change; and the Bank's ability to manage, measure or model operational, regulatory, legal, strategic or reputational risks, all of which are described in more detail in the section titled "Risk Appetite and Risk Management Framework" beginning on page 50 of the 2021 Annual Report, including the Management's Discussion and Analysis for the fiscal year ended October 31, 2021 which information is incorporated by reference herein.

We further caution that the foregoing list of factors is not exhaustive. Additional risks, events, and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on the Bank's financial position, financial performance, cash flows, business or reputation. When relying on the Bank's forward-looking statements to make decisions involving the Bank, investors and others should carefully consider the foregoing factors, uncertainties, and current and potential events.

The forward-looking information contained in this document presented for the purpose of assisting investors, financial analysts, and others in understanding the Bank's financial position and the results of the Bank's operations as at, and for the period ended on, the date presented, as well as the Bank's financial performance objectives, vision and strategic goals, and may not be appropriate for other purposes.

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. We do 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 applicable securities regulations. Additional information relating to the Bank can be located on the SEDAR website at www.sedar.com. References in this document to "this Management's Discussion and Analysis" or "this MD&A" mean this Management's Discussion and Analysis dated as of March 1, 2022.

HIGHLIGHTS

TABLE 1
FINANCIAL HIGHLIGHTS

In thousands of dollars, except when noted	For the three months ended January 31, 2022	October 31, 2021	Variance	January 31, 2021	Variance
Operating results					
Total revenue	**$ 257,539**	$ 250,431	3 %	$ 247,374	4 %
Net income (loss)	**$ 55,518**	$ (102,876)	n.m.	$ 44,819	24 %
Adjusted net income[1]	**$ 59,491**	$ 47,829	24 %	$ 47,572	25 %
Operating performance					
Diluted earnings (loss) per share	**$ 1.17**	$ (2.39)	n.m.	$ 0.96	22 %
Adjusted diluted earnings per share[2]	**$ 1.26**	$ 1.06	19 %	$ 1.03	22 %
Return on common shareholders' equity[2]	**8.5 %**	(16.9)%		7.1 %	
Adjusted return on common shareholders' equity[2]	**9.2 %**	7.5 %		7.5 %	
Net interest margin[3]	**1.88 %**	1.83 %		1.84 %	
Efficiency ratio[3]	**69.1 %**	142.3 %		70.4 %	
Adjusted efficiency ratio[2]	**67.0 %**	65.5 %		68.9 %	
Operating leverage[3]	**52.9 %**	(111.1)%		3.6 %	
Adjusted operating leverage[2][4]	**(2.3)%**	4.2 %		1.5 %	
Financial position ($ millions)					
Loans and acceptances	**$ 34,375**	$ 33,645	2 %	$ 33,228	3 %
Total assets	**$ 46,085**	$ 45,077	2 %	$ 45,191	2 %
Deposits	**$ 24,103**	$ 22,988	5 %	$ 23,607	2 %
Basel III regulatory capital ratios					
Common Equity Tier 1 (CET1) capital ratio[5]	**9.8 %**	10.2 %		9.8 %	
CET1 risk-weighted assets ($ millions)[5]	**$ 21,232**	$ 20,007		$ 19,715	
Credit quality					
Gross impaired loans as a % of loans and acceptances[3]	**0.62 %**	0.75 %		0.82 %	
Net impaired loans as a % of loans and acceptances[3]	**0.37 %**	0.49 %		0.56 %	
Provision for credit losses as a % of average loans and acceptances[3]	**0.11 %**	0.30 %		0.20 %	
Common share information					
Closing share price[6]	**$ 44.24**	$ 41.67	6 %	$ 30.90	43 %
Price / earnings ratio (trailing four quarters)[3]	**35.4 x**	40.5 x		11.7 x	
Adjusted price / earnings ratio (trailing four quarters)[2]	**9.2 x**	9.1 x		9.8 x	
Book value per share[2]	**$ 54.97**	$ 53.99	2 %	$ 54.42	1 %
Dividends declared per share	**$ 0.44**	$ 0.40	10 %	$ 0.40	10 %
Dividend yield[3]	**4.0 %**	3.8 %		5.2 %	
Dividend payout ratio[3]	**37.7 %**	n.m.		41.5 %	
Adjusted dividend payout ratio[2]	**34.9 %**	37.4 %		38.9 %	

(1) This is a non-GAAP financial measure. Refer to the Non-GAAP Financial and Other Measures section on page 5 for more information.
(2) This is a non-GAAP ratio. Refer to the Non-GAAP Financial and Other Measures section on page 5 for more information.
(3) This is a supplementary financial measure. Refer to the Non-GAAP Financial and Other Measures section on page 5 for more information.
(4) Quarter-over-quarter.
(5) In accordance with OSFI's "Capital Adequacy Requirements" guideline. Refer to the Capital Management section on page 12 for more information.
(6) Toronto Stock Exchange (TSX) closing market price.

NON-GAAP FINANCIAL AND OTHER MEASURES

NON-GAAP FINANCIAL MEASURES

Management uses financial measures based on generally accepted accounting principles (GAAP) and non-GAAP financial measures to assess the Bank's performance. Non-GAAP financial measures presented throughout this document are referred to as "adjusted" measures and exclude amounts designated as adjusting items. Non-GAAP financial measures are not standardized financial measures under the financial reporting framework used to prepare the financial statements of the Bank and might not be comparable to similar financial measures disclosed by other issuers. Adjusting items have been designated as such as management does not believe they are indicative of the current underlying business performance. Non-GAAP financial 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.

Tables 2 and 3 show a reconciliation of the non-GAAP financial measures to their most directly comparable financial measure that is disclosed in the primary financial statements of the Bank.

TABLE 2

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES — CONSOLIDATED STATEMENT OF INCOME

	For the three months ended		
In thousands of dollars, except per share amounts (Unaudited)	**January 31, 2022**	October 31, 2021	January 31, 2021
Non-interest expenses	**$ 177,930**	$ 356,480	$ 174,063
Adjusting items, before income taxes			
Strategic review-related charges(1)	**2,342**	96,067	—
Personal Banking segment impairment charges(2)	**—**	93,392	—
Restructuring charges(3)	**—**	(88)	621
Amortization of acquisition-related intangible assets(4)	**3,028**	3,009	3,073
	5,370	192,380	3,694
Adjusted non-interest expenses	**$ 172,560**	$ 164,100	$ 170,369
Income before income taxes	**$ 70,209**	$ (130,949)	$ 56,511
Adjusting items impacting non-interest expenses (detailed above)	**5,370**	192,380	3,694
Adjusted income before income taxes	**$ 75,579**	$ 61,431	$ 60,205
Reported net income (loss)	**$ 55,518**	$ (102,876)	$ 44,819
Adjusting items, net of income taxes			
Strategic review-related charges(1)	**1,721**	70,638	—
Personal Banking segment impairment charges(2)	**—**	77,884	—
Restructuring charges(3)	**—**	(65)	457
Amortization of acquisition-related intangible assets(4)	**2,252**	2,248	2,296
	3,973	150,705	2,753
Adjusted net income	**$ 59,491**	$ 47,829	$ 47,572
Net income (loss) available to common shareholders	**$ 50,917**	$ (104,231)	$ 41,702
Adjusting items, net of income taxes (detailed above)	**3,973**	150,705	2,753
Adjusted net income available to common shareholders	**$ 54,890**	$ 46,474	$ 44,455

(1) The strategic review-related charges relate to the renewed strategic direction for the Bank. Strategic review-related charges are included in the Impairment and restructuring charges line-item and, in 2021, included impairment charges, severance charges and charges related to lease and other contracts. In the first quarter of 2022, strategic review-related charges mainly resulted from charges related to lease contracts.

(2) The Personal Banking segment impairment charges relate to the impairment of the Personal Banking segment as part of the annual goodwill impairment test. Impairment charges are included in the Impairment and restructuring charges line-item.

(3) Restructuring charges mainly consisted of charges associated with the optimization of the branch network and the related streamlining of certain back-office and corporate functions, as well as to the resolution of the union grievances and complaints in 2021. Restructuring charges are included in the Impairment and restructuring charges line-item and include severance charges, salaries, legal fees, communication expenses, professional fees and charges related to lease contracts.

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

TABLE 3

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES — CONSOLIDATED BALANCE SHEET

In thousands of dollars, except per share amounts (Unaudited)	For the three months ended January 31, 2022	October 31, 2021	January 31, 2021
Shareholders' equity	$ **2,659,840**	$ 2,640,870	$ 2,644,947
Less:			
Preferred shares	**(122,071)**	(122,071)	(244,038)
Limited recourse capital notes	**(121,315)**	(123,612)	—
Cash flow hedges reserve[1]	**(35,591)**	(42,095)	(42,260)
Common shareholders' equity	$ **2,380,863**	$ 2,353,092	$ 2,358,649
Impact of averaging month-end balances[2]	**(5,486)**	99,451	(21,639)
Average common shareholders' equity	$ **2,375,377**	$ 2,452,543	$ 2,337,010

(1) The cash flow hedges reserve is presented in the Accumulated other comprehensive income line item.
(2) Based on the month-end balances for the period.

NON-GAAP RATIOS

Non-GAAP ratios are not standardized financial measures under the financial reporting framework used to prepare the financial statements of the Bank to which the non-GAAP ratios relate and might not be comparable to similar financial measures disclosed by other issuers. Ratios are considered non-GAAP ratios if adjusted measures are used as components, refer to the Non-GAAP financial measure section above. Non-GAAP ratios 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. The following ratios are non-GAAP ratios.

Adjusted diluted earnings per share is calculated by dividing adjusted net income available to common shareholders by the diluted weigthed-average number of common shares outstanding. The following table presents a reconciliation of adjusted diluted earnings per share to diluted earnings per share, which is disclosed in the primary financial statements of the Bank.

TABLE 4

IMPACT OF ADJUSTING ITEMS ON DILUTED EARNINGS PER SHARE

(Unaudited)	For the three months ended January 31, 2022	October 31, 2021	January 31, 2021
Diluted earnings (loss) per share	$ **1.17**	$ (2.39)	$ 0.96
Adjusting items, net of income taxes, on a per share basis[1]	**0.09**	3.45	0.06
Adjusted diluted earnings per share[2]	$ **1.26**	$ 1.06	$ 1.03

(1) Refer to Table 2 on page 5 for the detailed description of adjusting items.
(2) The impact of adjusting items on a per share basis may not add due to rounding.

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.

Adjusted return on common shareholders' equity (Adjusted ROE) is a profitability measure calculated as the adjusted net income available to common shareholders as a percentage of average common shareholders' equity.

Adjusted efficiency ratio is a measure of productivity and cost control and is defined as adjusted non-interest expenses as a percentage of total revenue.

Adjusted operating leverage is a measure of efficiency and is the difference between total revenue and adjusted non-interest expenses growth rates.

Adjusted price / earnings ratio is defined as closing common share price divided by adjusted diluted earnings per share.

Adjusted dividend payout ratio is defined as dividends declared on common shares as a percentage of adjusted net income available to common shareholders.

Book value per common share is defined as common shareholders' equity divided by the number of common shares outstanding at the end of the period.

SUPPLEMENTARY FINANCIAL MEASURES

Management also uses supplementary financial measures to analyze the Bank's results and in assessing underlying business performance and related trends. Please refer to the Glossary on page 22 of this MD&A for more information about the composition of supplementary financial measures disclosed in this document.

BUSINESS HIGHLIGHTS

Strategic Plan

The Bank unveiled a new strategic plan to achieve long-term, profitable growth. As part of its plan the Bank identified culture as its driving force, leading to better performance and ultimately improved financial value. Commercial Banking has been and will remain a growth engine, by focusing on growing its portfolio mix contribution from the U.S. and by diversifying into new focus industries, supported by new products and services to deepen customer relationships. Capital Markets has a unique value proposition that provides mid-sized customers with personalized service and will further align its capabilities to meet the needs of Commercial Banking customers, expand product capabilities and build out ESG-focused advisory services. Personal Banking is repositioning itself for growth by focusing on a new "digital-first" approach, including introducing new and enhanced digital capabilities. The Personal Bank will also focus on closing key foundational gaps, particularly across its mortgage, Visa and deposit products while refreshing and modernizing its brand.

Strategic partnership with Brim Financial to transform the VISA customer experience

The Bank announced on December 22, 2021 a strategic partnership with Brim Financial ("Brim"), one of the fastest growing fintech companies in Canada and a licensed credit card issuer, to fuel its digital transformation and enhance its end-to-end customer journey for its suite of VISA products. Through this partnership, the Bank will reduce the credit adjudication time from 25 days to instantaneous while also delivering a robust rewards platform aligned to its new purpose. Furthermore, it will simplify the Bank's VISA ecosystem and reduce the number of vendors used to issue VISA cards from five to one, and reduce manual processes by 90 per cent. The Bank plans to bring the new experience to the market later in 2022, which will allow the Bank to continue growing its national presence.

Digital enablement

As part of its plan to drive customer acquisition, deepen customer relationships and enhance the customer experience, the Bank is making good progress on its digital strategy. The Bank has been focusing on simplifying its offering and closing foundational capability gaps. To that end, the Bank has launched the first phase of its Mobile Banking App for Personal Banking customers on both iOS and Android. The Mobile App allows customers to do their most common banking transactions on the go. Using an agile approach, the Bank will continue to update and enhance its app, and customers will see continuous improvements through ongoing releases. To date, more than 25% of its active online customers have downloaded the app in the first three months since its release.

Residential mortgage loans

In 2021, as part of its plan to improve the customer experience and to renew growth in residential mortgage loans, the Bank completed an end-to-end review of its mortgage process for both the broker and branch channels and identified opportunities to improve harmonization and simplification.

The Bank has also addressed underwriting capacity following the integration of the mortgage underwriting team into the Residential Real Estate Secured Lending business unit, which is driving greater accountability and cross-functional collaboration. These updates have led to the elimination of a number of redundant processes.

