LAURENTIAN BANK

# FIRST QUARTER 2023

## Report to Shareholders

For the period ended January 31, 2023

Laurentian Bank of Canada reported net income of $51.9 million and diluted earnings per share of $1.09 for the first quarter of 2023, compared with $55.5 million and $1.17 for the first quarter of 2022. Return on common shareholders' equity was 7.5% for the first quarter of 2023, compared with 8.5% for the first quarter of 2022. Adjusted net income was $54.3 million and adjusted diluted earnings per share were $1.15 for the first quarter of 2023, compared with $59.5 million and $1.26 for the first quarter of 2022. Adjusted return on common shareholders' equity was 7.8% for the first quarter of 2023, compared with 9.2% a year ago.

"We delivered on a key milestone in the first quarter of 2023 with the launch of the Bank's reimagined VISA experience, which will allow us to grow our brand and attract new customers across Canada. This is an important step in the execution of our strategic plan and I remain confident in our team's ability to continue to deliver on our strategic priorities," said Rania Llewellyn, President & CEO. "We had good financial results this quarter driven by growth in Commercial Banking, while also maintaining healthy capital ratios and liquidity levels."

| | For the three months ended | | | | |
|---|---|---|---|---|---|
| In millions of dollars, except per share and percentage amounts (Unaudited) | **January 31, 2023** | October 31, 2022 | Variance | January 31, 2022 | Variance |
| **Reported basis** | | | | | |
| Net income | **$ 51.9** | $ 55.7 | (7)% | $ 55.5 | (6)% |
| Diluted earnings per share | **$ 1.09** | $ 1.26 | (13)% | $ 1.17 | (7)% |
| Return on common shareholders' equity[1] | **7.5 %** | 8.7 % | | 8.5 % | |
| Efficiency ratio[2] | **70.6 %** | 67.7 % | | 69.1 % | |
| Common Equity Tier 1 (CET1) capital ratio[3] | **9.1 %** | 9.1 % | | 9.8 % | |
| **Adjusted basis** | | | | | |
| Adjusted net income[4] | **$ 54.3** | $ 57.8 | (6)% | $ 59.5 | (9)% |
| Adjusted diluted earnings per share[1] | **$ 1.15** | $ 1.31 | (12)% | $ 1.26 | (9)% |
| Adjusted return on common shareholders' equity[1] | **7.8 %** | 9.0 % | | 9.2 % | |
| Adjusted efficiency ratio[1] | **69.4 %** | 66.6 % | | 67.0 % | |

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

## TABLE OF CONTENTS



# MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE PERIOD ENDED JANUARY 31, 2023

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, 2023 and its operating results for the three-month 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 as of February 27, 2023.

Additional information about the Bank, including the 2022 Annual Information Form, is available on the Bank's website at www.laurentianbank.ca and on the System for Electronic Document Analysis and Retrieval 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, 2023, 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 approximately 3,000 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 $50.4 billion in balance sheet assets and $28.1 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 and, as applicable its subsidiaries (collectively referred to as the "Bank") will make written or oral forward-looking statements within the meaning of applicable Canadian and United States (U.S.) securities legislation, including such as those contained in this document (and in the documents incorporated by reference herein), and in other documents filed with Canadian or U.S. regulatory authorities, in reports to shareholders, and in other written or oral communications. These forward-looking statements are made in accordance with the "safe harbor" provisions of, and are intended to be forward-looking statements in accordance with, applicable Canadian and U.S. securities legislation. 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, 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 impact of COVID-19, the statements under the headings "Outlook", "Impact of COVID-19" and "Risk Appetite and Risk Management Framework" contained in the 2022 Annual Report for the year ended October 31, 2022 (the "2022 Annual Report"), including the Management's Discussion and Analysis for the fiscal year ended October 31, 2022; 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 the Bank 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 such forward-looking statements are set out in the 2022 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 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 factors include, but are not limited to, risks relating to: credit; market; liquidity and funding; insurance; operational; regulatory compliance (which could lead to the Bank 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; supply chain disruptions; geopolitical events and uncertainties; government sanctions; conflict, war, or terrorism; and other significant risks discussed in the risk-related portions of the Bank's 2022 Annual Report, such as those related to: the ongoing and potential impacts of COVID-19 on the Bank's business, financial condition and prospects; Canadian and global economic conditions (including the risk of higher inflation and rising interest rates); 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; environmental and social risks; including 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" in the 2022 Annual Report, including the Management's Discussion and Analysis for the fiscal year ended October 31, 2022, which information is incorporated by reference herein. The Bank further cautions that the foregoing list of factors is not exhaustive. 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.

Any forward-looking statements contained herein or incorporated by reference represent the views of management only as at the date such statements were or are made, are presented for the purposes of assisting investors, financial analysts, and others in understanding certain key elements of the Bank's financial position, current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of the Bank's business and anticipated financial performance and operating environment and may not be appropriate for other purposes. The Bank does not undertake any obligation to update any forward-looking statements 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 and laws. Additional information relating to the Bank can be located on the SEDAR website at www.sedar.com.

# HIGHLIGHTS

TABLE 1
## FINANCIAL HIGHLIGHTS

| In thousands of dollars, except when noted | For the three months ended January 31, 2023 | October 31, 2022 | Variance | January 31, 2022 | Variance |
|---|---|---|---|---|---|
| **Operating results** | | | | | |
| Total revenue | **$ 260,068** | $ 257,142 | 1 % | $ 257,539 | 1 % |
| Net income | **$ 51,910** | $ 55,650 | (7)% | $ 55,518 | (6)% |
| Adjusted net income[1] | **$ 54,296** | $ 57,834 | (6)% | $ 59,491 | (9)% |
| **Operating performance** | | | | | |
| Diluted earnings per share | **$ 1.09** | $ 1.26 | (13)% | $ 1.17 | (7)% |
| Adjusted diluted earnings per share[2] | **$ 1.15** | $ 1.31 | (12)% | $ 1.26 | (9)% |
| Return on common shareholders' equity[2] | **7.5 %** | 8.7 % | | 8.5 % | |
| Adjusted return on common shareholders' equity[2] | **7.8 %** | 9.0 % | | 9.2 % | |
| Net interest margin[3] | **1.77 %** | 1.77 % | | 1.88 % | |
| Efficiency ratio[3] | **70.6 %** | 67.7 % | | 69.1 % | |
| Adjusted efficiency ratio[2] | **69.4 %** | 66.6 % | | 67.0 % | |
| Operating leverage[3][4] | **(4.3)%** | 0.8 % | | 52.9 % | |
| Adjusted operating leverage[2][4] | **(4.3)%** | 0.7 % | | (2.3)% | |
| **Financial position ($ millions)** | | | | | |
| Loans and acceptances | **$ 37,646** | $ 37,581 | — % | $ 34,375 | 10 % |
| Total assets | **$ 50,361** | $ 50,717 | (1)% | $ 46,085 | 9 % |
| Deposits | **$ 27,552** | $ 27,132 | 2 % | $ 24,103 | 14 % |
| Average earning assets[3] | **$ 41,856** | $ 41,214 | 2 % | $ 38,102 | 10 % |
| Average loans and acceptances[3] | **$ 37,591** | $ 36,907 | 2 % | $ 33,799 | 11 % |
| **Basel III regulatory capital ratios** | | | | | |
| CET1 capital ratio[5] | **9.1 %** | 9.1 % | | 9.8 % | |
| CET1 risk-weighted assets ($ millions)[5] | **$ 23,901** | $ 23,909 | | $ 21,232 | |
| **Credit quality** | | | | | |
| Gross impaired loans as a % of loans and acceptances[3] | **0.45 %** | 0.42 % | | 0.62 % | |
| Net impaired loans as a % of loans and acceptances[3] | **0.32 %** | 0.28 % | | 0.37 % | |
| Provision for credit losses as a % of average loans and acceptances[3] | **0.16 %** | 0.19 % | | 0.11 % | |
| **Common share information** | | | | | |
| Closing share price[6] | **$ 35.77** | $ 30.40 | 18 % | $ 44.24 | (19)% |
| Price / earnings ratio (trailing four quarters)[3] | **7.3 x** | 6.1 x | | 35.4 x | |
| Adjusted price / earnings ratio (trailing four quarters)[2] | **7.0 x** | 5.8 x | | 9.2 x | |
| Book value per share[2] | **$ 58.29** | $ 58.02 | — % | $ 54.97 | 6 % |
| Dividends declared per share | **$ 0.46** | $ 0.45 | 2 % | $ 0.44 | 5 % |
| Dividend yield[3] | **5.1 %** | 5.9 % | | 4.0 % | |
| Dividend payout ratio[3] | **42.1 %** | 35.8 % | | 37.7 % | |
| Adjusted dividend payout ratio[2] | **40.1 %** | 34.4 % | | 34.9 % | |