Throughout the quarter, efforts related to retention continued, including the use of predictive analytics and the launch of a new customer loyalty team. This virtual team was launched, onboarded and trained throughout November and started making proactive calls to our customers in December. Initial results are promising and the team is gaining momentum.

While improving the performance of the mortgage business is expected to be a multi-year journey, we are confident that it should gradually yield benefits along the way.

Partnership for Carbon Accounting Financials

The Bank joined the Partnership for Carbon Accounting Financials (PCAF) on February 3, 2022. The PCAF initiative enables collaboration among the world's financial institutions to develop standardized methods for measuring and disclosing carbon emissions from their financing and investment activities.

This announcement is part of a series of steps taken by the Bank to assess and reduce its carbon footprint. In 2020, the Bank adopted a standard for assessing its carbon footprint based on the World Resources Institute/World Business Council for Sustainable Development's Greenhouse Gas (GHG) Protocol. The Bank has also put in place a roadmap to implement the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Appointment of a new Chief Legal Officer and Corporate Secretary

On February 7, 2022, the Bank announced the appointment of Bindu Cudjoe to its executive management team, serving as Chief Legal Officer and Corporate Secretary, effective February 7, 2022. In this new role, Bindu will manage and oversee the Bank's legal, regulatory and compliance functions, as well as matters related to corporate governance and reputational risks.

OUTLOOK

ECONOMIC OUTLOOK

The COVID-19 vaccination rollout in developed countries continues to contribute to the robust economic recovery. However, healthcare capacity constraints in Canada and the Omicron variant led to brief shutdowns in late 2021, followed by provincial governments announcing partial re-openings in February 2022. The economic recovery should be aided by Canada's leading vaccination rate although uncertainty remains regarding vaccine efficacy and the emergence of new variants. Solid consumer and business spending intentions, the continuation of targeted federal government support programs and favourable Canadian commodity prices underpin above-trend real GDP growth. The increasing number of companies experiencing labour shortages and global supply bottlenecks may dampen future sales. Canadian business capex intentions in machinery and equipment are robust. Despite high CPI inflation, consumer spending intentions remain strong, supported by the intention to spend part of excess savings and solid labour market conditions.

Canadian employment in December surpassed the pre-pandemic level by one percent, before Omicron and tighter health restrictions led to a brief pullback in employment and hours worked in January. Wage growth has been accelerating as job postings are at a record high level and finding workers with the right skill set remains a challenge. The unemployment rate stood at 6.0% in December and rose to 6.5% in January. This compares to the pre-pandemic level of 5.6%.

Conditions in Canadian housing markets remain tight despite the Bank of Canada signaling its intention to begin raising interest rates. The preference for teleworking and ability to safely socialize contribute to the high demand and low supply of housing in most regional markets.

In the U.S., authorities did not tighten economic restrictions during the Omicron wave, which contributed to the positive momentum in the labour market in late 2021. Given strong economic activity and higher inflation , the Federal Reserve indicated the end of asset purchases and a policy rate liftoff this winter.

The Bank of Canada (BoC) announced the imminent withdrawal of its accommodative monetary policy, expected to be led by the overnight rate target and followed by the reduction of assets held on its balance sheet. The market has been pricing in several policy rate hikes including a policy rate liftoff this winter.

The Canadian Consumer Price Index (CPI) inflation stood at a three-decade high of 4.9% in December, driven by pandemic-related global supply disruptions, tight conditions in global energy markets and world-wide climate shocks. While recent trends in easing shipping costs and improving logistics point toward a moderation in CPI inflation of selected goods, the easing of restrictions contributes to a higher consumption of services, driving the Canadian economy into "excess demand" territory.

The Canadian dollar, which stood at US$0.79 in February, remains volatile. Most of the strength in the Canadian dollar over late 2021 and early 2022 was driven by the market pricing in the BoC monetary policy normalization.

2022 PERFORMANCE TARGETS

On December 10, 2021, the Bank announced its strategic plan to drive long-term profitable growth. Table 5 shows the Bank's 2022 performance targets and the Bank's performance year-to-date.

TABLE 5
2022 PERFORMANCE TARGETS

Per share and percentage amounts	2022 Target	**For the three months ended January 31, 2022**
Adjusted diluted earnings per share growth[1][2]	>5%	**22 %**
Adjusted return on common shareholders' equity[2]	>8.5%	**9.2 %**
Adjusted efficiency ratio[2]	<68%	**67.0 %**
Adjusted operating leverage[1][3]	Positive	**2.8 %**

(1) Compared to the three months ended January 31, 2021.
(2) The financial objectives are non-GAAP ratios based on non-GAAP financial measures. Refer to the Non-GAAP Financial and Other Measures section on page 5 for more information.
(3) Year-over-year.

These performance targets are based on strong fundamentals with prudent capital management, a diversified funding strategy and a solid record of credit quality. The Bank expects to meet or exceed its performance targets for 2022.

The Bank maintains a strong capital and liquidity position with a CET1 capital ratio of 9.8% on a standardized basis as at January 31, 2022, providing it with flexibility to support organic growth and strategic acquisitions.

The Bank's targets do not constitute guidance and are based on certain key planning assumptions. Other factors such as those detailed in the Caution Regarding Forward-Looking Statements section on page 3 and in the "Risk Appetite and Risk Management Framework" section on page 50 of the 2021 Annual Report could also cause future results to differ materially from these objectives.

ANALYSIS OF CONSOLIDATED RESULTS

TABLE 6
CONDENSED CONSOLIDATED RESULTS

In thousands of dollars (Unaudited)	For the three months ended January 31, 2022	October 31, 2021	January 31, 2021
Net interest income	**$ 180,918**	$ 173,095	$ 173,074
Other income	**76,621**	77,336	74,300
Total revenue	**257,539**	250,431	247,374
Provision for credit losses	**9,400**	24,900	16,800
Non-interest expenses	**177,930**	356,480	174,063
Income before income taxes	**70,209**	(130,949)	56,511
Income taxes	**14,691**	(28,073)	11,692
Net income (loss)	**55,518**	(102,876)	44,819
Preferred share dividends and limited recourse capital note interest	**4,601**	1,355	3,117
Net income (loss) available to common shareholders	**$ 50,917**	(104,231)	$ 41,702
Non-GAAP financial measures			
Adjusted non-interest expenses[1]	**$ 172,560**	$ 164,100	$ 170,369
Adjusted income before income taxes[1]	**$ 75,579**	$ 61,431	$ 60,205
Adjusted net income[1]	**$ 59,491**	$ 47,829	$ 47,572
Adjusted net income available to common shareholders[1]	**$ 54,890**	$ 46,474	$ 44,455

(1) This is a non-GAAP financial measure. Refer to the Non-GAAP Financial and Other Measures section on page 5 for more information.

FIRST QUARTER OF 2022 COMPARED WITH FIRST QUARTER OF 2021

Net income was $55.5 million and diluted earnings per share was $1.17 for the first quarter of 2022, compared with net income of $44.8 million and diluted earnings per share of $0.96 for the first quarter of 2021. Adjusted net income was $59.5 million for the first quarter of 2022, up from $47.6 million for the first quarter of 2021, and adjusted diluted earnings per share were $1.26, compared with $1.03 for the first quarter of 2021. Net income available to common shareholders included interest paid semi-annually on the limited recourse capital notes and the quarterly dividend declared on the Preferred Shares Series 13 in the first quarter of 2022, whereas, in the first quarter of 2021, it included dividends declared on the Preferred Shares Series 13 and on the Preferred Shares Series 15 redeemed in June 2021.

Total revenue

Total revenue was $257.5 million for the first quarter of 2022, up 4% compared with $247.4 million for the first quarter of 2021.

Net interest income increased by $7.8 million to $180.9 million for the first quarter of 2022, compared with $173.1 million for the first quarter of 2021. The increase was mainly due to higher inventory financing volumes and improved funding costs. Net interest margin was 1.88% for the first quarter of 2022, an increase of 4 basis points compared with the first quarter of 2021 for the same reasons.

Other income increased by $2.3 million or 3% to $76.6 million for the first quarter of 2022, compared with $74.3 million for the first quarter of 2021. The increase was mainly due to higher commissions from sales of mutual funds and strong revenues from lending fees which improved respectively by $1.5 million and $1.2 million compared with the first quarter of 2021.

Provision for credit losses

The provision for credit losses was $9.4 million for the first quarter of 2022 compared with $16.8 million for the first quarter of 2021, a decrease of $7.4 million as lower provisions on impaired loans were partly offset by higher provisions on performing loans. The provision for credit losses as a percentage of average loans and acceptances stood at 11 bps for the quarter, compared to 20 bps for the same quarter a year ago.

The provision for credit losses on performing loans was $5.5 million for the first quarter of 2022 compared with a recovery of $0.9 million for the first quarter of 2021, mainly reflecting higher provisions on the personal loan portfolio. The provision for credit losses on impaired loans was $3.9 million for the first quarter of 2022 and decreased by $13.8 million, due to favourable repayments leading to lower write-offs in the commercial loan portfolio.

Refer to the "Credit risk management" section on pages 14 to 16 of this 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 $177.9 million for the first quarter of 2022, an increase of $3.9 million compared with the first quarter of 2021. Adjusted non-interest expenses amounted to $172.6 million for the first quarter of 2022, an increase of $2.2 million or 1% compared with the first quarter of 2021.

Salaries and employee benefits amounted to $97.7 million for the first quarter of 2022, an increase of $2.3 million compared with the first quarter of 2021, mostly due to higher payroll charges due to a higher level of performance-based compensation paid at the beginning of 2022, as well as to increases in group insurance charges.

Premises and technology costs were $45.0 million for the first quarter of 2022, a decrease of $3.5 million compared with the first quarter of 2021. The decrease mostly stems from lower amortization charges and rent expenses resulting from the strategic review and the impairment effected in the fourth quarter of 2021.

Other non-interest expenses were $32.9 million for the first quarter of 2022, an increase of $3.3 million compared with the first quarter of 2021, mainly resulting from higher professional fees, as well as higher advertising, business development and travel expenses.

Impairment and restructuring charges were $2.3 million for the first quarter of 2022, an increase of $1.7 million compared with the first quarter of 2021. In the first quarter of 2022, in line with its future of work plans, the Bank successfully completed the reduction of its leased corporate office premises in Toronto, which required an adjustment of the charges recorded in the fourth quarter of 2021 by $2.3 million. In the first quarter of 2021, restructuring charges mainly included severance charges, as well as professional fees.

Efficiency ratio
The efficiency ratio on a reported basis was 69.1% for the first quarter of 2022, compared with 70.4% for the first quarter of 2021. The adjusted efficiency ratio was 67.0% for the first quarter of 2022, compared to 68.9% for the first quarter of 2021. This improvement in both indicators was a result of an increase in total revenue partly offset by an increase in non-interest expenses year-over-year.

Income taxes

For the quarter ended January 31, 2022, income taxes were $14.7 million, and the effective tax rate was 20.9%. The lower effective 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 January 31, 2021, the income tax expense was $11.7 million, and the effective tax rate was 20.7%.

FIRST QUARTER OF 2022 COMPARED WITH FOURTH QUARTER OF 2021

Net income was $55.5 million and diluted earnings per share were $1.17 for the first quarter of 2022, compared with a net loss of $102.9 million and a diluted loss per share of $2.39 for the fourth quarter of 2021. Of note, reported results for the fourth quarter of 2021 included impairment and restructuring charges of $189.4 million ($148.5 million after income taxes), or $3.40 per share. These charges were mainly related to the strategic review of the Bank's operations completed in the fourth quarter of 2021 and to the impairment of the Personal Banking segment. Adjusted net income was $59.5 million and adjusted diluted earnings per share were $1.26 for the first quarter of 2022, compared with $47.8 million and $1.06 for the fourth quarter of 2021.

Total revenue increased by $7.1 million to $257.5 million for the first quarter of 2022, compared with $250.4 million for the previous quarter.

Net interest income increased by $7.8 million sequentially to $180.9 million, mainly due to higher average inventory financing volumes. Net interest margin was 1.88% for the first quarter of 2022, an increase of 5 basis points compared with 1.83% for the fourth quarter of 2021, mainly for the same reason.

Other income amounted to $76.6 million for the first quarter of 2022, a decrease of $0.7 million compared with $77.3 million for the previous quarter, mainly as a result of lower fees and securities brokerage commissions partly offset by higher income from financial instruments.

The provision for credit losses was $9.4 million for the first quarter of 2022, a decrease of $15.5 million compared with $24.9 million for the fourth quarter of 2021. The decrease is mainly due to lower provisions on performing loans as the Bank had recorded a $19.3 million provision in the fourth quarter of 2021 in relation to its investment loan portfolio, following the Bank's strategic review. Refer to the "Risk Management" section for additional information.

Non-interest expenses decreased by $178.6 million to $177.9 million for the first quarter of 2022 from $356.5 million in the fourth quarter of 2021. Of note, non-interest expenses for the fourth quarter of 2021 included impairment and restructuring charges of $189.4 million mainly related to the strategic review of the Bank's operations and to the impairment of the Personal Banking segment. Adjusted non-interest expenses amounted to $172.6 million in the first quarter of 2022, an increase of $8.5 million, mainly as a result of higher salaries and employee benefits.

ANALYSIS OF FINANCIAL CONDITION

TABLE 7
CONDENSED BALANCE SHEET

In thousands of dollars (Unaudited)	As at January 31, 2022	As at October 31, 2021
Assets		
Cash and deposits with banks	**$ 1,043,833**	$ 667,123
Securities	**6,178,569**	6,499,193
Securities purchased under reverse repurchase agreements	**2,972,667**	2,764,281
Loans and acceptances, net	**34,172,191**	33,449,707
Other assets	**1,717,927**	1,696,720
	$ 46,085,187	$ 45,077,024
Liabilities and Shareholders' Equity		
Deposits	**$ 24,102,699**	$ 22,988,229
Other liabilities	**7,659,858**	7,842,613
Debt related to securitization activities	**11,317,379**	11,255,530
Subordinated debt	**345,411**	349,782
Shareholders' equity	**2,659,840**	2,640,870
	$ 46,085,187	$ 45,077,024

As at January 31, 2022, total assets amounted to $46.1 billion, a 2% increase from $45.1 billion as at October 31, 2021, mostly due to the higher level of loans and liquid assets.

Liquid assets

Liquid assets consist of cash, deposits with banks, securities and securities purchased under reverse repurchase agreements. As at January 31, 2022, these assets amounted to $10.2 billion, an increase of $0.3 billion compared with $9.9 billion as at October 31, 2021.

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 January 31, 2022, in line with October 31, 2021.

Loans

Loans and bankers' acceptances, net of allowances, stood at $34.2 billion as at January 31, 2022, an increase of $0.7 billion or 2% since October 31, 2021. During the first quarter of 2022, strong commercial loan growth was partly offset by a decrease in personal and residential mortgage loans.

Commercial loans and acceptances amounted to $15.4 billion as at January 31, 2022, an increase of $1.3 billion or 9% since October 31, 2021. Growth in inventory financing volumes continued the first quarter of 2022, despite the impact of lingering supply chain challenges and high consumer demand for recreational products reducing the need for inventory financing. Continued growth in real estate lending also contributed to the increase.

Personal loans amounted to $3.5 billion as at January 31, 2022, a decrease of $0.1 billion since October 31, 2021, mainly as a result of the continued decline in the investment loan portfolio.

Residential mortgage loans amounted to $15.5 billion as at January 31, 2022, a decrease of $0.4 billion or 2% since October 31, 2021. As discussed in the Business Highlights section, as part of its plan to renew growth in residential mortgage loans, the Bank completed an end-to-end review for both the broker and branch channel mortgage processes and identified improvements and opportunities for harmonization and simplification.

Other assets

Other assets stood at $1.7 billion as at January 31, 2022, an increase of 1% since October 31, 2021.

LIABILITIES

Deposits

Deposits increased by $1.1 billion or 5% to $24.1 billion as at January 31, 2022 compared with $23.0 billion as at October 31, 2021, mainly as a result of deepening and expanding relationships with advisors and brokers. Personal deposits stood at $18.8 billion as at January 31, 2022, up $0.7 billion compared with October 31, 2021, mostly due to higher personal notice and demand deposits sourced through advisors and brokers. Personal deposits represented 78% of total deposits as at January 31, 2022, in line with October 31, 2021, and contributed to the Bank's good liquidity position. Business and other deposits increased by $0.4 billion over the same period to $5.3 billion, due to an increase in wholesale funding.

Other liabilities

Other liabilities stood at $7.7 billion as at January 31, 2022, a decrease of 2% since October 31, 2021.

Debt related to securitization activities

Debt related to securitization activities increased by $0.1 billion or 1% compared with October 31, 2021 and stood at $11.3 billion as at January 31, 2022. 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 $345.4 million as at January 31, 2022, compared with $349.8 million as at October 31, 2021. Subordinated debt is an integral part of the Bank's regulatory capital and affords its depositors additional protection.

SHAREHOLDERS' EQUITY

Shareholders' equity amounted to $2,659.8 million as at January 31, 2022, compared with $2,640.9 million as at October 31, 2021. Compared to October 31, 2021, retained earnings increased by $26.8 million, mainly as a result of the net income contribution of $55.5 million, partly offset by dividends. The Bank also repurchased 294,000 common shares under its Normal Course Issuer Bid, which reduced common shares by $7.9 million and retained earnings by $4.7 million in the first quarter of 2022. For additional information, please refer to the Capital Management section below and to the Consolidated Statement of Changes in Shareholders' Equity.

The Bank's book value per common share was $54.97 as at January 31, 2022 compared to $53.99 as at October 31, 2021.

CAPITAL MANAGEMENT

REGULATORY CAPITAL

The Office of the Superintendent of Financial Institutions (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 January 31, 2022, OSFI announced revised capital, leverage, liquidity and disclosure rules that incorporate the final Basel III banking reforms with additional adjustments to make them suitable for federally regulated deposit-taking institutions (DTIs). The revised rules released include new Capital Adequacy Requirements (CAR), Leverage Requirements (LR), Liquidity Adequacy Requirements (LAR), Capital and Liquidity Requirements specifically for Small and Medium-Sized Deposit-Taking Institutions (SMSBs), and separate Pillar 3 Disclosure Requirements for D-SIBs and SMSBs. Most of these revised rules will take effect in the second fiscal quarter of 2023 for the Bank, with those related to market risk and credit valuation adjustment risk taking effect in early 2024.

The Bank is currently assessing the impact of these new regulatory capital requirements.

Regulatory capital ratios

Table 8 outlines the regulatory capital and risk-weighted assets (RWA) used to calculate regulatory capital ratios. The Bank complied with OSFI's capital requirements throughout the year.

TABLE 8
REGULATORY CAPITAL

In thousands of dollars, except percentage amounts (Unaudited)	As at January 31, 2022	As at October 31, 2021
Regulatory capital[1]		
Common Equity Tier 1 capital	**$ 2,070,431**	$ 2,038,761
Tier 1 capital	**$ 2,313,817**	$ 2,283,297
Total capital	**$ 2,765,750**	$ 2,730,005
Total risk-weighted assets[2]	**$ 21,232,369**	$ 20,007,010
Regulatory capital ratios		
Common Equity Tier 1 capital ratio	**9.8 %**	10.2 %
Tier 1 capital ratio	**10.9 %**	11.4 %
Total capital ratio	**13.0 %**	13.7 %

(1) The Common Equity Tier 1, Tier 1 and Total capital ratios excluding the ECL transitional arrangements were 9.7%, 10.8% and13.0% respectively as at January 31, 2022.
(2) Using the Standardized approach in determining credit risk and operational risk.

The Common Equity Tier 1 capital ratio stood at 9.8% as at January 31, 2022, compared with 10.2% as at October 31, 2021. The decrease compared with October 31, 2021 mainly results from growth in risk-weighted assets, partly offset by internal capital generation. This level of capital provides the Bank with the necessary operational flexibility to pursue growth and key initiatives prudently, considering economic conditions.

BASEL III LEVERAGE RATIO

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

As detailed in the table below, the leverage ratio stood at 4.8% as at January 31, 2022 and exceeded regulatory requirements.

TABLE 9
BASEL III LEVERAGE RATIO

In thousands of dollars, except percentage amounts (Unaudited)	As at January 31, 2022	As at October 31, 2021
Tier 1 capital	**$ 2,313,817**	$ 2,283,297
Total exposures	**$ 47,717,193**	$ 44,973,981
Basel III leverage ratio[1]	**4.8 %**	5.1 %

(1) The Basel III leverage ratio excluding the ECL transitional arrangements was 4.8% as at January 31, 2022.

NON-VIABILITY CONTINGENT (NVCC) CAPITAL INSTRUMENTS

As at February 23, 2022, there were 5,000,000 outstanding Preferred Shares Series 13, 43,281,808 outstanding common shares and 1,318,585 outstanding stock options.

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 January 31, 2022, which are the Class A Preferred Shares Series 13, the subordinated debentures due on June 22, 2022, as well as the Limited Recourse Capital Notes (LRCN) Series 1 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 120,000,000 common shares, in aggregate, which would represent a dilution impact of 73.5% based on the number of common shares outstanding as at January 31, 2022.

NORMAL COURSE ISSUER BID

On December 10, 2021, the Bank announced that it has received the approval of the Toronto Stock Exchange and the OSFI to launch a normal course issuer bid ("NCIB") to repurchase for cancellation up to 875,000 of its common shares, being approximately 2% of the total number of its shares outstanding as at December 1, 2021.

The NCIB commenced on December 15, 2021 and will terminate upon 875,000 Shares being purchased pursuant to the NCIB, or upon the Bank providing an earlier notice of termination. If not previously terminated, the NCIB will terminate on December 14, 2022. During the first quarter 2022, the Bank repurchased 294,000 common shares under its NCIB at an average price of $42.86 per share for a total amount of $12.6 million, of which $7.9 million reduced common shares and $4.7 million reduced retained earnings.

DIVIDENDS

On March 1, 2022, the Board of Directors declared a quarterly dividend of $0.44 per common share, payable on May 1, 2022 to shareholders of record on April 1, 2022. This quarterly dividend increased by 10% compared with the dividend declared in the previous year. The Board also determined that shares attributed under the Bank's Shareholder Dividend Reinvestment and Share Purchase Plan will be made in common shares issued from Corporate Treasury without a 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 50 of the Bank's 2021 Annual Report for additional information on the Bank's risk management framework.

IMPACT OF COVID-19 PANDEMIC

In March 2020, the World Health Organization declared COVID-19 as a global pandemic. Since then, governments have implemented emergency measures such as travel restrictions, border restrictions, business closures and physical distancing in order to reduce the spread of the virus. Governments and other regulatory entities have also introduced various personal and business relief programs and changes to the monetary policy in order to stabilize the economy.

In response to the COVID-19 pandemic, the Bank has prioritized the health and safety of its customers and employees. It enhanced online and telebanking services to better serve customers remotely, and implemented and follows all public health guidelines in its branches and offices. The Bank also adopted measures to provide credit relief for its customers facing financial hardships as a result of the pandemic. The Bank continues to work with personal and commercial customers to manage the impacts of this unprecedented crisis and has supported them by offering unique solutions depending on their situations.

Recently, emergency measures are gradually being lifted. However, restrictions implemented to try to contain the spread of COVID-19 have resulted in a significant impact to business activities and the economy. These measures have heightened some of the risks the Bank is exposed to, especially considering the uncertainty associated with the scope and duration of the pandemic. As the pandemic continues, and until the virus no longer represents a menace to global health conditions, its final impact on the global economy remains hard to predict, threatening the solvency of certain customer segments of the Bank's customers' solvency, and accentuating volatility in the financial markets. Deteriorating credit and market conditions resulting from the pandemic may also further adversely impact the Bank's strategic position, expected credit losses and earnings.

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 50 of the Bank's 2021 Annual Report. Refer, also, to page 73 under the "Other risks that may affect future results" section for further details relating to impacts of the COVID-19 pandemic.

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 its allowances for credit losses as at January 31, 2022. The three scenarios, "base", "downside" and "upside", were probability weighted as part of the Bank's approach to determining the expected credit losses as at January 31, 2022 and are further described in Note 5 to the Condensed Interim Consolidated Financial Statements.

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 full extent of the impact of the COVID-19 pandemic on the Canadian and U.S. economies is still uncertain. Therefore, it remains difficult to predict whether the COVID-19 pandemic may result in significant write-offs in the future, or if the Bank will need to recognize additional increases or release significant portions of its allowances for credit losses in subsequent periods.

Provision for credit losses

First quarter of 2022 compared with first quarter of 2021
Total provision for credit losses of $9.4 million decreased by $7.4 million or 44% compared with the first quarter of 2021, as lower provisions on impaired loans were partly offset by higher provisions on performing loans. The provision for credit losses as a percentage of average loans and acceptances stood at 11 bps for the quarter, compared to 20 bps for the same quarter a year ago.

The provision for credit losses on performing loans was $5.5 million for the first quarter of 2022 compared with a recovery of $0.9 million for the first quarter of 2021, primarily reflecting higher provisions on personal loans.

The provision for credit losses on impaired loans of $3.9 million decreased by $13.8 million, due to favourable repayments leading to lower write-offs in the commercial loan portfolio.

First quarter of 2022 compared with fourth quarter of 2021
Total provision for credit losses of $9.4 million decreased by $15.5 million or 62% compared with the fourth quarter of 2021. The decrease is mainly due to lower provisions on performing loans as the Bank had recorded a $19.3 million provision in the fourth quarter of 2021 in relation to its investment loan portfolio, following the Bank's strategic review. The provision for credit losses as a percentage of average loans and acceptances stood at 11 bps, compared to 30 bps the previous quarter.

The provision for credit losses on performing loans was $5.5 million for the first quarter of 2022 compared with $22.0 million for the fourth quarter of 2021, primarily reflecting lower provisions on personal loans as mentioned above.

The provision for credit losses on impaired loans of $3.9 million increased by $1.0 million, due to higher provisions on commercial loans, partly offset by improvements in impaired personal and residential mortgage loans.

TABLE 10
PROVISION FOR CREDIT LOSSES

In thousands of dollars, except percentage amounts (Unaudited)	For the three months ended January 31, 2022	October 31, 2021	January 31, 2021
Personal loans			
Performing (Stage 1 and 2)	**$ 4,026**	$ 21,360	$ (307)
Impaired (Stage 3)	**(4,092)**	685	2,598
	(66)	22,045	2,291
Residential mortgage loans			
Performing (Stage 1 and 2)	**970**	1,044	1,779
Impaired (Stage 3)	**(1,518)**	(13)	2,298
	(548)	1,031	4,077
Commercial loans[1]			
Performing (Stage 1 and 2)	**491**	(437)	(2,359)
Impaired (Stage 3)	**9,523**	2,261	12,791
	10,014	1,824	10,432
Total loans			
Performing (Stage 1 and 2)	**5,487**	21,967	(887)
Impaired (Stage 3)	**3,913**	2,933	17,687
Provision for credit losses	**$ 9,400**	$ 24,900	$ 16,800
As a % of average loans and acceptances	**0.11 %**	0.30 %	0.20 %

(1) Including customers' liabilities under acceptances.

Allowances for credit losses

Allowances for loan losses on impaired loans increased by $1.0 million compared with October 31, 2021, mainly due to the commercial loan portfolio. Allowances for loan losses on performing loans amounted to $114.4 million as at January 31, 2022, up $6.3 million compared with October 31, 2021.