(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

In addition to financial measures based on generally accepted accounting principles (GAAP), management uses non-GAAP financial measures to assess the Bank's underlying ongoing business performance. Non-GAAP financial measures presented throughout this document are referred to as "adjusted" measures and exclude amounts designated as adjusting items. Adjusting items include the amortization of acquisition-related intangible assets, and certain items of significance that arise from time to time which management believes are not reflective of underlying business performance. 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. The Bank believes non-GAAP financial measures are useful to readers in obtaining a better understanding of how management assesses the Bank's performance and in analyzing 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

| In thousands of dollars (Unaudited) | For the three months ended January 31, 2023 | October 31, 2022 | January 31, 2022 |
|---|---|---|---|
| **Non-interest expenses** | **$ 183,675** | $ 174,147 | $ 177,930 |
| Adjusting items, before income taxes | | | |
| Amortization of acquisition-related intangible assets[1] | **3,210** | 3,172 | 3,028 |
| Strategic review-related charges[2] | **—** | (237) | 2,342 |
| | **3,210** | 2,935 | 5,370 |
| **Adjusted non-interest expenses** | **$ 180,465** | $ 171,212 | $ 172,560 |
| **Income before income taxes** | **$ 60,961** | $ 65,146 | $ 70,209 |
| Adjusting items, before income taxes (detailed above) | **3,210** | 2,935 | 5,370 |
| **Adjusted income before income taxes** | **$ 64,171** | $ 68,081 | $ 75,579 |
| **Reported net income** | **$ 51,910** | $ 55,650 | $ 55,518 |
| Adjusting items, net of income taxes | | | |
| Amortization of acquisition-related intangible assets[1] | **2,386** | 2,359 | 2,252 |
| Strategic review-related charges[2] | **—** | (175) | 1,721 |
| | **2,386** | 2,184 | 3,973 |
| **Adjusted net income** | **$ 54,296** | $ 57,834 | $ 59,491 |
| **Net income available to common shareholders** | **$ 47,309** | $ 54,361 | $ 50,917 |
| Adjusting items, net of income taxes (detailed above) | **2,386** | 2,184 | 3,973 |
| **Adjusted net income available to common shareholders** | **$ 49,695** | $ 56,545 | $ 54,890 |

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

(2) In 2022, strategic review-related charges mainly related to lease contracts following the completion of the reduction of leased corporate office premises in Montreal and Toronto, as well as to other updates to estimates initially recorded in 2021.

TABLE 3
## RECONCILIATION OF NON-GAAP FINANCIAL MEASURES — CONSOLIDATED BALANCE SHEET

| In thousands of dollars (Unaudited) | For the three months ended January 31, 2023 | October 31, 2022 | January 31, 2022 |
|---|---|---|---|
| **Shareholders' equity** | **$ 2,808,932** | $ 2,781,103 | $ 2,659,840 |
| **Less:** | | | |
| Preferred shares | **(122,071)** | (122,071) | (122,071) |
| Limited recourse capital notes | **(123,282)** | (122,332) | (121,315) |
| Cash flow hedges reserve[1] | **(33,323)** | (22,607) | (35,591) |
| **Common shareholders' equity** | **$ 2,530,256** | $ 2,514,093 | $ 2,380,863 |
| **Impact of averaging month-end balances[2]** | **(11,057)** | (32,795) | (5,486) |
| **Average common shareholders' equity** | **$ 2,519,199** | $ 2,481,298 | $ 2,375,377 |

(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. The Bank believes non-GAAP ratios are useful to readers in obtaining a better understanding of how management assesses the Bank's performance and in analyzing 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 weighted 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

| In thousands of dollars, except per share amounts (Unaudited) | For the three months ended January 31, 2023 | October 31, 2022 | January 31, 2022 |
|---|---|---|---|
| **Diluted earnings per share** | **$ 1.09** | $ 1.26 | $ 1.17 |
| Adjusting items, net of income taxes, on a per share basis[1] | **0.06** | 0.05 | 0.09 |
| **Adjusted diluted earnings per share[2]** | **$ 1.15** | $ 1.31 | $ 1.26 |

(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 defined as net income available to common shareholders as a percentage of average common shareholders' equity. This ratio can be used in assessing the Bank's profitability.

**Adjusted return on common shareholders' equity (Adjusted ROE)** is defined as adjusted net income available to common shareholders as a percentage of average common shareholders' equity. This ratio can be used in assessing the Bank's profitability excluding adjusting items defined above.

**Adjusted efficiency ratio** is defined as adjusted non-interest expenses as a percentage of total revenue. This ratio can be used in assessing the Bank's productivity and cost control.

**Adjusted operating leverage** is the difference between total revenue and adjusted non-interest expenses growth rates. This ratio can be used in assessing the Bank's efficiency.

**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 21 of this MD&A for more information about the composition of supplementary financial measures disclosed in this document.

# BUSINESS HIGHLIGHTS

### Strategic plan

In December 2021, the Bank unveiled a new, three-year strategic plan for sustainable, long-term profitable growth. The strategy is focused, simple and executable, and is anchored in five strategic pillars: 1) Build One Winning Team; 2) Make Size our Advantage; 3) Think Customer First; 4) Simplify; and 5) Make the Better Choice. Coupled with the launch of its new purpose and core values, the Bank feels well positioned to drive results and shareholder value.

As we enter the second year of our plan, we are focusing on three priorities in 2023: delivering excellent customer service, growing deposits, and driving efficiencies through simplification.

### Delivering Excellent Customer Service

We will continue our focus on improving the customer experience and removing pain points, leveraging data from our Net Promoter Score (NPS) program. This concentrated effort will help us to gain a deeper understanding of what drives customer satisfaction and dissatisfaction, allowing us to implement targeted actions.

When it comes to our Commercial Banking specialties, we have always been a service-leader. This quarter, our Equipment Financing specialization within Commercial Banking joined Inventory Financing by moving from an "excellent" to "world class" rating in its Net Promoter Score (NPS) by proactively putting its customers at the centre of all its organizational decisions.

We are now taking these best practices and applying them across the organization, including the rollout of NPS survey in all retail channels and our contact centre.

To improve the customer experience, in February 2023, we launched our reimagined VISA experience to the public. Through our strategic partnership with BRIM Financial, customers, from across Canada, can now apply for our new VISA experience online and get a response within minutes, have access to an enhanced rewards program to earn more through hundreds of special merchant offers, manage their account and card online with a best-in-class digital self-serve platform and enjoy flexible payment options.

To further improve the customer experience, we launched a new Mortgage Financing Centre to handle all mortgage acquisition and refinancing solutions for our retail branches. Using existing resources with strong backgrounds in home financing, we are able to deliver targeted solutions that meet our customers' needs.

### Growing Deposits

Coming off a record year in deposit growth, we will continue our focus on growing deposits so that we can maintain a strong balance sheet and support our loan growth. Having now closed our customers' top five digital gaps, we are well positioned to deepen our relationships with existing customers and target new ones.

This quarter, we have grown our strategic partnership deposits by $1 billion. These deposits are a cost-effective funding source for the Bank and backed by multi-year commitments.

To drive accountability on this priority, we have included deposit growth on our leaders' scorecards across the organization, both customer-facing and non-customer-facing.

In addition, by leveraging our new Mortgage Financing Centre, we are creating additional capacity for our financial advisors in branches to focus on deposit growth and deepen our relationships with our customers.

### Driving Efficiencies Through Simplification

We will continue to drive down our adjusted efficiency ratio below 65% over the medium-term by further streamlining our internal processes and operations to find efficiencies and become an even more agile organization.

To improve internal operational efficiencies, and in line with making the better choice, we have launched a campaign to encourage paperless statements for all retail banking customers.

As part of a pilot project, we have introduced Robotics Process Automation (RPA) into three processes within the Bank, with another 17 to follow. Once implemented, these projects improve our overall efficiency. Once the 20 pilot applications have been introduced, we will look to further expand the program.

We have also streamlined and automated processes in deposit fulfillment, reducing fulfillment time by 50%.

### Make the Better Choice

From the businesses the Bank is in, to the people we hire, and the suppliers we use, the Bank is living up to its values and integrating environmental, social and governance (ESG) best practices in operations and activities.

The Bank has launched a newly refreshed corporate donations strategy called "Giving Beyond Numbers". The program is supporting organizations dedicated to supporting the economic inclusion of newcomers and refugees, as well as those whose mission it is to combat economic inequities impacting underrepresented groups. As part of the launch of the new program, we announced a $400,000 donation to seven deserving organizations dedicated to advancing equity in economic inclusion.

As part of making the better choice, the Bank established a 35% reduction target in its Scope 1 and 2 GHG emissions by 2030, from a 2022 base year.

To support Quebec school bus operators in their transition to electric vehicles, we participated in the financing of zero-emission buses.

The Bank also signed the Parental Leave Pledge introduced by Women in Capital Markets, which includes a commitment to provide paid leave to all parents (including fathers, same-sex partners and parents adopting a child) and foster an inclusive work culture that normalizes and embraces parental leave across all ranks and positions.This commitment is reflected in our enhanced employee benefits, including an Employee and Family Assistance program.

# OUTLOOK

## ECONOMIC OUTLOOK

The outlook for global economic growth this year remains challenging, as higher interest rates and the ongoing war in Europe continue to weigh on economic activity. We expect a long period of adjustment to the higher rate environment ending in a mild recession in North America.

However, there is some insulation taking the form of high employment and savings, which appear to be delaying a recession and prevents us from completely dismissing a soft landing.

The U.S. Federal Reserve has reduced the pace of its interest rate hikes but continues to signal additional increases over the near-term. Consumer spending in the U.S. has remained resilient due to excess savings and the labour market remains solid, with an unemployment rate sitting at a five-decade low of 3.4%, despite a recent downward trend in job postings. Looking forward, projected investment in machinery and equipment has slowed and sales expectations have deteriorated.