TABLE 11
ALLOWANCES FOR CREDIT LOSSES (ACL)

In thousands of dollars, except percentage amounts (Unaudited)	**As at January 31, 2022**	As at October 31, 2021	As at January 31, 2021
Allowances for loan losses			
Personal	**$ 52,459**	$ 53,086	$ 41,182
Residential mortgages	**14,313**	15,404	17,017
Commercial	**135,575**	126,566	127,127
Total allowances for loan losses	**202,347**	195,056	185,326
Allowances for off-balance sheet exposures losses	**6,569**	7,522	8,240
Total allowances for credit losses	**$ 208,916**	$ 202,578	$ 193,566
ACL on performing loans (Stage 1 and 2)	**$ 114,388**	$ 108,064	$ 98,867
ACL on impaired loans (Stage 3)	**87,959**	86,992	86,459
Total allowances for loan losses	**$ 202,347**	$ 195,056	$ 185,326

Impaired loans

Gross impaired loans amounted to $214.2 million as at January 31, 2022, down $36.8 million or 15% compared with October 31, 2021, due to improvements in economic conditions which led to decreases in all loan categories. See Note 5 to the Condensed Interim Consolidated Financial Statements for additional information.

TABLE 12
IMPAIRED LOANS

In thousands of dollars, except percentage amounts (Unaudited)	**As at January 31, 2022**	As at October 31, 2021	As at January 31, 2021
Gross impaired loans (GIL)			
Personal	**$ 15,452**	$ 16,201	$ 29,762
Residential mortgages	**53,538**	58,192	66,260
Commercial	**145,168**	176,517	178,085
	$ 214,158	$ 250,910	$ 274,107
Allowances for loan losses on impaired loans (Stage 3)			
Personal	**$ (4,535)**	$ (9,471)	$ (16,211)
Residential mortgages	**(2,140)**	(4,209)	(4,962)
Commercial	**(81,284)**	(73,312)	(65,286)
	$ (87,959)	$ (86,992)	$ (86,459)
Net impaired loans			
Personal	**$ 10,917**	$ 6,730	$ 13,551
Residential mortgages	**51,398**	53,983	61,298
Commercial	**63,884**	103,205	112,799
	$ 126,199	$ 163,918	$ 187,648
Impaired loans as a % of loans and acceptances			
Gross	**0.62 %**	0.75 %	0.82 %
Net	**0.37 %**	0.49 %	0.56 %

MARKET RISK

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

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

The table below provides a measure of the sensitivity to changes in interest rates of the Bank as at January 31, 2022. 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 13
SENSITIVITY ANALYSIS OF THE STRUCTURAL INTEREST RATE RISK

In thousands of dollars (Unaudited)		**As at January 31, 2022**		As at October 31, 2021
Effect of a 1% increase in interest rates				
Increase in net interest income before taxes over the next 12 months	**$**	**3,042**	$	15,635
Decrease in the economic value of common shareholders' equity (net of income taxes)	**$**	**(29,185)**	$	(33,420)

Potential cessation of the Canadian Dollar Offered Rate

In October 2020, the Canadian Alternative Reference Rate (CARR) working group was tasked with analyzing the current status of the Canadian Dollar Offered Rate (CDOR) and to make recommendations based on that analysis. CARR has recommended that the administrator of CDOR, Refinitiv Benchmark Services (UK) Limited (RBSL), cease publication of all of CDOR's remaining tenors after the end of June 2024. However, the decision to cease CDOR ultimately lies solely with RBSL and CARR's recommendation does not constitute a public statement or publication of information that CDOR has ceased or will cease permanently or indefinitely.

The Bank has established an enterprise wide program, aimed at ensuring the transition from Interbank Offered Rates (IBORs) to risk-free rates (RFRs). The program has been focused on identifying and quantifying the Bank's exposures to various interest rate benchmarks, providing the capability to trade products referencing alternative RFRs, including assessing system changes and impacts on hedge accounting, as well as evaluating existing contract amendment language. The Bank has in place detailed plans, processes and procedures to support the transition of a significant portion of its IBOR exposure to RFRs during 2022.

LIQUIDITY AND FUNDING RISK

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

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

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

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

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

The Bank remained compliant with the LAR Guideline throughout the three months ended January 31, 2022.

Credit ratings

Personal deposits are the most important source of financing for the Bank. The Bank also accesses wholesale markets to obtain financing through securitization and unsecured funding. 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 S&P 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 involvement with other operational banking arrangements. The Bank regularly monitors the impact of a hypothetical downgrade of its credit rating on collateral requirements. As at January 31, 2022, additional collateral that would be required in the event of a one-to-three-notch rating downgrade was not significant.

On December 16, 2021, DBRS confirmed the Bank's "A (low)" and "R-1 (low)" long- and short-term issuer credit ratings. In addition, DBRS maintained the stable outlook.

Table 14 presents the Bank's credit ratings as established by the rating agencies.

TABLE 14
CREDIT RATINGS
As at January 31, 2022

	DBRS[1]	S&P[2]
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	Stable

(1) Each DBRS rating category is appended with one of three rating trends —"Positive," "Stable," "Negative"— in addition to "Under Review." The rating trend helps to give investors an understanding of DBRS's opinion regarding the outlook for the rating in question. However, investors must not assume that a positive or negative trend necessarily indicates that a rating change is imminent.

(2) The 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 15

CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

As at January 31, 2022

In thousands of 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	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 63,522	$ 63,522
Interest-bearing deposits with banks	863,269	—	—	25,000	—	—	—	92,042	980,311
Securities	171,145	679,910	120,083	748,614	873,969	1,731,608	1,544,276	308,964	6,178,569
Securities purchased under reverse repurchase agreements	2,736,573	94,118	91,981	49,995	—	—	—	—	2,972,667
Loans[1]									
Personal loans	13,891	21,617	29,546	36,306	55,947	18,347	5,999	3,349,738	3,531,391
Residential mortgages	691,739	1,053,415	879,077	628,159	1,640,815	10,421,034	44,502	112,725	15,471,466
Commercial loans	2,509,359	1,116,688	987,845	882,567	2,584,979	2,635,132	1,571,568	3,068,543	15,356,681
Customers' liabilities under acceptances	15,000	—	—	—	—	—	—	—	15,000
Allowances for loan losses	—	—	—	—	—	—	—	(202,347)	(202,347)
	3,229,989	2,191,721	1,896,468	1,547,032	4,281,741	13,074,512	1,622,069	6,328,659	34,172,191
Others	935	1,592	424	1,458	547	341	—	1,712,630	1,717,927
Total assets	$7,001,911	$2,967,341	$2,108,956	$2,372,099	$5,156,257	$14,806,461	$3,166,345	$ 8,505,817	$46,085,187
Liabilities and equity									
Deposits									
Personal deposits[1]	$1,689,805	$1,693,885	$1,509,667	$1,860,148	$3,222,846	$ 1,976,488	$ 44,479	$ 6,844,598	18,841,916
Business, Banks and other deposits[1]	181,860	203,084	129,400	108,098	134,813	34,721	1,214	1,693,387	2,486,577
Wholesale deposits	701,750	313,239	336,355	50,000	403,029	721,379	—	—	2,525,752
Covered bonds	—	—	—	—	—	248,454	—	—	248,454
	2,573,415	2,210,208	1,975,423	2,018,246	3,760,689	2,981,041	45,693	8,537,985	24,102,699
Obligations related to securities sold short[2]	961,750	67,350	9,940	24,669	265,164	1,027,337	1,069,340	465	3,426,015
Obligations related to securities sold under repurchase agreements	2,181,151	189,654	187,357	146,644	—	—	—	—	2,704,806
Other liabilities	18,504	3,254	3,240	3,188	24,796	23,998	74,697	1,377,360	1,529,037
Debt related to securitization activities[3]	166,132	518,666	330,544	576,604	1,081,240	7,033,611	1,631,825	(21,243)	11,317,379
Subordinated debt	—	345,411	—	—	—	—	—	—	345,411
Equity	—	—	—	—	—	—	—	2,659,840	2,659,840
Total liabilities and equity	$5,900,952	$3,334,543	$2,506,503	$2,769,351	$5,131,888	$11,065,988	$2,821,555	$12,554,407	$46,085,187

(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, 2021

In thousands of 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	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 69,002	$ 69,002
Interest-bearing deposits with banks	472,093	—	—	25,000	—	—	—	101,028	598,121
Securities	700,462	236,520	545,582	95,149	1,306,974	1,658,171	1,631,214	325,121	6,499,193
Securities purchased under reverse repurchase agreements	2,216,738	311,441	94,118	91,988	49,996	—	—	—	2,764,281
Loans[1]									
Personal loans	35,591	16,087	17,350	29,578	81,966	27,021	6,729	3,467,019	3,681,341
Residential mortgages	854,713	834,365	1,058,118	910,309	1,789,023	10,246,094	47,017	117,360	15,856,999
Commercial loans	2,456,796	922,397	1,163,813	752,675	2,539,074	2,462,739	1,484,525	2,324,404	14,106,423
Allowances for loan losses	—	—	—	—	—	—	—	(195,056)	(195,056)
	3,347,100	1,772,849	2,239,281	1,692,562	4,410,063	12,735,854	1,538,271	5,713,727	33,449,707
Others	2,524	594	1,344	213	628	396	—	1,691,021	1,696,720
Total assets	$ 6,738,917	$2,321,404	$2,880,325	$1,904,912	$5,767,661	$14,394,421	$3,169,485	$ 7,899,899	$45,077,024
Liabilities and equity									
Deposits									
Personal deposits[1]	$ 1,857,632	$1,689,257	$1,718,259	$1,531,813	$3,337,987	$ 1,932,861	$ 38,926	$ 6,044,309	$18,151,044
Business, Banks and other deposits[1]	78,551	177,233	224,022	132,476	135,507	36,978	1,214	1,744,226	2,530,207
Wholesale deposits	507,500	232,000	243,270	346,341	401,908	327,422	—	—	2,058,441
Covered bonds	—	—	—	—	—	248,537	—	—	248,537
	2,443,683	2,098,490	2,185,551	2,010,630	3,875,402	2,545,798	40,140	7,788,535	22,988,229
Obligations related to securities sold short[2]	164,118	370,808	28,237	190,432	354,891	918,046	1,200,660	24,490	3,251,682
Obligations related to securities sold under repurchase agreements	1,620,728	627,277	189,573	187,288	146,608	—	—	—	2,771,474
Other liabilities	4,052	4,020	3,956	3,876	25,167	19,072	59,998	1,699,316	1,819,457
Debt related to securitization activities[3]	567,601	180,014	523,331	338,379	1,472,184	6,490,459	1,658,956	24,606	11,255,530
Subordinated debt	—	—	349,782	—	—	—	—	—	349,782
Equity	—	—	—	—	—	—	—	2,640,870	2,640,870
Total liabilities and equity	$ 4,800,182	$3,280,609	$3,280,430	$2,730,605	$5,874,252	$ 9,973,375	$2,959,754	$12,177,817	$45,077,024

(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 16

ADDITIONAL FINANCIAL INFORMATION - QUARTERLY RESULTS

In thousands of dollars, except per share and percentage amounts (Unaudited)	January 31, 2022	October 31, 2021	July 31, 2021	April 30, 2021	January 31, 2021	October 31, 2020	July 31, 2020	April 30, 2020
Net interest income	$ 180,918	$ 173,095	$ 174,696	$ 171,476	$ 173,074	$ 169,346	$ 173,546	$ 170,747
Other income	76,621	77,336	80,188	78,292	74,300	74,193	75,063	69,401
Total revenue	257,539	250,431	254,884	249,768	247,374	243,539	248,609	240,148
Amortization of net premium on purchased financial instruments	—	—	—	—	—	100	127	179
Provision for credit losses	9,400	24,900	5,400	2,400	16,800	24,200	22,300	54,900
Non-interest expenses	177,930	356,480	170,258	179,561	174,063	177,592	183,777	183,516
Income before income taxes	70,209	(130,949)	79,226	67,807	56,511	41,647	42,405	1,553
Income taxes	14,691	(28,073)	17,162	14,745	11,692	4,836	6,188	(7,332)
Net income (loss)	$ 55,518	$ (102,876)	$ 62,064	$ 53,062	$ 44,819	$ 36,811	$ 36,217	$ 8,885
Earnings (loss) per share								
Basic	$ 1.17	$ (2.39)	$ 1.32	$ 1.15	$ 0.96	$ 0.79	$ 0.77	$ 0.13
Diluted	$ 1.17	$ (2.39)	$ 1.32	$ 1.15	$ 0.96	$ 0.79	$ 0.77	$ 0.13

CORPORATE GOVERNANCE AND CHANGES TO INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal Control over Financial Reporting (ICFR) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. During the first quarter ended January 31, 2022, there have been no changes to ICFR 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 2021 Annual Consolidated Financial Statements. The Condensed Interim Consolidated Financial Statements for the first quarter ended January 31, 2022 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 2021 Annual Report, as well as to Notes 2 and 3 to the 2021 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 COVID-19 pandemic has amplified uncertainty on the assumptions used by management in making its judgments and estimates. The full extent of the impact that the COVID-19 pandemic will have on the Canadian and U.S. economies and the Bank's business continues to be uncertain and difficult to predict. Refer to the section "Critical Accounting Policies and Estimations" of the Bank's 2021 Annual Report, as well as to Notes 2 and 3 to the 2021 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, 2023. There have been no significant updates to the future accounting changes disclosed in Note 4 of the 2021 Annual Consolidated Financial Statements and in the section "Future Changes to Accounting Policies" of the Bank's 2021 Annual Report.

GLOSSARY

GENERAL TERMS

Allowances for credit losses (ACL) represent the Bank's estimate of expected credit losses (ECL) at the balance sheet date. ECLs are a probability-weighted estimate of credit losses over the remaining expected life of the financial instrument. These allowances are primarily related to loans and acceptances and off-balance sheet exposures, including letters of guarantee and certain undrawn amounts under approved credit facilities.

Alt-A mortgages represent a classification of mortgages where borrowers have a clean credit history consistent with prime lending criteria. However, characteristics about the mortgage such as loan to value, loan documentation, occupancy status or property type, may cause the mortgage not to qualify under standard underwriting programs.

Bankers' acceptances (BAs) are bills of exchange or negotiable instruments drawn by a borrower for payment at maturity and accepted by a bank. BAs constitute a guarantee of payment by the Bank and can be traded in the money market. The Bank earns a "stamping fee" for providing this guarantee.

Basis point represents one one-hundredth of a percentage point.

Derivatives are contracts whose value is "derived" from movements in interest or foreign exchange rates, or equity or commodity prices. Derivatives allow for the transfer, modification or reduction of current or expected risks from changes in rates and prices.

Earnings per share (EPS) is calculated by dividing net income after deduction of preferred dividends, by the average number of common shares outstanding. Diluted EPS is calculated by adjusting the number of shares outstanding for possible conversions of financial instruments into common shares.

Effective interest rate represents the discount rate applied to estimated future cash payments or receipts over the expected life of the financial instrument to arrive at the net carrying amount of the financial asset or liability.

Fair value is the estimated price that would be received or paid in an orderly transaction between market participants at the measurement date.

Hedging is a risk management technique used to neutralize or manage interest rate, foreign currency, or credit exposures arising from normal banking activities by taking positions that are expected to react to market conditions in an offsetting manner.

Impaired loans consist of loans where one or more events that have a detrimental impact on the estimated future cash flows of a loan have occurred or when contractual payments are 90 days past due.

Net interest income is comprised of earnings on assets, such as loans and securities, including interest and dividend income, less interest expense paid on liabilities, such as deposits.

Notional amount refers to the principal used to calculate interest and other payments under derivative contracts.

Off-balance sheet financial instruments represent a variety of financial arrangements offered to clients, which include for the Bank derivatives, credit commitments and guarantees, and other indemnifications.

Options are contractual agreements between two parties in which the writer of the option grants the buyer the right, but not the obligation, to either buy or sell, at or by a specified date, a specific amount of a financial instrument at a price agreed upon when the agreement is entered into. The writer receives a premium for selling this instrument.

Provision for credit losses (PCL) is an amount charged or credited to income to adjust the allowances for credit losses to the appropriate level, for both performing and impaired financial assets.

Securities purchased under reverse repurchase agreements and obligations related to securities sold under repurchase agreements are short-term purchases of securities under agreements to resell as well as short-term sales of securities under agreements to repurchase at predetermined prices and dates. Given the low risk transfer associated with these purchases and sales, these agreements are treated as collateralized lending.

Swaps are contractual agreements between two parties to exchange a series of cash flows for a specified period of time. The various swap agreements that the Bank enters into are interest rate swaps, cross-currency swaps, foreign exchange swaps and total return swaps.

SUPPLEMENTARY FINANCIAL MEASURES

Allowances for credit losses as a % of total loans and acceptances is defined as allowances for credit losses as a percentage of total loans and acceptances.

Assets under administration mostly refers to assets related to registered and non-registered investment accounts, clients' brokerage assets, mutual funds and loans administered by the Bank that are beneficially owned by clients and therefore not reported on the balance sheet of the Bank.

Average earning assets include the Bank's loans net of allowances, as well as interest-bearing deposits with other banks, securities, securities purchased under reverse repurchase agreements used in the Bank's treasury operations and derivatives, but exclude average earning assets related to trading activities. The averages are based on the daily balances for the period.

Dividend payout ratio is defined as dividends declared on common shares as a percentage of net income available to common shareholders.

Dividend yield is defined as dividends declared per common share divided by the closing common share price.

Efficiency ratio is a measure of productivity and cost control and is defined as non-interest expenses as a percentage of total revenue.

Gross impaired loans as a % of loans and acceptances is defined as impaired loans as a percentage of total loans and acceptances at the end of the period.

Interest-bearing liabilities include the Bank's deposits, debt related to securitization activities and subordinated debt used in the Bank's treasury operations and derivatives, but exclude interest-bearing liabilities related to trading activities.

Net interest margin is the ratio of net interest income to average earning assets (based on the daily balances for the period), expressed as a percentage or basis points.

Net impaired loans as a % of loans and acceptances is defined as impaired loans less allowances for credit losses for impaired loans, as a percentage of total loans and acceptances at the end of the period.

Operating leverage is a measure of efficiency and is the difference between total revenue and non-interest expenses growth rates.

Provision for credit losses as a % of average loans and acceptances is defined as provision for credit losses as a percentage of average loans and acceptances. For average loans and acceptances, the averages are based on the daily balances for the period.

Price / earnings ratio is defined as closing common share price divided by basic earnings per share.

RISK AND CAPITAL TERMS

Basel II is the second of the Basel Accords, which are recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision (BCBS). The purpose of Basel II is to create an international standard that banking regulators can use when creating regulations about how much capital banks need to put aside to guard against the types of financial and operational risks banks face. The Basel II Accord also introduced the Advanced Internal-Ratings Based (AIRB) approach for credit risk.

Basel III is a comprehensive set of reform measures, developed by the BCBS, to strengthen the Basel II Accord as well as the supervision and risk management of the banking sector. These measures also introduced liquidity adequacy requirements.

Capital ratios are defined as either Common Equity Tier 1 capital, Tier 1 capital or Total capital divided by risk-weighted assets.

Common Equity Tier 1 (CET1) capital represents, under Basel III, more permanent forms of capital, and primarily consists of common shareholders' equity and accumulated other comprehensive income (AOCI), less a deduction for goodwill, software and other intangibles, net pension assets, cash flow hedge reserves and certain other deductions prescribed by OSFI.

Credit and counterparty risk is the risk of a financial loss occurring if a counterparty (including a debtor, an issuer or a guarantor) in a transaction fails to fully honour its contractual or financial obligation towards the Bank.

Leverage ratio is comprised of Tier 1 capital, divided by unweighted on-balance sheet assets and off-balance sheet commitments, derivatives and securities financing transactions.

Liquidity coverage ratio (LCR) measures the sufficiency of high-quality liquid assets available to meet net short-term financial obligations over a thirty-day period in an acute stress scenario.

Operational risk is the risk of loss or harm resulting from a failure ascribable to human resources, inadequate or failed internal processes or technology and systems, or from external events including legal risk but excluding regulatory, strategic and reputational risks

Probability of default (PD) is an estimated percentage that represents the likelihood of default within a given time period of an obligor for a specific rating grade or for a specific pool of exposure.

Exposure at default (EAD) is an amount expected to be owed by an obligor at the time of default.

Loss given default (LGD) is an estimated percentage of EAD that is not expected to be recovered during the collections and recovery process.

Risk-weighted assets are assets calculated by applying a risk-weight factor to on and off-balance sheet exposure. The Bank uses standardized risk-weight factors as stipulated by OSFI, based on the guidelines developed by the Bank for International Settlement (BIS).

Tier 1 capital primarily consists of CET1 capital and preferred shares.

Total capital includes Tier 1 and Tier 2 capital, net of certain deductions. Tier 2 capital is primarily comprised of subordinated debt and the eligible portion of collective allowances for loan losses.

THIS PAGE INTENTIONALLY LEFT BLANK

LAURENTIAN BANK OF CANADA
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS AT AND FOR THE PERIOD ENDED JANUARY 31, 2022

TABLE OF CONTENTS

CONSOLIDATED BALANCE SHEET

In thousands of Canadian dollars (Unaudited)	Notes	As at January 31, 2022	As at October 31, 2021
Assets			
Cash and non-interest bearing deposits with banks		$ 63,522	$ 69,002
Interest-bearing deposits with banks		980,311	598,121
Securities	4 and 6		
At amortized cost		2,965,087	3,189,455
At fair value through profit or loss (FVTPL)		2,960,789	3,050,658
At fair value through other comprehensive income (FVOCI)		252,693	259,080
		6,178,569	6,499,193
Securities purchased under reverse repurchase agreements		2,972,667	2,764,281
Loans	5 and 6		
Personal		3,531,391	3,681,341
Residential mortgage		15,471,466	15,856,999
Commercial		15,356,681	14,106,423
Customers' liabilities under acceptances		15,000	—
		34,374,538	33,644,763
Allowances for loan losses		(202,347)	(195,056)
		34,172,191	33,449,707
Other			
Derivatives		197,363	263,014
Premises and equipment		119,567	100,576
Software and other intangible assets		277,244	278,295
Goodwill		79,841	78,429
Deferred tax assets		59,166	58,492
Other assets		984,746	917,914
		1,717,927	1,696,720
		$ 46,085,187	$ 45,077,024
Liabilities and shareholders' equity			
Deposits	7		
Personal		$ 18,841,916	$ 18,151,044
Business, banks and other		5,260,783	4,837,185
		24,102,699	22,988,229
Other			
Obligations related to securities sold short		3,426,015	3,251,682
Obligations related to securities sold under repurchase agreements		2,704,806	2,771,474
Acceptances		15,000	—
Derivatives		178,772	153,069
Deferred tax liabilities		50,913	48,244
Other liabilities	14	1,284,352	1,618,144
		7,659,858	7,842,613
Debt related to securitization activities	6	11,317,379	11,255,530
Subordinated debt		345,411	349,782
Shareholders' equity			
Preferred shares	8	122,071	122,071
Limited recourse capital notes	8	121,315	123,612
Common shares	8	1,165,683	1,172,722
Retained earnings		1,222,052	1,195,264
Accumulated other comprehensive income		24,685	23,534
Share-based compensation reserve	9	4,034	3,667
		2,659,840	2,640,870
		$ 46,085,187	$ 45,077,024

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

CONSOLIDATED STATEMENT OF INCOME

In thousands of Canadian dollars, except per share amounts (Unaudited)	Notes	For the three months ended January 31, 2022	October 31, 2021	January 31, 2021
Interest and dividend income	13			
Loans		$ **277,388**	$ 272,606	$ 288,817
Securities		**11,969**	11,499	11,753
Deposits with banks		**561**	425	427
Other, including derivatives		**21,102**	19,751	25,373
		311,020	304,281	326,370
Interest expense	13			
Deposits		**80,555**	82,204	103,851
Debt related to securitization activities		**44,571**	44,366	43,908
Subordinated debt		**3,835**	3,835	3,828
Other, including derivatives		**1,141**	781	1,709
		130,102	131,186	153,296
Net interest income		**180,918**	173,095	173,074
Other income				
Lending fees		**17,346**	17,581	16,097
Fees and securities brokerage commissions		**12,686**	16,886	14,110
Commissions from sales of mutual funds		**13,163**	13,075	11,635
Service charges		**7,576**	7,693	7,237
Income from financial instruments	13	**7,586**	5,502	9,091
Card service revenues		**7,406**	7,578	6,699
Fees on investment accounts		**3,668**	3,360	3,755
Insurance income, net		**2,616**	2,018	2,689
Other		**4,574**	3,643	2,987
		76,621	77,336	74,300
Total revenue		**257,539**	250,431	247,374
Provision for credit losses	5	**9,400**	24,900	16,800
Non-interest expenses				
Salaries and employee benefits	9 and 10	**97,706**	87,655	95,406
Premises and technology		**45,004**	45,449	48,456
Other		**32,878**	34,005	29,580
Impairment and restructuring charges	15	**2,342**	189,371	621
		177,930	356,480	174,063
Income before income taxes		**70,209**	(130,949)	56,511
Income taxes		**14,691**	(28,073)	11,692
Net income (loss)		$ **55,518**	$ (102,876)	$ 44,819
Preferred share dividends and limited recourse capital note interest	8	**4,601**	1,355	3,117
Net income (loss) available to common shareholders		$ **50,917**	$ (104,231)	$ 41,702
Earnings (loss) per share	11			
Basic		$ **1.17**	$ (2.39)	$ 0.96
Diluted		$ **1.17**	$ (2.39)	$ 0.96
Dividends per common share		$ **0.44**	$ 0.40	$ 0.40

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of Canadian dollars (Unaudited)	For the three months ended January 31, 2022	October 31, 2021	January 31, 2021
Net income (loss)	**$ 55,518**	$ (102,876)	$ 44,819
Other comprehensive income, net of income taxes			
Items that may subsequently be reclassified to the Consolidated Statement of Income			
Net change in debt securities at FVOCI			
Unrealized net gains (losses) on debt securities at FVOCI	**(233)**	(217)	17
Reclassification of net (gains) losses on debt securities at FVOCI to net income	**63**	(36)	(204)
	(170)	(253)	(187)
Net change in value of derivatives designated as cash flow hedges	**(6,504)**	3,681	(1,333)
Net foreign currency translation adjustments			
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**13,756**	(5,235)	(19,277)
Net gains (losses) on hedges of investments in foreign operations	**(5,931)**	1,957	6,479
	7,825	(3,278)	(12,798)
	1,151	150	(14,318)
Items that may not subsequently be reclassified to the Consolidated Statement of Income			
Remeasurement gains on employee benefit plans	**1,289**	4,465	4,620
Net gains (losses) on equity securities designated at FVOCI	**(1,548)**	7,277	15,243
	(259)	11,742	19,863
Total other comprehensive income, net of income taxes	**892**	11,892	5,545
Comprehensive income (loss)	**$ 56,410**	$ (90,984)	$ 50,364