In Canada, the Consumer Price Index (CPI) has moderated from a four-decade high of 8.1% in June 2022 to 5.9% in January 2023 but remains significantly higher than the Bank of Canada's stated 2% target. However, as a result of recent moderation, the Bank of Canada announced a conditional pause on further rate hikes but stated that it will keep increasing rates if inflation does not continue to subside. Canadian consumers are changing habits by reducing spending, saving more, buying less expensive items and delaying purchases. Canadian labour market conditions remain solid with an unemployment rate of 5.0%, despite the slowing in job vacancies.

In the housing sector, resale conditions are balanced after cooling in 2022. Homebuilding of residential units has slowed but remains at elevated levels. Low supply continues to prevent a large decline in home prices. At the same time, Canada's population grows at a pace unmatched by other industrialized countries, led by a record-high inflow of non-permanent residents. Solid household savings is also driving demand while the rental market vacancy rate stands at a two-decade low.

China's reopening and global economic resilience has contributed to weakening of the U.S. dollar relative to several currencies including the Canadian dollar in recent months. A resurgence in demand from China, combined with the recent announcement of a cut in Russian oil supply, might put pressure on inflation through an increase in commodity prices. This carries the downside risk of further rate hikes above current market expectations.

# ANALYSIS OF CONSOLIDATED RESULTS

TABLE 5
**CONDENSED CONSOLIDATED RESULTS**

| In thousands of dollars, except percentage amounts (Unaudited) | For the three months ended January 31, 2023 | October 31, 2022 | January 31, 2022 |
|---|---|---|---|
| Net interest income | **$ 187,116** | $ 183,824 | $ 180,918 |
| Other income | **72,952** | 73,318 | 76,621 |
| Total revenue | **260,068** | 257,142 | 257,539 |
| Provision for credit losses | **15,432** | 17,849 | 9,400 |
| Non-interest expenses | **183,675** | 174,147 | 177,930 |
| Income before income taxes | **60,961** | 65,146 | 70,209 |
| Income taxes | **9,051** | 9,496 | 14,691 |
| Net income | **51,910** | 55,650 | 55,518 |
| Preferred share dividends and limited recourse capital note interest | **4,601** | 1,289 | 4,601 |
| Net income available to common shareholders | **$ 47,309** | 54,361 | $ 50,917 |
| **Non-GAAP financial measures** | | | |
| Adjusted non-interest expenses[1] | **$ 180,465** | $ 171,212 | $ 172,560 |
| Adjusted income before income taxes[1] | **$ 64,171** | $ 68,081 | $ 75,579 |
| Adjusted net income[1] | **$ 54,296** | $ 57,834 | $ 59,491 |
| Adjusted net income available to common shareholders[1] | **$ 49,695** | $ 56,545 | $ 54,890 |

(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 2023 COMPARED WITH FIRST QUARTER OF 2022

Net income was $51.9 million and diluted earnings per share were $1.09 for the first quarter of 2023, compared with $55.5 million and $1.17 for the first quarter of 2022. Adjusted net income was $54.3 million and adjusted diluted earnings per share were $1.15 for the first quarter of 2023, compared with $59.5 million and $1.26 for the first quarter of 2022.

### Total revenue

Total revenue of $260.1 million for the first quarter of 2023 increased by 1% compared with $257.5 million for the first quarter of 2022.

*Net interest income* increased by $6.2 million or 3% to $187.1 million for the first quarter of 2023, compared with $180.9 million for the first quarter of 2022. The increase was mainly due to higher interest income stemming from commercial loans, partly offset by higher funding costs and lower mortgage pre-payment penalties. The net interest margin was 1.77% for the first quarter of 2023, a decrease of 11 basis points compared with the first quarter of 2022, mainly due to higher funding costs, loan repricing lags and lower mortgage prepayment penalties as a result of the rising interest rate environment, partly offset by favourable changes in our business mix.

Other income decreased by $3.7 million or 5% to $73.0 million for the first quarter of 2023, compared with $76.6 million for the first quarter of 2022. The volatile market conditions unfavourably impacted financial markets revenue in the first quarter of 2023, including fees and securities brokerage commissions and income from mutual funds. Lower lending fees also contributed to the decrease year-over-year.

### Provision for credit losses

The provision for credit losses was $15.4 million for the first quarter of 2023 compared with $9.4 million for the first quarter of 2022, an increase of $6.0 million mainly due to higher provisions on impaired loans. The provision for credit losses as a percentage of average loans and acceptances stood at 16 bps for the quarter, compared to 11 bps for the same quarter a year ago. Refer to the "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 $183.7 million for the first quarter of 2023, an increase of $5.7 million compared with the first quarter of 2022. Adjusted non-interest expenses increased by $7.9 million or 5% to $180.5 million for the first quarter of 2023, compared with $172.6 million for the first quarter of 2022.

*Salaries and employee benefits* amounted to $103.9 million for the first quarter of 2023, an increase of $6.2 million compared with the first quarter of 2022, mostly due to salary increases and talent acquisition to invest in strategic priorities, improve the customer experience, and support growth. This was partly offset by lower employee benefits and lower performance-based compensation.

*Premises and technology costs* were $47.1 million for the first quarter of 2023, an increase of $2.1 million compared with the first quarter of 2022. The increase year-over-year is mainly due to higher technology costs as the Bank is investing in its infrastructure and strategic priorities, as well as increased amortization charges resulting from new projects recently completed.

*Other non-interest expenses* were $32.7 million for the first quarter of 2023, mainly unchanged compared with the first quarter of 2022 and resulting from continued cost discipline.

*Efficiency ratio*
The efficiency ratio on a reported basis was 70.6% for the first quarter of 2023, compared with 69.1% for the first quarter of 2022. The adjusted efficiency ratio was 69.4% for the first quarter of 2023, compared to 67.0% for the first quarter of 2022, mainly as a result of temporary pressures on net interest margin and investments in strategic priorities, as detailed above. Macro-economic headwinds also contributed to negative operating leverage on a year-over-year basis.

### Income taxes

For the first quarter of 2023, income taxes were $9.1 million, and the effective tax rate was 15%. For the first quarter of 2022, the income tax was $14.7 million, and the effective tax rate was 21%. For both quarters, 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.

## FIRST QUARTER OF 2023 COMPARED WITH FOURTH QUARTER OF 2022

Net income was $51.9 million and diluted earnings per share were $1.09 for the first quarter of 2023, compared with $55.7 million and $1.26 for the fourth quarter of 2022. Adjusted net income was $54.3 million and adjusted diluted earnings per share were $1.15 for the first quarter of 2023, compared with $57.8 million and $1.31 for the fourth quarter of 2022. Net income available to common shareholders included the 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 2023, whereas the fourth quarter of 2022 only included the quarterly dividend declared on the Preferred Shares Series 13.

Total revenue increased by $2.9 million to $260.1 million for the first quarter of 2023 compared with $257.1 million for the previous quarter.

Net interest income increased by $3.3 million sequentially to $187.1 million. The increase mainly reflects the positive impact of higher interest income stemming from commercial loans. Net interest margin was 1.77% for the first quarter of 2023, in line with the fourth quarter of 2022.

Other income amounted to $73.0 million for the first quarter of 2023, a decrease of $0.4 million from the previous quarter. The volatile market conditions continued to unfavourably impact financial markets revenue in the first quarter of 2023, including fees and securities brokerage commissions and income from mutual funds.

The provision for credit losses was $15.4 million for the first quarter of 2023, a decrease of $2.4 million compared with $17.8 million for the fourth quarter of 2022. The decrease is due to lower provisions on both performing and impaired loans. Refer to the "Risk Management" section for additional information.

Non-interest expenses increased by $9.5 million to $183.7 million for the first quarter of 2023 from $174.1 million in the fourth quarter of 2022. The increase mostly stems from a one-time $2.9 million employee benefits subsidy recorded last quarter and seasonally higher vacation accruals, as well as higher employee benefits and performance-based compensation, partly offset by lower professional fees. Adjusted non-interest expenses amounted to $180.5 million in the first quarter of 2023, an increase of $9.3 million, mainly for the same reasons.

# ANALYSIS OF FINANCIAL CONDITION

TABLE 6
## CONDENSED BALANCE SHEET

| In thousands of dollars (Unaudited) | As at January 31, 2023 | As at October 31, 2022 |
|---|---|---|
| **Assets** | | |
| Cash and deposits with banks | **$ 1,429,668** | $ 1,890,923 |
| Securities | **6,064,158** | 6,184,461 |
| Securities purchased under reverse repurchase agreements | **3,941,511** | 3,727,752 |
| Liquid assets[1] | **11,435,337** | 11,803,136 |
| Loans and acceptances, net of allowances | **37,451,189** | 37,387,585 |
| Other assets | **1,474,552** | 1,526,037 |
| | **$ 50,361,078** | $ 50,716,758 |
| **Liabilities and Shareholders' Equity** | | |
| Deposits | **$ 27,552,481** | $ 27,131,806 |
| Other liabilities | **7,544,038** | 8,274,874 |
| Debt related to securitization activities | **12,119,595** | 12,192,422 |
| Subordinated debt | **336,032** | 336,553 |
| Shareholders' equity | **2,808,932** | 2,781,103 |
| | **$ 50,361,078** | $ 50,716,758 |

(1) Liquid assets is a supplementary financial measure and consist of cash, deposits with banks, securities and securities purchased under reverse repurchase agreements.

As at January 31, 2023, total assets amounted to $50.4 billion, a 1% decrease from $50.7 billion as at October 31, 2022, due to the lower level of liquid assets.