INCOME TAXES — OTHER COMPREHENSIVE INCOME

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

In thousands of Canadian dollars (Unaudited)	For the three months ended January 31, 2022	October 31, 2021	January 31, 2021
Net change in debt securities at FVOCI			
Unrealized net gains (losses) on debt securities at FVOCI	**$ (84)**	$ (178)	$ 6
Reclassification of net (gains) losses on debt securities at FVOCI to net income	**23**	(13)	(73)
	(61)	(191)	(67)
Net change in value of derivatives designated as cash flow hedges	**(2,343)**	1,324	(481)
Net foreign currency translation adjustments			
Net gains (losses) on hedges of investments in foreign operations	**(26)**	(6)	(86)
Remeasurement gains on employee benefit plans	**464**	1,608	1,664
Net gains (losses) on equity securities designated at FVOCI	**(558)**	2,652	5,496
	$ (2,524)	$ 5,387	$ 6,526

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Canadian dollars (Unaudited)	Preferred shares (Note 8)	Limited recourse capital notes (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 compen-sation reserve	Total shareholders' equity
										For the three months ended January 31, 2022
Balance as at October 31, 2021	$ 122,071	$ 123,612	$ 1,172,722	$ 1,195,264	$ 278	$ 42,095	(18,839)	$ 23,534	$ 3,667	$ 2,640,870
Net income				55,518						55,518
Other comprehensive income, net of income taxes										
Unrealized net losses on debt securities at FVOCI					(233)			(233)		(233)
Reclassification of net losses on debt securities at FVOCI to net income					63			63		63
Net change in value of derivatives designated as cash flow hedges						(6,504)		(6,504)		(6,504)
Net unrealized foreign currency translation gains on investments in foreign operations							13,756	13,756		13,756
Net losses on hedges of investments in foreign operations							(5,931)	(5,931)		(5,931)
Remeasurement gains on employee benefit plans				1,289						1,289
Net losses on equity securities designated at FVOCI				(1,548)						(1,548)
Comprehensive income				55,259	(170)	(6,504)	7,825	1,151		56,410
Impact of limited recourse capital notes purchased or sold for trading		(2,297)								(2,297)
Issuance of common shares			871							871
Repurchase of common shares for cancellation			(7,910)	(4,691)						(12,601)
Share-based compensation									367	367
Dividends and other										
Preferred shares and limited recourse capital notes				(4,601)						(4,601)
Common shares				(19,179)						(19,179)
Balance as at January 31, 2022	$ 122,071	$ 121,315	$ 1,165,683	$ 1,222,052	$ 108	$ 35,591	$ (11,014)	$ 24,685	$ 4,034	$ 2,659,840

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

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

									For the three months ended January 31, 2021
				Accumulated Other Comprehensive Income					
In thousands of Canadian dollars (Unaudited)	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			44,819						44,819
Other comprehensive income, net of income taxes									
Unrealized net gains on debt securities at FVOCI				17			17		17
Reclassification of net gains on debt securities at FVOCI to net income				(204)			(204)		(204)
Net change in value of derivatives designated as cash flow hedges					(1,333)		(1,333)		(1,333)
Net unrealized foreign currency translation losses on investments in foreign operations						(19,277)	(19,277)		(19,277)
Net gains on hedges of investments in foreign operations						6,479	6,479		6,479
Remeasurement gains on employee benefit plans			4,620						4,620
Net gains on equity securities designated at FVOCI			15,243						15,243
Comprehensive income			64,682	(187)	(1,333)	(12,798)	(14,318)		50,364
Issuance of common shares		3,186							3,186
Share-based compensation								568	568
Dividends									
Preferred shares			(3,117)						(3,117)
Common shares			(17,295)						(17,295)
Balance as at January 31, 2021	$ 244,038	$ 1,162,674	$ 1,197,243	$ 1,597	$ 42,260	$ (5,960)	$ 37,897	$ 3,095	$ 2,644,947

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

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of Canadian dollars (Unaudited)	Notes	For the three months ended January 31, 2022	October 31, 2021	January 31, 2021
Cash flows relating to operating activities				
Net income (loss)		**$ 55,518**	$ (102,876)	$ 44,819
Adjustments to determine net cash flows relating to operating activities:				
Provision for credit losses	5	**9,400**	24,900	16,800
Deferred income taxes		**4,349**	(48,225)	540
Impairment of goodwill, software and intangible assets, and premises and equipment		**847**	163,279	—
Depreciation of premises and equipment		**4,244**	4,498	5,924
Amortization of software and other intangible assets		**8,572**	8,592	10,365
Loans		**(730,747)**	(701,662)	(38,492)
Acceptances		**15,000**	(20,000)	—
Securities at FVTPL		**89,869**	264,175	(615,775)
Securities purchased under reverse repurchase agreements		**(208,386)**	223,488	(364,706)
Accrued interest receivable		**7,833**	(13,259)	5,373
Derivative assets		**65,651**	5,825	(24,455)
Deposits		**1,114,470**	(173,300)	(312,851)
Obligations related to securities sold short		**174,333**	230,856	652,329
Obligations related to securities sold under repurchase agreements		**(66,668)**	(555,869)	306,912
Accrued interest payable		**(44,997)**	2,661	(57,915)
Derivative liabilities		**25,703**	48,617	(23,617)
Debt related to securitization activities		**61,849**	471,205	399,152
Other, net		**(399,859)**	71,026	(128,811)
		186,981	(96,069)	(124,408)
Cash flows relating to financing activities				
Payment of lease liabilities		**(4,761)**	(4,771)	(4,676)
Net proceeds from issuance of limited recourse capital notes	8	**—**	(37)	—
Impact of limited recourse capital notes purchased or sold for trading	8	**(2,297)**	—	—
Net proceeds from issuance of common shares	8	**128**	21	—
Repurchase of common shares for cancellation	8	**(12,601)**	—	—
Dividends and other distributions		**(15,422)**	(1,261)	(3,058)
		(34,953)	(6,048)	(7,734)
Cash flows relating to investing activities				
Change in securities at amortized cost				
Acquisitions		**(852,103)**	(800,513)	(310,175)
Proceeds on sale and at maturity		**1,076,516**	779,843	516,257
Change in securities at FVOCI				
Acquisitions		**(204,994)**	(430,072)	(80,243)
Proceeds on sale and at maturity		**208,940**	467,941	101,090
Proceeds on sale of loan portfolios		**—**	19,529	—
Additions to premises and equipment and software and other intangible assets		**(6,738)**	(15,144)	(4,288)
Change in interest-bearing deposits with banks		**(382,190)**	78,473	(77,780)
		(160,569)	100,057	144,861
Effect of exchange rate changes on cash and non-interest-bearing deposits with banks		**3,061**	(744)	(3,347)
Net change in cash and non-interest bearing deposits with banks		**(5,480)**	(2,804)	9,372
Cash and non-interest bearing deposits with banks at beginning of period		**69,002**	71,806	69,661
Cash and non-interest bearing deposits with banks at end of period		**$ 63,522**	$ 69,002	$ 79,033
Supplemental disclosure about cash flows relating to operating activities:				
Interest paid during the period		**$ 183,109**	$ 133,561	$ 215,504
Interest received during the period		**$ 323,793**	$ 288,520	$ 334,928
Dividends received during the period		**$ 3,444**	$ 3,256	$ 3,290
Income taxes paid (received) during the period		**$ 31,268**	$ (14,285)	$ 23,866

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

Comparative figures have been reclassified to conform to the current year presentation.

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, commercial and institutional customers. The Bank operates primarily across Canada, with a presence in the United States.

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

The Condensed Interim Consolidated Financial Statements for the period ended January 31, 2022 were approved for issuance by the Board of Directors on March 1, 2022.

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, 2021 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, 2021.

Unless otherwise indicated, all amounts are expressed in Canadian dollars, which is the Bank's presentation currency. Items included in the financial statements of each of the Bank's entities are measured using their functional currency, which is the currency of the primary economic environment in which they operate.

2.1 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, 2021 as follows:

Fair value of financial instruments	Notes 3 and 22	Post-employment benefits	Notes 3 and 18
Allowances for credit losses	Notes 3 and 6	Income taxes	Notes 3 and 19
Goodwill and other intangible assets	Notes 3, 9 and 10	Provisions and contingent liabilities	Notes 3 and 29

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 COVID-19 pandemic has amplified uncertainty on the assumptions used by management in making its judgments and estimates. The full extent of the impact that the COVID-19 pandemic will have on the Canadian and U.S. economies and the Bank's business continues to be uncertain and difficult to predict.

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, 2023. There have been no significant updates to the future accounting changes disclosed in Note 4 of the 2021 Annual Consolidated Financial Statements.

4. SECURITIES

Credit quality

As at January 31, 2022, debt securities at amortized cost and at FVOCI are classified in Stage 1, with their credit rating falling mainly in the "Low risk" category according to the Bank's internal risk-rating categories. As at January 31, 2022, allowances for credit losses amounted to $0.2 million ($0.2 million as at October 31, 2021) for debt securities at amortized cost and $0.2 million ($0.2 million as at October 31, 2021) for debt securities at FVOCI.

Securities at amortized cost

	As at January 31, 2022	As at October 31, 2021
Securities issued or guaranteed		
by Canada[1]	**$ 1,230,715**	$ 1,245,547
by provinces	**1,597,125**	1,729,373
by municipalities	**112,288**	133,873
Other debt securities	**24,959**	80,662
	$ 2,965,087	$ 3,189,455

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

Securities at FVOCI

Accumulated unrealized gains and losses recognized in other comprehensive income are detailed as follows:

				As at January 31, 2022
	Amortized cost	**Unrealized gains**	**Unrealized losses**	**Fair value[1]**
Securities issued or guaranteed				
by Canada[2]	**$ 18,382**	**$ 1**	**$ 63**	**$ 18,320**
by provinces	**6,095**	**—**	**42**	**6,053**
by municipalities	**13,682**	**130**	**14**	**13,798**
Other debt securities	**15,488**	**259**	**38**	**15,709**
Asset-backed securities	**174**	**1**	**—**	**175**
Preferred shares	**159,805**	**16,470**	**397**	**175,878**
Common shares and other securities	**17,883**	**4,940**	**63**	**22,760**
	$ 231,509	**$ 21,801**	**$ 617**	**$ 252,693**

				As at October 31, 2021
	Amortized cost	Unrealized gains	Unrealized losses	Fair value[1]
Securities issued or guaranteed				
by Canada[2]	$ 8,028	$ —	$ 84	$ 7,944
by provinces	5,845	—	5	5,840
by municipalities	31,535	207	2	31,740
Other debt securities	14,347	365	4	14,708
Asset-backed securities	407	5	—	412
Preferred shares	161,623	18,441	797	179,267
Common shares and other securities	13,405	5,835	71	19,169
	$ 235,190	$ 24,853	$ 963	$ 259,080

(1) The allowances for credit losses on debt securities at FVOCI, amounting to $0.2 million as at January 31, 2022 ($0.2 million as at October 31, 2021) are reported in Accumulated other comprehensive income.

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

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 $2.8 million for the three months ended January 31, 2022 ($2.3 million for the three months ended January 31, 2021), including a negligible amount for investments that were sold during all such periods.

	For the three months ended	
	January 31, 2022	January 31, 2021
Fair value at beginning of period	**$ 198,436**	$ 170,157
Change in fair value	**(2,459)**	21,053
Designated at FVOCI	**6,057**	15,610
Sales or redemptions	**(3,397)**	(21,253)
Fair value at end of period	**$ 198,637**	$ 185,567

5. LOANS AND ALLOWANCES FOR CREDIT LOSSES

As at January 31, 2022 and October 31, 2021, 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, 2021.

Determining and measuring expected credit losses (ECL)

For additional information on the measurement of expected credit losses, see Note 6 to the Annual Consolidated Financial Statements for the year ended October 31, 2021.

Credit risk exposure

The following table shows the gross and net carrying amounts of loans and acceptances and off-balance sheet exposures as at January 31, 2022 and October 31, 2021, according to credit quality and ECL impairment stage of each loan category at amortized cost.

	As at January 31, 2022				As at October 31, 2021			
	Performing		Impaired		Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Personal loans								
Very low risk	$ 2,622,874	$ 221	$ —	$ 2,623,095	$ 2,788,385	$ 596	$ —	$ 2,788,981
Low risk	329,655	57,540	—	387,195	337,546	98,748	—	436,294
Medium risk	244,265	252,143	—	496,408	191,675	235,612	—	427,287
High risk	—	9,241	—	9,241	—	12,578	—	12,578
Default	—	—	15,452	15,452	—	—	16,201	16,201
Gross carrying amount	3,196,794	319,145	15,452	3,531,391	3,317,606	347,534	16,201	3,681,341
Allowances for loan losses	9,346	38,578	4,535	52,459	8,432	35,183	9,471	53,086
Net carrying amount	$ 3,187,448	$ 280,567	$ 10,917	$ 3,478,932	$ 3,309,174	$ 312,351	$ 6,730	$ 3,628,255
Residential mortgage loans								
Very low risk	$ 10,676,297	$ 997	$ —	$10,677,294	$10,867,771	$ 51	$ —	$10,867,822
Low risk	2,758,461	31,389	—	2,789,850	2,837,423	38,733	—	2,876,156
Medium risk	1,557,675	324,793	—	1,882,468	1,650,657	332,921	—	1,983,578
High risk	—	68,316	—	68,316	—	71,251	—	71,251
Default	—	—	53,538	53,538	—	—	58,192	58,192
Gross carrying amount	14,992,433	425,495	53,538	15,471,466	15,355,851	442,956	58,192	15,856,999
Allowances for loan losses	6,663	5,510	2,140	14,313	6,506	4,689	4,209	15,404
Net carrying amount	$ 14,985,770	$ 419,985	$ 51,398	$15,457,153	$15,349,345	$ 438,267	$ 53,983	$15,841,595
Commercial loans[1]								
Very low risk	$ 3,269,217	$ 18,518	$ —	$ 3,287,735	$ 3,106,102	$ 28,029	$ —	$ 3,134,131
Low risk	8,845,117	67,495	—	8,912,612	7,961,225	59,468	—	8,020,693
Medium risk	2,497,050	320,378	—	2,817,428	2,336,298	304,990	—	2,641,288
High risk	—	208,738	—	208,738	—	133,794	—	133,794
Default	—	—	145,168	145,168	—	—	176,517	176,517
Gross carrying amount	14,611,384	615,129	145,168	15,371,681	13,403,625	526,281	176,517	14,106,423
Allowances for loan losses	41,468	12,823	81,284	135,575	40,358	12,896	73,312	126,566
Net carrying amount	$ 14,569,916	$ 602,306	$ 63,884	$15,236,106	$13,363,267	$ 513,385	$ 103,205	$13,979,857
Total loans								
Gross carrying amount	$ 32,800,611	$ 1,359,769	$ 214,158	$34,374,538	$32,077,082	$ 1,316,771	$ 250,910	$33,644,763
Allowances for loan losses	57,477	56,911	87,959	202,347	55,296	52,768	86,992	195,056
Net carrying amount	$ 32,743,134	$ 1,302,858	$ 126,199	$34,172,191	$32,021,786	$ 1,264,003	$ 163,918	$33,449,707
Off-balance sheet exposures[2]								
Very low risk	$ 1,048,684	$ 237	$ —	$ 1,048,921	$ 1,002,461	$ 414	$ —	$ 1,002,875
Low risk	1,236,993	22,174	—	1,259,167	1,333,287	23,440	—	1,356,727
Medium risk	437,287	57,936	—	495,223	429,430	56,673	—	486,103
High risk	—	5,987	—	5,987	—	6,771	—	6,771
Default	—	—	—	—	—	—	—	—
Total exposure	2,722,964	86,334	—	2,809,298	2,765,178	87,298	—	2,852,476
Allowances for off-balance sheet exposures losses	5,147	1,422	—	6,569	5,775	1,747	—	7,522
Total exposure, net	$ 2,717,817	$ 84,912	$ —	$ 2,802,729	$ 2,759,403	$ 85,551	$ —	$ 2,844,954