### Liquid assets

As at January 31, 2023, liquid assets amounted to $11.4 billion, a decrease of $0.4 billion compared with $11.8 billion as at October 31, 2022. The Bank continues to prudently manage its level of liquid assets. The Bank's funding sources remain well diversified and sufficient to meet all liquidity requirements. Liquid assets represented 23% of total assets as at January 31, 2023, in line with October 31, 2022.

### Loans

Loans and bankers' acceptances, net of allowances, stood at $37.5 billion as at January 31, 2023, an increase of $0.1 billion since October 31, 2022. During the first quarter of 2023, commercial loan and residential mortgage growth were partly offset by a decrease in personal loans. Commercial loans and acceptances amounted to $18.3 billion as at January 31, 2023, an increase of $0.2 billion or 1% since October 31, 2022. The increase resulted mainly from net growth in both inventory financing and real estate lending. Residential mortgage loans of $16.2 billion as at January 31, 2023 increased by $0.1 billion or 1% from October 31, 2022. Personal loans of $3.1 billion as at January 31, 2023 decreased by $0.2 billion from October 31, 2022, mainly as a result of a decline in the investment loan portfolio driven by volatile market conditions.

### Other assets

Other assets stood at $1.5 billion as at January 31, 2023, mainly unchanged since October 31, 2022.

### Deposits

Deposits increased by $0.4 billion or 2% to $27.6 billion as at January 31, 2023 compared with $27.1 billion as at October 31, 2022. Personal deposits stood at $22.7 billion as at January 31, 2023, up $0.5 billion compared with October 31, 2022. Notice and demand deposits from partnerships increased by $1.0 billion in the quarter, partly offset by a $0.7 billion decline in term deposits from advisors and brokers. The Bank's retail term deposits also increased by $0.4 billion. Personal deposits represented 83% of total deposits as at January 31, 2023, compared with 82% as at October 31, 2022, and contributed to the Bank's sound liquidity position. Business and other deposits decreased by $0.1 billion over the same period to $4.8 billion.

### Other liabilities

Other liabilities stood at $7.5 billion as at January 31, 2023, a decrease of $0.7 billion or 9% since October 31, 2022. The decrease resulted mainly from lower obligations related to securities sold under repurchase agreements associated with trading activities.

#### Debt related to securitization activities

Debt related to securitization activities decreased by $0.1 billion or 1% compared with October 31, 2022 and stood at $12.1 billion as at January 31, 2023. Since the beginning of the year, maturities and normal repayments were partly offset by new mortgage loan securitization through the CMHC programs, supplemented by other secured funding.

#### Subordinated debt

Subordinated debt stood at $0.3 billion as at January 31, 2023, mainly unchanged since October 31, 2022. Subordinated debt is an integral part of the Bank's regulatory capital and affords its depositors additional protection, as further detailed in the Capital Management section below.

#### Shareholders' equity

Shareholders' equity stood at $2.8 billion as at January 31, 2023 and increased by $27.8 million compared with October 31, 2022. Retained earnings increased by $26.5 million compared to October 31, 2022, mainly as a result of the net income contribution of $51.9 million, partly offset by dividends. 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 $58.29 as at January 31, 2023 compared to $58.02 as at October 31, 2022.

# CAPITAL MANAGEMENT

Management seeks to maintain an adequate level of capital that considers the Bank's targeted capital ratios and internal assessment of required capital that is aligned with the Bank's risk appetite, strategic plan and shareholders' expectations. In order to achieve these objectives, the Bank leverages its capital management framework. This framework is underpinned by the Bank's Capital Management and Adequacy Policy which outlines the mechanisms for capital planning, management and adequacy assessment. Refer to the section "Capial Management" on page 43 of the Bank's 2022 Annual Report for additional information on the Bank's capital management framework.

## 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 the Basel III Accord. 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. For additional information on the three types of capital and ratios definitions, see page 44 of the 2022 Annual Report and the Glossary on page 21 of this report. Institutions are expected to meet minimum risk-based capital requirements for exposure to credit risk, operational risk and, where they are internationally active, market risk.

The Basel III Accord also 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%. For additional information on the leverage ratio definition, see the Glossary on page 21 of this report.

#### Regulatory capital developments

*Changes to Capital, Leverage and Liquidity Requirements and related Disclosures – the Basel III Reforms.*
In December 2017, the BCBS issued the Basel III: Finalising post-crisis reforms standard in response to the global financial crisis. It addressed shortcomings of the pre-crisis regulatory framework and provided a new regulatory foundation for a resilient banking system. A key objective of the revisions incorporated into the framework was to reduce excessive variability of risk-weighted assets (RWA) and to restore credibility in the calculation of RWA, as well as to improve comparability and transparency among bank capital ratios.

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

Concurrent with the consultation, OSFI was consulting on proposed changes to the Pillar 3 Disclosure Guideline applicable to Domestic Systemically Important Banks (D-SIBs). These enhanced disclosure requirements incorporated revisions to the Guidelines to support transparency and promote market discipline. On August, 5, 2021, continuing its initiative to develop tailored requirements for the Canadian SMSBs, OSFI issued for Public Consultation the Draft Pillar 3 Disclosure Guideline for SMSBs. This draft guideline listed the disclosures required by SMSBs and their respective implementation dates.

On January 31, 2022, OSFI released 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 include the Guidelines and the SMSB Capital and Liquidity Guideline, as well as 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 the credit valuation adjustment risk taking effect in early 2024. The Bank is finalizing its assessment of these new regulatory requirements and, in parallel, gradually implementing changes to systems and processes. The Basel III Reforms are not expected to have a material impact on the Bank' capital, leverage and liquidity ratios as of the second quarter of 2023.

### Regulatory capital ratios

The Common Equity Tier 1 capital ratio stood at 9.1% as at January 31, 2023, stable compared with October 31, 2022 and in excess of the minimum regulatory requirement and the Bank's target management levels. The Bank dynamically manages its level of capital which led to a stable CET1 capital ratio this quarter, as internal capital generation offset a 6 basis points negative impact from the phase-out of the ECL transitional arrangements in response to COVID-19. The Bank met OSFI's capital and leverage requirements throughout the quarter.

TABLE 7
**REGULATORY CAPITAL AND LEVERAGE RATIOS**

| In thousands of dollars, except percentages | **As at January 31, 2023** | As at October 31, 2022 |
|---|---|---|
| **Regulatory capital** | | |
| Common shares | **$ 1,169,978** | $ 1,167,549 |
| Retained earnings | **1,348,909** | 1,322,381 |
| Accumulated other comprehensive income, excluding cash flow hedge reserve | **6,073** | 19,438 |
| Share-based compensation reserve | **5,296** | 4,725 |
| Transitional arrangements for expected credit losses in response to COVID-19[1] | **—** | 15,609 |
| Deductions from Common Equity Tier 1 capital[2] | **(349,337)** | (362,389) |
| Common Equity Tier 1 capital | **2,180,919** | 2,167,313 |
| Qualifying preferred shares and limited recourse capital notes | **245,353** | 244,403 |
| Additional Tier 1 capital | **245,353** | 244,403 |
| Tier 1 capital | **2,426,272** | 2,411,716 |
| Qualifying subordinated debt | **336,032** | 336,553 |
| Collective allowances | **153,445** | 133,658 |
| Tier 2 capital | **489,477** | 470,211 |
| Total capital | **$ 2,915,749** | $ 2,881,927 |
| **CET1 risk-weighted assets** | **$ 23,900,939** | $ 21,232,369 |
| **Total exposure** | **$ 51,494,761** | $ 52,170,897 |
| **Capital ratios** | | |
| Common Equity Tier 1 capital ratio | **9.1 %** | 9.1 % |
| Tier 1 capital ratio | **10.2 %** | 10.1 % |
| Total capital ratio | **12.2 %** | 12.1 % |
| **Leverage ratio** | **4.7 %** | 4.6 % |

(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. Under the arrangement, a portion of allowances that would otherwise have been included in Tier 2 capital is included in CET1 capital, subject to a scaling factor. The scaling factors were set at 25% for fiscal 2022 and at 0% for fiscal 2023.
(2) Comprised of deductions for software and other intangible assets, goodwill, pension plan assets and other.

## OUTSTANDING CAPITAL INSTRUMENTS

As at February 22, 2023, there were 5,000,000 outstanding Preferred Shares Series 13, 43,405,425 outstanding common shares and 1,630,742 outstanding stock options.

## NON-VIABILITY CONTINGENT (NVCC) CAPITAL INSTRUMENTS AND OTHER BAIL-IN REGULATIONS

As required under the Basel III Accord, OSFI requires that regulatory capital instruments other than common equity have a non-viability contingent capital (NVCC) clause to ensure that investors bear losses before taxpayers should the government determine that it is in the public interest to rescue a non-viable financial institution. 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 was to occur, NVCC capital instruments as at January 31, 2023, which are the Class A Preferred Shares Series 13, the subordinated debentures due on June 15, 2032, 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 73.4% based on the number of common shares outstanding as at January 31, 2023.

Furthermore, in the regulations of the Canadian Deposit Insurance Corporation (CDIC) Act and the *Bank Act* (Canada), the Government of Canada has provided detailed information on conversion, issuance, and compensation regimes for bail-in instruments issued by D-SIBs (collectively the Bail-In Regulations). The Bail-In regulations provide for the conversion of certain shares and liabilities of a bank into common shares when a bank has ceased, or is about to cease, to be viable. At last, OSFI's Total Loss Absorbing Capacity (TLAC) guideline, which also applies to D-SIBs under the federal government's Bail-In Regulations, aims to ensure that a D-SIB has sufficient loss-absorbing capacity to support its recapitalization in the unlikely event it becomes non-viable. As the Bank has not been designated as a D-SIB, these measures do not apply to the Bank.

## NORMAL COURSE ISSUER BID

On December 10, 2021, the Bank announced that it had received the approval of the Toronto Stock Exchange and 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.

In 2022, the Bank repurchased 401,200 common shares under its NCIB at an average price of $42.91 per share for a total amount of $17.2 million, of which $10.8 million reduced common shares and $6.4 million reduced retained earnings. The NCIB terminated on December 14, 2022.

## DIVIDENDS

On February 27, 2023, the Board of Directors declared a quarterly dividend of $0.46 per common share, payable on May 1, 2023, to shareholders of record on April 3, 2023. This quarterly dividend is equal to the dividend declared in the previous quarter and is 5% higher 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 with a 2% discount.

# RISK MANAGEMENT

The Bank is exposed to various types of risks owing to its activities, mainly as it relates to the use of financial instruments. In order to manage these risks, various risk management policies and risk limits, as well as other controls have been implemented. These measures aim to ensure we manage within our risk appetite while optimizing risk-return in all operating segments. Refer to the section "Risk Appetite and Risk Management Framework" on page 48 of the Bank's 2022 Annual Report for additional information on the Bank's risk management framework.

## CREDIT RISK

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

### Measurement uncertainty of expected credit loss estimates

The Bank updates quarterly its forward-looking economic scenarios to assess its allowances for credit losses. 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, 2023 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 comprehensive impact of recent macro-economic developments on the Canadian and U.S. economies is uncertain. Therefore, it remains difficult to predict whether these factors may result in write-offs in the future, or if the Bank will need to recognize additional increases or release portions of its allowances for credit losses in subsequent periods.

### Provision for credit losses

*First quarter of 2023 compared with first quarter of 2022*
Total provision for credit losses of $15.4 million increased by $6.0 million compared with the first quarter of 2022, mainly as a result of higher provisions on impaired loans. The provision for credit losses as a percentage of average loans and acceptances stood at 16 bps for the quarter, compared to 11 bps for the same quarter a year ago.

The provision for credit losses on performing loans was $5.9 million for the first quarter of 2023 compared with a provision of $5.5 million for the first quarter of 2022. This mainly reflects higher provisions on commercial loans due to volume growth and the less favourable forward-looking macro-economic scenarios and probability weights and the impact of staging migration in the personal loan portfolio.

The provision for credit losses on impaired loans was $9.5 million for the first quarter of 2023 and increased by $5.6 million, due to higher provisions on personal loans, partly offset by lower provisions in the commercial loan portfolio.

*First quarter of 2023 compared with fourth quarter of 2022*
Total provision for credit losses of $15.4 million decreased by $2.4 million compared with the fourth quarter of 2022, mainly as a result of lower provisions on performing and impaired loans. The provision for credit losses as a percentage of average loans and acceptances stood at 16 bps, compared to 19 bps the previous quarter.

The provision for credit losses on performing loans was $5.9 million for the first quarter of 2023 compared with $7.5 million for the fourth quarter of 2022, primarily reflecting lower provisions on commercial loans as a result of credit migration.

The provision for credit losses on impaired loans of $9.5 million decreased by $0.8 million compared with the fourth quarter of 2022 due to lower provisions in the commercial loan portfolio, partly offset by higher provisions on personal loans.

TABLE 8

### PROVISION FOR CREDIT LOSSES

| | For the three months ended | | |
|---|---|---|---|
| In thousands of dollars, except percentage amounts (Unaudited) | **January 31, 2023** | October 31, 2022 | January 31, 2022 |
| **Personal loans** | | | |
| Performing (Stage 1 and 2) | **$ (2,421)** | $ (2,703) | $ 4,026 |
| Impaired (Stage 3) | **9,699** | 8,634 | (4,092) |
| | **7,278** | 5,931 | (66) |
| **Residential mortgage loans** | | | |
| Performing (Stage 1 and 2) | **(183)** | 240 | 970 |
| Impaired (Stage 3) | **207** | 75 | (1,518) |
| | **24** | 315 | (548) |
| **Commercial loans**(1) | | | |
| Performing (Stage 1 and 2) | **8,494** | 9,999 | 491 |
| Impaired (Stage 3) | **(364)** | 1,604 | 9,523 |
| | **8,130** | 11,603 | 10,014 |
| **Total loans** | | | |
| Performing (Stage 1 and 2) | **5,890** | 7,536 | 5,487 |
| Impaired (Stage 3) | **9,542** | 10,313 | 3,913 |
| Provision for credit losses | **$ 15,432** | $ 17,849 | $ 9,400 |
| As a % of average loans and acceptances | **0.16 %** | 0.19 % | 0.11 % |

(1) Including customers' liabilities under acceptances.

### Allowances for credit losses

Allowances for loan losses amounted to $195.3 million as at January 31, 2023, a decrease of $1.8 million compared with October 31, 2022. Allowances for loan losses on performing loans amounted to $144.8 million as at January 31, 2023, up $3.7 million compared with October 31, 2022, mainly as a result of higher allowances on commercial loans due to volume growth and partly offset by lower allowances on personal loans. Allowances for loan losses on impaired loans of $50.4 million decreased by $1.9 million compared with October 31, 2022, mainly due to write-offs of previously provisioned accounts in the commercial loan portfolio.

TABLE 9

### ALLOWANCES FOR CREDIT LOSSES (ACL)

| In thousands of dollars (Unaudited) | **As at January 31, 2023** | As at October 31, 2022 |
|---|---|---|
| **Allowances for loan losses** | | |
| Personal | **$ 49,875** | $ 51,264 |
| Residential mortgages | **15,425** | 15,994 |
| Commercial | **129,978** | 126,218 |
| **Total allowances for loan losses** | **195,278** | 193,476 |
| **Allowances for off-balance sheet exposures losses** | **8,194** | 7,675 |
| **Total allowances for credit losses** | **$ 203,472** | $ 201,151 |
| ACL on performing loans (Stage 1 and 2) | **$ 144,831** | $ 141,172 |
| ACL on impaired loans (Stage 3) | **50,447** | 52,304 |
| **Total allowances for loan losses** | **$ 195,278** | $ 193,476 |

### Impaired loans

Gross impaired loans amounted to $170.6 million as at January 31, 2023, up $12.9 million or 8% compared with October 31, 2022, mainly due to an increase in personal and commercial impaired loans. See Note 5 to the Condensed Interim Consolidated Financial Statements for additional information.

TABLE 10
## IMPAIRED LOANS

| In thousands of dollars, except percentage amounts (Unaudited) | As at January 31, 2023 | As at October 31, 2022 |
|---|---|---|
| **Gross impaired loans (GIL)** | | |
| Personal | **$ 17,063** | $ 12,826 |
| Residential mortgages | **44,038** | 47,560 |
| Commercial | **109,459** | 97,303 |
| | **$ 170,560** | 157,689 |
| **Allowances for loan losses on impaired loans (Stage 3)** | | |
| Personal | **$ (4,516)** | $ (3,476) |
| Residential mortgages | **(2,212)** | (2,591) |
| Commercial | **(43,719)** | (46,237) |
| | **$ (50,447)** | $ (52,304) |
| **Net impaired loans** | | |
| Personal | **$ 12,547** | $ 9,350 |
| Residential mortgages | **41,826** | 44,969 |
| Commercial | **65,740** | 51,066 |
| | **$ 120,113** | $ 105,385 |
| **Impaired loans as a % of loans and acceptances** | | |
| Gross | **0.45 %** | 0.42 % |
| Net | **0.32 %** | 0.28 % |

## 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 the interest rate risk in the banking book (IRRBB), which corresponds to the potential impact of interest rate movements on the Bank's net interest income (NII) and economic value of equity (EVE). Dynamic management of IRRBB is intended to enhance the Bank's profitability by maximizing NII and EVE, while considering the risk appetite established by the Board.

The table below provides a measure of the sensitivity to changes in interest rates of the Bank as at January 31, 2023. As presented, the effect on the economic value of common shareholders' equity and on net interest income before taxes of a sudden and sustained 1% increase in interest rates was as follows.

TABLE 11
## SENSITIVITY ANALYSIS OF THE INTEREST RATE RISK OF THE BANKING BOOK

| In thousands of dollars (Unaudited) | As at January 31, 2023 | | As at October 31, 2022 | |
|---|---|---|---|---|
| | **Effect on NII(1)** | **Effect on EVE(2)** | Effect on NII(1) | Effect on EVE(2) |
| **Change in interest rates** | | | | |
| Increase of 100 basis points | **$ 2,633** | **$ (28,681)** | $ 3,189 | $ (29,762) |
| Decrease of 100 basis points | **$ (3,420)** | **$ 29,495** | $ (4,217) | $ 30,734 |

(1) Over the next 12 months.

(2) Net of income taxes.

### 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. In December 2021, 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. Following public consultation, RBSL published on May 16, 2022 a CDOR cessation notice stating that the calculation and publication of all tenors of CDOR will permanently cease immediately following a final publication on June 28, 2024.

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 its IBOR exposure to RFRs.

## 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 retail, strategic partnerships and advisors and brokers. 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, 2023.

### Credit ratings

Personal deposits constitute 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, 2023, additional collateral that would be required in the event of a one-to-three-notch rating downgrade was not significant.