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

Impaired loans

	As at January 31, 2022			As at October 31, 2021		
	Gross impaired loans	Allowances against impaired loans	Net impaired loans	Gross impaired loans	Allowances against impaired loans	Net impaired loans
Personal loans	$ 15,452	$ 4,535	$ 10,917	$ 16,201	$ 9,471	$ 6,730
Residential mortgage loans	53,538	2,140	51,398	58,192	4,209	53,983
Commercial loans	145,168	81,284	63,884	176,517	73,312	103,205
	$ 214,158	$ 87,959	$ 126,199	$ 250,910	$ 86,992	$ 163,918

Loans past due but not impaired

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

	As at January 31, 2022			As at October 31, 2021		
	1 day-31 days	32 days-90 days	Total	1 day-31 days	32 days-90 days	Total
Personal loans	$ 51,321	$ 18,955	$ 70,276	$ 48,897	$ 19,823	$ 68,720
Residential mortgage loans	114,557	41,555	156,112	131,931	29,925	161,856
	$ 165,878	$ 60,510	$ 226,388	$ 180,828	$ 49,748	$ 230,576

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 January 31, 2022				For the three months ended January 31, 2021			
	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	$ 9,561	$ 36,551	$ 9,471	$ 55,583	$ 8,758	$ 19,532	$ 17,212	$ 45,502
Transfers:								
to Stage 1	3,041	(2,532)	(509)	—	3,454	(2,752)	(702)	—
to Stage 2	(1,870)	2,651	(781)	—	(655)	2,026	(1,371)	—
to Stage 3	(33)	(1,205)	1,238	—	(21)	(863)	884	—
Originations	177	—	—	177	128	—	—	128
Derecognitions	(265)	(1,488)	(5,744)	(7,497)	(164)	(496)	(2,936)	(3,596)
Net remeasurement of allowances	(226)	5,776	1,704	7,254	(2,777)	1,813	6,723	5,759
Provision for (reversal of) credit losses	824	3,202	(4,092)	(66)	(35)	(272)	2,598	2,291
Write-offs	—	—	(2,701)	(2,701)	—	—	(6,640)	(6,640)
Recoveries	—	—	2,078	2,078	—	—	3,263	3,263
Foreign exchange and other	—	—	(221)	(221)	—	—	(222)	(222)
Balance at end of period	$ 10,385	$ 39,753	$ 4,535	$ 54,673	$ 8,723	$ 19,260	$ 16,211	$ 44,194
Total allowances for loan losses	$ 9,346	$ 38,578	$ 4,535	$ 52,459	$ 7,257	$ 17,714	$ 16,211	$ 41,182
Total allowances for off-balance sheet exposures	1,039	1,175	—	2,214	1,466	1,546	—	3,012
Total allowances for credit losses	$ 10,385	$ 39,753	$ 4,535	$ 54,673	$ 8,723	$ 19,260	$ 16,211	$ 44,194
Residential mortgage loans								
Balance at beginning of period	$ 6,577	$ 4,707	$ 4,209	$ 15,493	$ 5,401	$ 5,048	$ 3,605	$ 14,054
Transfers:								
to Stage 1	1,458	(1,306)	(152)	—	2,003	(1,762)	(241)	—
to Stage 2	(330)	801	(471)	—	(305)	1,076	(771)	—
to Stage 3	(14)	(158)	172	—	(17)	(200)	217	—
Originations	565	—	—	565	532	—	—	532
Derecognitions	(664)	(337)	(1,323)	(2,324)	(382)	(367)	(451)	(1,200)
Net remeasurement of allowances	(872)	1,827	256	1,211	(491)	1,692	3,544	4,745
Provision for (reversal of) credit losses	143	827	(1,518)	(548)	1,340	439	2,298	4,077
Write-offs	—	—	(461)	(461)	—	—	(917)	(917)
Recoveries	—	—	292	292	—	—	357	357
Foreign exchange and other	—	—	(382)	(382)	—	—	(381)	(381)
Balance at end of period	$ 6,720	$ 5,534	$ 2,140	$ 14,394	$ 6,741	$ 5,487	$ 4,962	$ 17,190
Total allowances for loan losses	$ 6,663	$ 5,510	$ 2,140	$ 14,313	$ 6,607	$ 5,448	$ 4,962	$ 17,017
Total allowances for off-balance sheet exposures	57	24	—	81	134	39	—	173
Total allowances for credit losses	$ 6,720	$ 5,534	$ 2,140	$ 14,394	$ 6,741	$ 5,487	$ 4,962	$ 17,190
Commercial loans								
Balance at beginning of period	$ 44,933	$ 13,257	$ 73,312	$ 131,502	$ 51,031	$ 18,765	$ 55,618	$ 125,414
Transfers:								
to Stage 1	2,462	(1,393)	(1,069)	—	1,993	(1,822)	(171)	—
to Stage 2	(674)	858	(184)	—	(980)	1,834	(854)	—
to Stage 3	(20)	(270)	290	—	(174)	(1,086)	1,260	—
Originations	2,847	—	—	2,847	3,531	—	—	3,531
Derecognitions	(5,471)	(3,495)	(7,048)	(16,014)	(6,994)	(3,304)	(2,207)	(12,505)
Net remeasurement of allowances	1,537	4,110	17,534	23,181	1,374	3,269	14,763	19,406
Provision for (reversal of) credit losses	681	(190)	9,523	10,014	(1,250)	(1,109)	12,791	10,432
Write-offs	—	—	(1,163)	(1,163)	—	—	(3,289)	(3,289)
Recoveries	—	—	177	177	—	—	1,002	1,002
Foreign exchange and other	(95)	(21)	(565)	(681)	(391)	(150)	(836)	(1,377)
Balance at end of period	$ 45,519	$ 13,046	$ 81,284	$ 139,849	$ 49,390	$ 17,506	$ 65,286	$ 132,182
Total allowances for loan losses	$ 41,468	$ 12,823	$ 81,284	$ 135,575	$ 44,837	$ 17,004	$ 65,286	$ 127,127
Total allowances for off-balance sheet exposures	4,051	223	—	4,274	4,553	502	—	5,055
Total allowances for credit losses	$ 45,519	$ 13,046	$ 81,284	$ 139,849	$ 49,390	$ 17,506	$ 65,286	$ 132,182
Total exposure								
Total allowances for loan losses	$ 57,477	$ 56,911	$ 87,959	$ 202,347	$ 58,701	$ 40,166	$ 86,459	$ 185,326
Total allowances for off-balance sheet exposures	5,147	1,422	—	6,569	6,153	2,087	—	8,240
Total allowances for credit losses	$ 62,624	$ 58,333	$ 87,959	$ 208,916	$ 64,854	$ 42,253	$ 86,459	$ 193,566

Main macroeconomic factors

The following tables show the main macroeconomic factors used to estimate the collective allowances for credit losses as at January 31, 2022 and as at October 31, 2021.

						As at January 31, 2022
	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	**3.4%**	**4.3%**	**4.7%**	**4.9%**	**0.3%**	**4.5%**
Average unemployment rate (percentage points)	**5.9**	**5.0**	**5.5**	**4.5**	**6.7**	**5.9**
Housing price index growth	**2.2%**	**4.9%**	**5.5%**	**5.7%**	**(4.8)%**	**6.5%**
S&P/TSX index growth(3)	**9.1%**	**8.0%**	**13.4%**	**10.6%**	**(9.5)%**	**15.8%**

						As at October 31, 2021
	Base scenario		Upside scenario		Downside scenario	
	Next 12 months(1)	Remaining forecast period(2)	Next 12 months(1)	Remaining forecast period(2)	Next 12 months(1)	Remaining forecast period(2)
Main macroeconomic factors						
GDP growth	3.8%	4.8%	5.8%	4.9%	1.3%	5.4%
Average unemployment rate (percentage points)	6.5	5.6	5.8	4.9	8.6	7.3
Housing price index growth (decrease)	2.6%	4.6%	4.6%	5.4%	(3.0)%	4.6%
S&P/TSX index growth(3)	8.4%	8.7%	10.2%	8.4%	(1.9)%	16.3%

(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 Omicron variant has a brief, limited adverse impact on the Canadian economy in January 2022. The gradual easing of restrictions by governments begins in February, strengthening the economic momentum. Future variants do not threaten health care capacity and the constructive path toward the mid-2022 endemic phase continues. Consumers spend a moderate fraction of accumulated savings and further re-orient spending toward services. Pandemic-led sources of inflation including global supply bottlenecks moderate, easing inflationary pressures during 2022. Federal emergency income support ends with no major financial friction due to progress in labour market conditions and stronger household balance sheets. Confident businesses strongly invest in machinery and investment due to capacity limits. Immigration continues to improve, and unemployment falls further, contributing to dynamic housing market conditions. North American central banks withdraw stimulus, beginning with policy rate increases during the first half of 2022 and followed by a reduction in assets held on balance sheets. Above trend economic momentum lasts into 2023.

In the downside scenario, the Omicron variant persists this winter and delay the easing of restrictions until this summer. Furthermore, a new variant forces Canadian and U.S. authorities to tighten restrictions in the third quarter of 2022, leading to another dip in economic activity. Global supply bottlenecks worsen and market-based inflation expectations and bond yields sharp. The outlook for corporate profits deteriorates, leading to a correction in equity markets. The purchasing power of households erodes, unemployment increases and governments extend emergency income support programs. Monetary tightening from central banks work, inflation cools but economic momentum is weak. The endemic phase begins in 2023, underpinning a steady economic recovery.

In the upside scenario, the Omicron variant quickly ends. The rebound in economic activity is very strong and North American authorities lift all restrictions in March. Future variants are gentle and the endemic phase foster confidence. Most global supply chain bottlenecks vanish quickly, and inflation falls substantially. Households spend a large fraction of accumulated savings and wage growth accelerates, boosting demand-driven CPI inflation. Businesses heavily invest in machinery and investment due to the bright outlook. Financial markets revise up the corporate earnings outlook, leading to further gains in equities. Housing market conditions are very tight. Central banks tighten monetary policy conditions faster and the policy rate ends up above the pre-pandemic level.

Sensitivity analysis of allowances for credit losses on performing loans

The following table shows a comparison of the Bank's allowances for credit losses on performing loans (Stages 1 and 2) under IFRS 9 as at January 31, 2022 and as at October 31, 2021, including off-balance sheet exposures, with the estimated allowances for credit losses that would result if the base scenario was weighted at 100% or if all these performing loans were in Stage 1.

	As at January 31, 2022	As at October 31, 2021
Allowances for credit losses on performing loans (under IFRS 9)	**$ 120,957**	$ 115,586
Simulations		
100% base scenario	**$ 84,572**	$ 80,327
Performing loans if they were all in Stage 1	**$ 98,035**	$ 90,437

Loans not recognized on balance sheet

Canada Emergency Business Account Program

Under the Canada Emergency Business Account (CEBA) Program, the Bank provides interest-free loans of up to $60,000 to its eligible business customers. The funding for the CEBA Program is provided to the Bank by the Government of Canada. In addition, all loans are guaranteed by the Government of Canada. As such, the Bank is not assuming risks related to the loans and only acts as an administrator of the CEBA Program. The Bank receives an administration fee to recover the costs to administer the program for the Government of Canada. Accordingly, loans issued under the program are not recognized on the Bank's Consolidated Balance Sheet, since the conditions of a qualifying pass-through arrangement have been met and the Bank has determined that substantially all risks and rewards of ownership of the loans have been transferred to the Canadian government. As at January 31, 2022, the Bank had provided 1,837 customers with CEBA loans and had funded $102.2 million in loans under the program for an outstanding amount of $94.4 million (1,837 customers and an outstanding amount of $96.9 million as at October 31, 2021).

Finance lease receivables

The Commercial loans line item includes net investment in leases of $1,005.2 million as at January 31, 2022 ($957.7 million as at October 31, 2021).