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

TABLE 12
**CREDIT RATINGS**
As at January 31, 2023

| | 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 January 31, 2023 and October 31, 2022. Details of contractual maturities and commitments to extend funds are a source of information for the management of liquidity risk and does not represent how the Bank manages its interest rate or its liquidity risk and funding needs. These details form a basis for assessing a behavioural balance sheet with effective maturities to calculate liquidity risk measures.

TABLE 13
## CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

As at January 31, 2023

| 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** | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ 63,646 | $ 63,646 |
| **Interest-bearing deposits with banks** | 1,279,364 | — | — | — | — | — | — | 86,658 | 1,366,022 |
| **Securities** | 670,155 | 277,106 | 327,344 | 190,972 | 766,018 | 2,008,448 | 1,700,712 | 123,403 | 6,064,158 |
| **Securities purchased under reverse repurchase agreements** | 3,175,923 | 765,588 | — | — | — | — | — | — | 3,941,511 |
| **Loans**[1] | | | | | | | | | |
| Personal loans | 21,707 | 25,125 | 16,022 | 9,773 | 13,892 | 6,978 | 2,057 | 2,963,268 | 3,058,822 |
| Residential mortgages | 475,601 | 558,789 | 496,794 | 499,333 | 2,737,414 | 11,325,253 | 37,378 | 107,962 | 16,238,524 |
| Commercial loans | 2,612,056 | 1,414,315 | 1,098,213 | 1,180,899 | 2,797,280 | 2,775,133 | 1,450,849 | 5,017,791 | 18,346,536 |
| Customers' liabilities under acceptances | 2,585 | — | — | — | — | — | — | — | 2,585 |
| Allowances for loan losses | — | — | — | — | — | — | — | (195,278) | (195,278) |
| | 3,111,949 | 1,998,228 | 1,611,030 | 1,690,006 | 5,548,586 | 14,107,363 | 1,490,284 | 7,893,743 | 37,451,189 |
| **Others** | 1,327 | 2,409 | 1,589 | 4,738 | 1,046 | 303 | — | 1,463,140 | 1,474,552 |
| **Total assets** | $8,238,718 | $3,043,331 | $1,939,963 | $1,885,716 | $6,315,650 | $16,116,114 | $3,190,996 | $ 9,630,590 | $50,361,078 |
| **Liabilities and equity** | | | | | | | | | |
| **Deposits** | | | | | | | | | |
| Personal deposits[1] | $2,109,168 | $2,180,392 | $1,503,489 | $1,416,537 | $3,209,883 | $ 3,455,562 | $ 65,334 | $ 8,792,342 | 22,732,707 |
| Business, Banks and other deposits[1] | 163,947 | 153,832 | 149,912 | 109,673 | 179,844 | 127,586 | 1,588 | 1,617,172 | 2,503,554 |
| Wholesale deposits | 229,500 | 416,885 | 21,700 | 32,000 | 352,328 | 715,092 | — | — | 1,767,505 |
| Covered bonds | — | — | — | — | — | 548,715 | — | — | 548,715 |
| | 2,502,615 | 2,751,109 | 1,675,101 | 1,558,210 | 3,742,055 | 4,846,955 | 66,922 | 10,409,514 | 27,552,481 |
| **Obligations related to securities sold short**[2] | 775,848 | 107,423 | 70,019 | 75,554 | 424,915 | 961,769 | 1,130,194 | 759 | 3,546,481 |
| **Obligations related to securities sold under repurchase agreements** | 2,322,752 | — | — | — | — | — | — | — | 2,322,752 |
| **Other liabilities** | 5,881 | 3,237 | 3,225 | 3,459 | 26,856 | 22,746 | 64,708 | 1,544,693 | 1,674,805 |
| **Debt related to securitization activities**[3] | 142,604 | 387,299 | 335,348 | 250,259 | 2,128,157 | 7,415,611 | 1,682,593 | (222,276) | 12,119,595 |
| **Subordinated debt** | — | — | — | — | — | 336,032 | — | — | 336,032 |
| **Equity** | — | — | — | — | — | — | — | 2,808,932 | 2,808,932 |
| **Total liabilities and equity** | $5,749,700 | $3,249,068 | $2,083,693 | $1,887,482 | $6,321,983 | $13,583,113 | $2,944,417 | $14,541,622 | $50,361,078 |

(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, 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** | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ 79,702 | $ 79,702 |
| **Interest-bearing deposits with banks** | 1,558,135 | — | — | 115,076 | — | — | — | 138,010 | 1,811,221 |
| **Securities** | 1,036,610 | 367,940 | 231,537 | 355,781 | 728,357 | 1,802,686 | 1,493,445 | 168,105 | 6,184,461 |
| **Securities purchased under reverse repurchase agreements** | 3,643,373 | 84,379 | — | — | — | — | — | — | 3,727,752 |
| **Loans**[1] | | | | | | | | | |
| Personal loans | 44,805 | 20,536 | 17,786 | 16,005 | 23,044 | 7,539 | 2,276 | 3,134,644 | 3,266,635 |
| Residential mortgages | 550,979 | 519,069 | 518,897 | 506,027 | 2,423,273 | 11,475,197 | 54,115 | 109,923 | 16,157,480 |
| Commercial loans | 2,564,042 | 980,166 | 1,195,928 | 1,022,650 | 2,932,514 | 3,000,823 | 1,475,625 | 4,885,398 | 18,057,146 |
| Customers' liabilities under acceptances | 99,800 | — | — | — | — | — | — | — | 99,800 |
| Allowances for loan losses | — | — | — | — | — | — | — | (193,476) | (193,476) |
| | 3,259,626 | 1,519,771 | 1,732,611 | 1,544,682 | 5,378,831 | 14,483,559 | 1,532,016 | 7,936,489 | 37,387,585 |
| **Others** | 1,334 | 1,774 | 2,434 | 1,589 | 5,640 | 387 | — | 1,512,879 | 1,526,037 |
| **Total assets** | $ 9,499,078 | $1,973,864 | $1,966,582 | $2,017,128 | $6,112,828 | $16,286,632 | $3,025,461 | $ 9,835,185 | $50,716,758 |
| **Liabilities and equity** | | | | | | | | | |
| **Deposits** | | | | | | | | | |
| Personal deposits[1] | $ 1,822,426 | $2,089,821 | $2,193,072 | $1,555,054 | $3,335,620 | $ 3,204,988 | $ 44,933 | $ 7,988,122 | $22,234,036 |
| Business, Banks and other deposits[1] | 100,803 | 70,442 | 127,181 | 158,560 | 168,233 | 120,811 | 410 | 1,766,137 | 2,512,577 |
| Wholesale deposits | 362,000 | 20,000 | 408,000 | 21,700 | 348,394 | 676,451 | — | — | 1,836,545 |
| Covered bonds | — | — | — | — | — | 548,648 | — | — | 548,648 |
| | 2,285,229 | 2,180,263 | 2,728,253 | 1,735,314 | 3,852,247 | 4,550,898 | 45,343 | 9,754,259 | 27,131,806 |
| **Obligations related to securities sold short**[2] | 794,012 | 17,863 | 21,630 | 75,365 | 582,828 | 777,254 | 952,321 | 85 | 3,221,358 |
| **Obligations related to securities sold under repurchase agreements** | 2,924,295 | — | — | — | — | — | — | — | 2,924,295 |
| **Other liabilities** | 103,107 | 3,325 | 3,243 | 3,185 | 26,557 | 23,407 | 67,364 | 1,899,033 | 2,129,221 |
| **Debt related to securitization activities**[3] | 522,028 | 151,667 | 388,161 | 332,749 | 1,696,174 | 7,622,614 | 1,744,956 | (265,927) | 12,192,422 |
| **Subordinated debt** | — | — | — | — | — | 336,553 | — | — | 336,553 |
| **Equity** | — | — | — | — | — | — | — | 2,781,103 | 2,781,103 |
| **Total liabilities and equity** | $ 6,628,671 | $2,353,118 | $3,141,287 | $2,146,613 | $6,157,806 | $13,310,726 | $2,809,984 | $14,168,553 | $50,716,758 |

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

# ADDITIONAL FINANCIAL INFORMATION - QUARTERLY RESULTS

TABLE 14

**ADDITIONAL FINANCIAL INFORMATION - QUARTERLY RESULTS**

| In thousands of dollars, except per share amounts (Unaudited) | **January 31, 2023** | October 31, 2022 | July 31, 2022 | April 30, 2022 | January 31, 2022 | October 31, 2021 | July 31, 2021 | April 30, 2021 |
|---|---|---|---|---|---|---|---|---|
| Net interest income | **$ 187,116** | $ 183,824 | $ 188,504 | $ 180,090 | $ 180,918 | $ 173,095 | $ 174,696 | $ 171,476 |
| Other income | **72,952** | 73,318 | 71,448 | 79,512 | 76,621 | 77,336 | 80,188 | 78,292 |
| Total revenue | **260,068** | 257,142 | 259,952 | 259,602 | 257,539 | 250,431 | 254,884 | 249,768 |
| Provision for credit losses | **15,432** | 17,849 | 16,629 | 13,000 | 9,400 | 24,900 | 5,400 | 2,400 |
| Non-interest expenses | **183,675** | 174,147 | 177,479 | 172,105 | 177,930 | 356,480 | 170,258 | 179,561 |
| Income before income taxes | **60,961** | 65,146 | 65,844 | 74,497 | 70,209 | (130,949) | 79,226 | 67,807 |
| Income taxes | **9,051** | 9,496 | 9,978 | 14,948 | 14,691 | (28,073) | 17,162 | 14,745 |
| Net income (loss) | **$ 51,910** | $ 55,650 | $ 55,866 | $ 59,549 | $ 55,518 | $ (102,876) | $ 62,064 | $ 53,062 |
| Earnings (loss) per share | | | | | | | | |
| Basic | **$ 1.09** | $ 1.26 | $ 1.19 | $ 1.35 | $ 1.17 | $ (2.39) | $ 1.32 | $ 1.15 |
| Diluted | **$ 1.09** | $ 1.26 | $ 1.18 | $ 1.34 | $ 1.17 | $ (2.39) | $ 1.32 | $ 1.15 |

# 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, 2023, 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 2022 Annual Consolidated Financial Statements. The Condensed Interim Consolidated Financial Statements for the first quarter ended January 31, 2023 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 2022 Annual Report, as well as to Notes 2 and 3 to the 2022 Annual Consolidated Financial Statements. for additional information.

**Economic conditions impact on judgments, estimates and assumptions**

The preparation of financial information requires the use of estimates and judgments about future economic conditions. The recent macro-economic developments, including high inflation and interest rate increases, have amplified uncertainty on the assumptions used by management in making its judgments and estimates. The comprehensive impact that recent macro-economic developments will have on the Canadian and U.S. economies and the Bank's business remain uncertain and difficult to predict. Refer to the section "Critical Accounting Policies and Estimations" of the Bank's 2022 Annual Report, as well as to Notes 2 and 3 to the 2022 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 2022 Annual Consolidated Financial Statements and in the section "Future Changes to Accounting Policies" of the Bank's 2022 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.

**Liquid assets** consist of cash, deposits with banks, securities and securities purchased under reverse repurchase agreements.

**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.

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

AS AT AND FOR THE PERIOD ENDED JANUARY 31, 2023

## TABLE OF CONTENTS

## CONSOLIDATED BALANCE SHEET

| In thousands of Canadian dollars (Unaudited) | Notes | As at January 31, 2023 | As at October 31, 2022 |
|---|---|---|---|
| **Assets** | | | |
| **Cash and non-interest bearing deposits with banks** | | $ 63,646 | $ 79,702 |
| **Interest-bearing deposits with banks** | | 1,366,022 | 1,811,221 |
| **Securities** | 4 and 6 | | |
| At amortized cost | | 2,811,265 | 3,004,405 |
| At fair value through profit or loss (FVTPL) | | 3,127,023 | 2,993,434 |
| At fair value through other comprehensive income (FVOCI) | | 125,870 | 186,622 |
| | | 6,064,158 | 6,184,461 |
| **Securities purchased under reverse repurchase agreements** | | 3,941,511 | 3,727,752 |
| **Loans** | 5 and 6 | | |
| Personal | | 3,058,822 | 3,266,635 |
| Residential mortgage | | 16,238,524 | 16,157,480 |
| Commercial | | 18,346,536 | 18,057,146 |
| Customers' liabilities under acceptances | | 2,585 | 99,800 |
| | | 37,646,467 | 37,581,061 |
| Allowances for loan losses | | (195,278) | (193,476) |
| | | 37,451,189 | 37,387,585 |
| **Other** | | | |
| Derivatives | | 277,777 | 312,538 |
| Premises and equipment | | 120,351 | 121,227 |
| Software and other intangible assets | | 291,024 | 294,438 |
| Goodwill | | 82,360 | 83,710 |
| Deferred tax assets | | 80,515 | 71,533 |
| Other assets | | 622,525 | 642,591 |
| | | 1,474,552 | 1,526,037 |
| | | $ 50,361,078 | $ 50,716,758 |
| **Liabilities and shareholders' equity** | | | |
| **Deposits** | 7 | | |
| Personal | | $ 22,732,707 | $ 22,234,036 |
| Business, banks and other | | 4,819,774 | 4,897,770 |
| | | 27,552,481 | 27,131,806 |
| **Other** | | | |
| Obligations related to securities sold short | | 3,546,481 | 3,221,358 |
| Obligations related to securities sold under repurchase agreements | | 2,322,752 | 2,924,295 |
| Acceptances | | 2,585 | 99,800 |
| Derivatives | | 479,930 | 808,958 |
| Deferred tax liabilities | | 54,645 | 54,255 |
| Other liabilities | 14 | 1,137,645 | 1,166,208 |
| | | 7,544,038 | 8,274,874 |
| **Debt related to securitization activities** | 6 | 12,119,595 | 12,192,422 |
| **Subordinated debt** | | 336,032 | 336,553 |
| **Shareholders' equity** | | | |
| Preferred shares | 8 | 122,071 | 122,071 |
| Limited recourse capital notes | 8 | 123,282 | 122,332 |
| Common shares | 8 | 1,169,978 | 1,167,549 |
| Retained earnings | | 1,348,909 | 1,322,381 |
| Accumulated other comprehensive income | | 39,396 | 42,045 |
| Share-based compensation reserve | 9 | 5,296 | 4,725 |
| | | 2,808,932 | 2,781,103 |
| | | $ 50,361,078 | $ 50,716,758 |

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, 2023 | October 31, 2022 | January 31, 2022 |
|---|---|---|---|---|
| **Interest and dividend income** | 13 | | | |
| Loans | | $ 495,380 | $ 424,369 | $ 277,388 |
| Securities | | 22,698 | 21,454 | 11,969 |
| Deposits with banks | | 15,326 | 8,582 | 561 |
| Other, including derivatives | | 6,228 | 8,775 | 21,102 |
| | | 539,632 | 463,180 | 311,020 |
| **Interest expense** | 13 | | | |
| Deposits | | 219,134 | 175,283 | 80,555 |
| Debt related to securitization activities | | 72,690 | 62,537 | 44,571 |
| Subordinated debt | | 4,591 | 4,598 | 3,835 |
| Other, including derivatives | | 56,101 | 36,938 | 1,141 |
| | | 352,516 | 279,356 | 130,102 |
| **Net interest income** | | 187,116 | 183,824 | 180,918 |
| **Other income** | | | | |
| Lending fees | | 16,343 | 17,356 | 17,346 |
| Fees and securities brokerage commissions | | 10,754 | 13,105 | 12,686 |
| Income from mutual funds | | 11,076 | 11,087 | 13,163 |
| Income from financial instruments | | 7,228 | 4,289 | 7,586 |
| Service charges | | 6,847 | 7,334 | 7,576 |
| Card service revenues | | 8,446 | 8,760 | 7,406 |
| Fees on investment accounts | | 3,260 | 3,304 | 3,668 |
| Insurance income, net | | 2,080 | 2,094 | 2,616 |
| Other | | 6,918 | 5,989 | 4,574 |
| | | 72,952 | 73,318 | 76,621 |
| **Total revenue** | | 260,068 | 257,142 | 257,539 |
| **Provision for credit losses** | 5 | 15,432 | 17,849 | 9,400 |
| **Non-interest expenses** | | | | |
| Salaries and employee benefits | 9 and 10 | 103,886 | 89,595 | 97,706 |
| Premises and technology | | 47,054 | 47,008 | 45,004 |
| Other | | 32,735 | 37,781 | 32,878 |
| Impairment and restructuring charges | | — | (237) | 2,342 |
| | | 183,675 | 174,147 | 177,930 |
| **Income before income taxes** | | 60,961 | 65,146 | 70,209 |
| Income taxes | | 9,051 | 9,496 | 14,691 |
| **Net income** | | $ 51,910 | $ 55,650 | $ 55,518 |
| Preferred share dividends and limited recourse capital note interest | 8 | 4,601 | 1,289 | 4,601 |
| **Net income available to common shareholders** | | $ 47,309 | $ 54,361 | $ 50,917 |
| **Earnings per share** | 11 | | | |
| Basic | | $ 1.09 | $ 1.26 | $ 1.17 |
| Diluted | | $ 1.09 | $ 1.26 | $ 1.17 |
| **Dividends per common share** | | $ 0.46 | $ 0.45 | $ 0.44 |

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, 2023 | October 31, 2022 | January 31, 2022 |
|---|---|---|---|
| **Net income** | **$ 51,910** | $ 55,650 | $ 55,518 |
| **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 | **154** | (334) | (233) |
| Reclassification of net (gains) losses on debt securities at FVOCI to net income | **(17)** | 132 | 63 |
| | **137** | (202) | (170) |
| Net change in value of derivatives designated as cash flow hedges | **10,716** | (8,904) | (6,504) |
| Net foreign currency translation adjustments | | | |
| Net unrealized foreign currency translation gains (losses) on investments in foreign operations | **(26,966)** | 51,301 | 13,756 |
| Net gains (losses) on hedges of investments in foreign operations | **13,464** | (23,495) | (5,931) |
| | **(13,502)** | 27,806 | 7,825 |
| | **(2,649)** | 18,700 | 1,151 |
| Items that may not subsequently be reclassified to the Consolidated Statement of Income | | | |
| Remeasurement gains (losses) on employee benefit plans | **(834)** | 5,568 | 1,289 |
| Net gains (losses) on equity securities designated at FVOCI | **74** | (8,924) | (1,548) |
| | **(760)** | (3,356) | (259) |
| Total other comprehensive income, net of income taxes | **(3,409)** | 15,344 | 892 |
| **Comprehensive income** | **$ 48,501** | $ 70,994 | $ 56,410 |