6. SECURITIZATION AND STRUCTURED ENTITIES

6.1 TRANSFER OF FINANCIAL ASSETS

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

Financial assets not qualifying for derecognition and associated financial liabilities

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

	As at January 31, 2022	As at October 31, 2021
Residential mortgage loans	**$ 9,444,926**	$ 9,248,259
Replacement Assets[1]	**644,166**	735,625
Debt related to securitization activities	**$ (10,098,682)**	$ (10,068,782)

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

In addition, as at January 31, 2022, the Bank has also securitized other residential mortgage loans for a total amount of $72.2 million ($605.4 million as at October 31, 2021) 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, $53.0 million ($111.3 million as at October 31, 2021) 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 on the Consolidated Balance Sheet.

Financial assets not qualifying for derecognition and associated financial liabilities

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

		As at January 31, 2022		As at October 31, 2021
Personal loans	**$**	**1,180,293**	$	1,230,712
Commercial loans[1]		**574,938**		650,289
Debt related to securitization activities	**$**	**(1,218,697)**	$	(1,186,748)

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

6.3 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 (the "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 bear interest at a rate of 1.603% annually, payable semi-annually. The covered bonds are 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 January 31, 2022 the total amount of mortgages outstanding was $330.6 million.

7. DEPOSITS

								As at January 31, 2022
		Demand[1]		**Notice[2]**		**Term[3]**		**Total**
Personal	**$**	**139,917**	**$**	**6,725,748**	**$**	**11,976,251**	**$**	**18,841,916**
Business, banks and other[4]		**1,270,850**		**417,058**		**3,572,875**		**5,260,783**
	$	**1,410,767**	**$**	**7,142,806**	**$**	**15,549,126**	**$**	**24,102,699**

								As at October 31, 2021
		Demand[1]		Notice[2]		Term[3]		Total
Personal	$	138,469	$	5,927,684	$	12,084,891	$	18,151,044
Business, banks and other[4]		1,274,335		461,959		3,100,891		4,837,185
	$	1,412,804	$	6,389,643	$	15,185,782	$	22,988,229

(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 and covered bonds.

(4) The Bank has access to a credit facility agreement for an amount of up to $250 million secured by insured residential mortgage loans and maturing in August 2022, of which nil was drawn as at January 31, 2022 (nil as at October 31, 2021).

8. SHARE CAPITAL

Preferred shares

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

	For the three months ended			
	January 31, 2022		January 31, 2021	
	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	**$ 122,071**	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.
(2) Non-Viability Contingent Capital (NVCC).

There were no outstanding Non-Cumulative Class A Preferred Shares, Series 14 as at January 31, 2022 (no outstanding Non-Cumulative Class A Preferred Shares Series 14 as at October 31, 2021).

Limited Recourse Capital Notes (LRCN)

	As atJanuary 31, 2022				
	Maturity	**Interest rate**	**Earliest par value redemption date[2][3]**	**Redemption price per note ($)[2]**	**Reset premium**
Limited Recourse Capital Notes (NVCC)					
Series 1[1]	**June 15, 2081**	**5.30 %**	**May 15, 2026**	**$ 1,000**	**4.33 %**

(1) Recourse is 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 Preferred Shares Series 17 issued concurrently with LRCN Series 1.
(2) Redeemable in cash at the Bank's option, only upon the redemption by the Bank of the Preferred Shares Series 17 held in the Limited Recourse Trust in accordance with the terms of such Preferred Shares Series 17, and subject to the provisions of the Bank Act and to the prior consent of OSFI.
(3) Redeemable as of the date fixed for redemption during the period from May 15 to and including June 15 and on the same dates every five years thereafter.

Issued and outstanding
The variation and outstanding number and amount of Limited Recourse Capital Notes were as follows.

	For the three months ended	
	January 31, 2022	January 31, 2021
	Amount	Amount
Limited Recourse Capital Notes (NVCC)		
Series 1		
Outstanding at beginning of period	**$ 123,612**	n/a
Impact of limited recourse capital notes purchased or sold for trading	**(2,297)**	n/a
Outstanding at the end of period	**$ 121,315**	n/a

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 are presented as equity on the Bank's Consolidated Balance Sheet.

Common shares

Issued and outstanding

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

	For the three months ended			
		January 31, 2022		January 31, 2021
	Number of shares	**Amount**	Number of shares	Amount
Common shares				
Outstanding at beginning of year	**43,586,656**	**$ 1,172,722**	43,237,931	$ 1,159,488
Issuance under the employee share purchase option plan	**3,074**	**140**	—	—
Issuance under the Shareholder Dividend Reinvestment and Share Purchase Plan	**17,054**	**735**	104,769	3,204
Repurchase of shares for cancellation	**(294,000)**	**(7,910)**	—	—
Net issuance costs	**n/a**	**(4)**	n/a	(18)
	43,312,784	**$ 1,165,683**	43,342,700	$ 1,162,674

Normal course issuer bid

On December 10, 2021, the Bank announced that it has received the approval of the Toronto Stock Exchange and the OSFI to launch a normal course issuer bid ("NCIB") to repurchase for cancellation up to 875,000 of its common shares, being approximately 2% of the total number of its shares outstanding as at December 1, 2021.

The NCIB commenced on December 15, 2021 and will terminate upon 875,000 Shares being purchased pursuant to the NCIB, or upon the Bank providing an earlier notice of termination. If not previously terminated, the NCIB will terminate on December 14, 2022. During the first quarter 2022, the Bank repurchased 294,000 common shares under its NCIB at an average price of $42.86 per share for a total amount of $12.6 million, of which $7.9 million reduced common shares and $4.7 million reduced retained earnings.

Shareholder dividend reinvestment and share purchase plan

The Bank determined that as of March 1, 2022, reinvestment related to the dividend declared would be made in common shares issued from Corporate Treasury without a discount.

Dividends and other

On February 15, 2022, the Board of Directors declared regular dividends on the Preferred Shares Series 13 to shareholders of record on March 7, 2022. On March 1, 2022, the Board of Directors declared a dividend of $0.44 per common share, payable on May 1, 2022, to shareholders of record on April 1, 2022.

Capital management

Regulatory capital

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

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

The Bank has complied with regulatory capital requirements throughout the three-month period ended January 31, 2022.

Regulatory capital is detailed below.

	As at January 31, 2022	As at October 31, 2021
Common shares	$ 1,165,683	$ 1,172,722
Retained earnings	1,222,052	1,195,264
Accumulated other comprehensive income, excluding cash flow hedge reserve	(10,907)	(18,561)
Share-based compensation reserve	4,034	3,667
Transitional arrangements for expected credit losses in response to COVID-19[1]	10,482	19,006
Deductions from Common Equity Tier 1 capital[2]	(320,913)	(333,337)
Common Equity Tier 1 capital	2,070,431	2,038,761
Qualifying preferred shares and limited recourse capital notes	243,386	245,683
Total regulatory adjustments to Additional Tier 1 capital	—	(1,147)
Additional Tier 1 capital	243,386	244,536
Tier 1 capital	2,313,817	2,283,297
Qualifying subordinated debt	345,411	349,782
Collective allowances	110,895	97,000
Deductions from Tier 2 capital[3]	(4,373)	(74)
Tier 2 capital	451,933	446,708
Total capital	$ 2,765,750	$ 2,730,005
Common Equity Tier 1 capital ratio	9.8 %	10.2 %
Tier 1 capital ratio	10.9 %	11.4 %
Total capital ratio	13.0 %	13.6 %

(1) Represents ECL transitional arrangements provided by OSFI in April 2020 to afford financial institutions further flexibility in addressing economic conditions due to COVID-19.
(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

During the three months ended January 31, 2022, the Bank awarded 338,647 stock options under the New Stock Option Plan with an exercise price of $40.26 (269,861 stock options with an exercise price of $33.13 during the three months ended January 31, 2021). The weighted-average fair value of options granted during the three months ended January 31, 2022 was $6.00 per option ($4.87 per option during the three months ended January 31, 2021).

The weighted-average fair value of options granted was estimated on the award date using the Black-Scholes model as well as the following assumptions.

	For the three months ended	
	January 31, 2022	January 31, 2021
Risk free interest rate	1.24 %	0.62 %
Expected life of options	8 years	8 years
Expected volatility[1]	23 %	24 %
Expected dividend yield	5.00 %	5.40 %

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

For the three months ended January 31, 2022, the Bank recognized a compensation expense for stock option awards of $0.4 million ($0.6 million for the three months ended January 31, 2021).

10. POST-EMPLOYMENT BENEFITS

Expense for post-employment benefits

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

	For the three months ended		
	January 31, 2022	October 31, 2021	January 31, 2021
Defined benefit pension plans	**$ 2,013**	$ 2,904	$ 3,266
Settlement gain, net	**—**	(62)	—
Defined contribution pension plans	**2,180**	2,212	1,999
Other plans	**153**	(1,304)	142
	$ 4,346	$ 3,750	$ 5,407

11. EARNINGS PER SHARE

Basic and diluted earnings per share is detailed as follows[1].

	For the three months ended		
	January 31, 2022	October 31, 2021	January 31, 2021
Earnings per share – basic			
Net income	**$ 55,518**	$ (102,876)	$ 44,819
Preferred share dividends and limited recourse capital note interest	**4,601**	1,355	3,117
Net income attributable to common shareholders	**$ 50,917**	$ (104,231)	$ 41,702
Weighted-average number of outstanding common shares (in thousands)	**43,549**	43,533	43,273
Earnings per share – basic	**$ 1.17**	$ (2.39)	$ 0.96
Earnings per share – diluted			
Net income attributable to common shareholders	**$ 50,917**	$ (104,231)	$ 41,702
Weighted-average number of outstanding common shares (in thousands)	**43,549**	43,533	43,273
Dilutive share purchase options (in thousands)	**106**	107	—
Diluted weighted-average number of outstanding common shares (in thousands)	**43,655**	43,640	43,273
Earnings per share – diluted	**$ 1.17**	$ (2.39)	$ 0.96

(1) 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 22 of the 2021 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 $318.0 million which are classified in Level 1 as at January 31, 2022 ($322.1 million as at October 31, 2021). Financial instruments recorded at fair value classified in Level 3 are not significant. There were no significant transfers between Level 1 and Level 2 of the hierarchy in the period.

13. INCOME RELATED TO FINANCIAL INSTRUMENTS

Net interest income

	For the three months ended		
	January 31, 2022	October 31, 2021	January 31, 2021
Interest and similar income			
Interest income calculated using the effective interest method			
Financial instruments measured at amortized cost	**$ 285,528**	$ 281,240	$ 296,554
Financial instruments measured at FVOCI	**192**	206	563
Interest and similar income for financial instruments not measured at amortized cost[1]	**25,300**	22,835	29,253
	311,020	304,281	326,370
Interest and similar expense			
Interest expenses calculated using the effective interest method			
Financial instruments measured at amortized cost	**129,816**	131,011	152,956
Interest expense and derivative expense for financial instrument that are measured at FVTPL	**286**	175	340
	130,102	131,186	153,296
Net interest income	**$ 180,918**	$ 173,095	$ 173,074

(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 $3.9 million for three months ended January 31, 2022 ($3.1 million for the three months ended October 31, 2021 and $3.4 million for the three months ended January 31, 2021).

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. IMPAIRMENT AND RESTRUCTURING CHARGES

The following table details the Impairment and restructuring charges line item.

	For the three months ended		
	January 31, 2022	October 31, 2021	January 31, 2021
Strategic review-related charges[1]			
Impairment charges			
Impairment of premises and equipment	**$ 842**	$ 36,668	$ —
Impairment of software and intangible assets	**—**	31,549	—
	842	68,217	—
Charges related to lease and other contracts	**1,500**	18,425	—
Severance charges	**—**	9,425	—
	2,342	96,067	—
Personal Banking segment impairment charges[2]			
Impairment of goodwill	**—**	34,852	—
Impairment of software and intangible assets	**—**	52,741	—
Impairment of premises and equipment	**—**	5,800	—
	—	93,393	—
Restructuring charges[3]			
Severance charges	**—**	(929)	225
Charges related to lease contracts	**—**	(493)	—
Other restructuring charges	**—**	3,806	396
	—	2,384	621
Total	**$ 2,342**	$ 191,844	$ 621

(1) The strategic review-related charges relate to the renewed strategic direction and include impairment charges, severance charges and charges related to lease and other contracts.

(2) The Personal Banking segment impairment charges relate to the impairment of the Personal Banking segment as part of the annual goodwill impairment test.

(3) Restructuring charges mainly consist of charges associated with the optimization of the branch network and the related streamlining of certain back-office and corporate functions, as well as the resolution of the union grievances and complaints in 2021. Restructuring charges include severance charges, salaries, legal fees, communication expenses, professional fees and charges related to lease contracts.

Provision for restructuring charges

The following table shows the change in the provision for restructuring charges, including severance charges and charges related to lease and other contracts, which is included in the Other liabilities line item in the Consolidated Balance Sheet.

	For the three months ended	
	January 31, 2022	January 31, 2021
Balance at beginning of the period	**$ 25,241**	$ 5,041
Restructuring charges incurred during the period	**1,500**	621
Payments made during the period	**(3,129)**	(2,979)
Balance at end of the period	**$ 23,612**	$ 2,683

As at January 31, 2022 and January 31, 2021, the remaining provision mainly relates to lease contracts and severances.

THIS PAGE INTENTIONALLY LEFT BLANK

SHAREHOLDER INFORMATION

Corporate offices

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

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

Ombudsman's office

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

Transfer agent and registrar

Computershare Investor
Services Inc.
1500 Robert-Bourassa Blvd,
Suite 700
Montreal, Quebec H3A 3S8
service@computershare.com
Tel.: 514-982-7888

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 corporate_secretariat@lbcfg.ca

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.

Media

Journalists may contact the Bank's Executive Office at media@lbcfg.ca or by calling 514-451-3201.

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
		**	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