## 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, 2023 | October 31, 2022 | January 31, 2022 |
|---|---|---|---|
| Net change in debt securities at FVOCI | | | |
| Unrealized net gains (losses) on debt securities at FVOCI | **$ 55** | $ (121) | $ (84) |
| Reclassification of net (gains) losses on debt securities at FVOCI to net income | **(6)** | 48 | 23 |
| | **49** | (73) | (61) |
| Net change in value of derivatives designated as cash flow hedges | **3,858** | (3,207) | (2,343) |
| Net foreign currency translation adjustments | | | |
| Net gains (losses) on hedges of investments in foreign operations | **(337)** | 230 | (26) |
| Remeasurement gains (losses) on employee benefit plans | **(300)** | 2,005 | 464 |
| Net gains (losses) on equity securities designated at FVOCI | **27** | (3,218) | (558) |
| | **$ 3,297** | $ (4,263) | $ (2,524) |

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

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended January 31, 2023

| 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 | | | | Share-based compen-sation reserve | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Debt securities at FVOCI | Cash flow hedges | Translation of foreign operations | Total | | |
| Balance as at October 31, 2022 | $ 122,071 | $ 122,332 | $ 1,167,549 | $ 1,322,381 | $ (622) | $ 22,607 | 20,060 | $ 42,045 | $ 4,725 | $ 2,781,103 |
| Net income | | | | 51,910 | | | | | | 51,910 |
| Other comprehensive income, net of income taxes | | | | | | | | | | |
| Unrealized net gains on debt securities at FVOCI | | | | | 154 | | | 154 | | 154 |
| Reclassification of net gains on debt securities at FVOCI to net income | | | | | (17) | | | (17) | | (17) |
| Net change in value of derivatives designated as cash flow hedges | | | | | | 10,716 | | 10,716 | | 10,716 |
| Net unrealized foreign currency translation losses on investments in foreign operations | | | | | | | (26,966) | (26,966) | | (26,966) |
| Net gains on hedges of investments in foreign operations | | | | | | | 13,464 | 13,464 | | 13,464 |
| Remeasurement losses on employee benefit plans | | | | (834) | | | | | | (834) |
| Net gains on equity securities designated at FVOCI | | | | 74 | | | | | | 74 |
| Comprehensive income | | | | 51,150 | 137 | 10,716 | (13,502) | (2,649) | | 48,501 |
| Net purchase of treasury limited recourse capital notes | | 950 | | (87) | | | | | | 863 |
| Issuance of common shares | | | 2,429 | | | | | | | 2,429 |
| Share-based compensation | | | | | | | | | 571 | 571 |
| Dividends and other | | | | | | | | | | |
| Preferred shares and limited recourse capital notes | | | | (4,601) | | | | | | (4,601) |
| Common shares | | | | (19,934) | | | | | | (19,934) |
| Balance as at January 31, 2023 | $ 122,071 | $ 123,282 | $ 1,169,978 | $ 1,348,909 | $ (485) | $ 33,323 | $ 6,558 | $ 39,396 | $ 5,296 | $ 2,808,932 |

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, 2022

| 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 | Accumulated Other Comprehensive Income: Cash flow hedges | Accumulated Other Comprehensive Income: Translation of foreign operations | Accumulated Other Comprehensive Income: Total | Share-based compen-sation reserve | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|
| 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 |
| Net purchase of treasury limited recourse capital notes | | (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 CASH FLOWS

| In thousands of Canadian dollars (Unaudited) | Notes | For the three months ended January 31, 2023 | October 31, 2022 | January 31, 2022 |
|---|---|---|---|---|
| **Cash flows relating to operating activities** | | | | |
| Net income | | **$ 51,910** | $ 55,650 | $ 55,518 |
| Adjustments to determine net cash flows relating to operating activities: | | | | |
| Provision for credit losses | 5 | **15,432** | 17,849 | 9,400 |
| Deferred income taxes | | **(8,608)** | (10,312) | 4,349 |
| Impairment of software, intangible assets and premises and equipment | | **24** | 2,949 | 847 |
| Depreciation of premises and equipment | | **4,508** | 4,296 | 4,244 |
| Amortization of software and other intangible assets | | **9,836** | 9,196 | 8,572 |
| Change in operating assets and liabilities: | | | | |
| Loans | | **(77,899)** | (1,018,910) | (730,747) |
| Acceptances | | **(97,215)** | 41,800 | 15,000 |
| Securities at FVTPL | | **(133,589)** | 375,185 | 89,869 |
| Securities purchased under reverse repurchase agreements | | **(213,759)** | (56,026) | (208,386) |
| Accrued interest receivable | | **(16,554)** | (40,469) | 7,833 |
| Derivative assets | | **34,761** | (53,343) | 65,651 |
| Deposits | | **420,675** | 457,061 | 1,114,470 |
| Obligations related to securities sold short | | **325,123** | (905,438) | 174,333 |
| Obligations related to securities sold under repurchase agreements | | **(601,543)** | 374,794 | (66,668) |
| Accrued interest payable | | **32,689** | 53,994 | (44,997) |
| Derivative liabilities | | **(329,028)** | 400,527 | 25,703 |
| Debt related to securitization activities | | **(72,827)** | 597,474 | 61,849 |
| Other, net | | **(26,170)** | 5,447 | (399,859) |
| | | **(682,234)** | 311,724 | 186,981 |
| **Cash flows relating to financing activities** | | | | |
| Payment of lease liabilities | | **(4,130)** | (4,149) | (4,761) |
| Net proceeds from issuance of subordinated debt | | **(11)** | (133) | — |
| Repurchase and redemption of subordinated debt | | **(607)** | (2,669) | — |
| Net purchase of treasury limited recourse capital notes | 8 | **950** | 789 | (2,297) |
| Net proceeds from issuance of common shares | 8 | **(6)** | 1,774 | 128 |
| Repurchase of common shares for cancellation | 8 | **—** | — | (12,601) |
| Dividends and other distributions | | **(18,788)** | (19,050) | (15,422) |
| | | **(22,592)** | (23,438) | (34,953) |
| **Cash flows relating to investing activities** | | | | |
| Change in securities at amortized cost | | | | |
| Acquisitions | | **(924,530)** | (614,973) | (852,103) |
| Proceeds on sale and at maturity | | **1,117,634** | 654,992 | 1,076,516 |
| Change in securities at FVOCI | | | | |
| Acquisitions | | **(118,962)** | (243,942) | (204,994) |
| Proceeds on sale and at maturity | | **180,033** | 271,796 | 208,940 |
| Additions to premises and equipment and software and other intangible assets | | **(10,075)** | (30,018) | (6,738) |
| Change in interest-bearing deposits with banks | | **445,199** | (340,459) | (382,190) |
| | | **689,299** | (302,604) | (160,569) |
| Effect of exchange rate changes on cash and non-interest-bearing deposits with banks | | **(529)** | 10,534 | 3,061 |
| Net change in cash and non-interest bearing deposits with banks | | **(16,056)** | (3,784) | (5,480) |
| Cash and non-interest bearing deposits with banks at beginning of period | | **79,702** | 83,486 | 69,002 |
| **Cash and non-interest bearing deposits with banks at end of period** | | **$ 63,646** | $ 79,702 | $ 63,522 |
| **Supplemental disclosure about cash flows relating to operating activities:** | | | | |
| Interest paid during the period | | **$ 304,957** | $ 186,887 | $ 183,109 |
| Interest received during the period | | **$ 515,263** | $ 416,082 | $ 323,793 |
| Dividends received during the period | | **$ 2,175** | $ 3,258 | $ 3,444 |
| Income taxes paid during the period | | **$ 32,094** | $ 16,396 | $ 31,268 |

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

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

## 1. GENERAL INFORMATION

Laurentian Bank of Canada (the Bank) provides financial services to its personal, 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, 2023 were approved for issuance by the Board of Directors on February 27, 2023.

## 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* and the requirements of the Office of the Superintendent of Financial Institutions Canada (OSFI).

These Condensed Interim Consolidated Financial Statements should be read in conjunction with the Annual Consolidated Financial Statements for the year ended October 31, 2022 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, 2022.

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, 2022 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.

#### Economic conditions impact on judgments, estimates and assumptions

The preparation of financial information requires the use of estimates and judgments about future economic conditions. The recent macro-economic developments, including high inflation and interest rate increases, have amplified uncertainty on the assumptions used by management in making its judgments and estimates. The comprehensive impact that recent macro-economic developments will have on the Canadian and U.S. economies and the Bank's business remain uncertain and difficult to predict.

### 2.2 IBOR REFORM

The transition from Interbank Offered Rates ("IBORs") to alternative benchmark interest rates is a global initiative that will impact financial instruments referencing IBOR rates around the world, including in Canada.

In August 2020, the IASB published *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)* (the "Amendments") which completes its work to amend IFRS in response to the IBOR Reform. The Amendments address the accounting issues that arise when financial instruments that reference IBORs transition to nearly risk-free rates (RFRs), including the effects of changes to contractual cash flows or hedging relationships. The Bank early adopted the amendments as at August 1, 2021.

In March 2021, the Financial Conduct Authority (FCA), the regulator of the ICE Benchmark Administration (IBA) which administers the London Interbank Offered Rate (LIBOR), announced the permanent cessation or loss of representativeness of all 35 LIBOR benchmark settings published by the IBA as of December 31, 2021 or June 30, 2023.

In May 2022, Refinitiv Benchmark Services (UK) Limited (RBSL), the administrator of the Canadian Dollar Offered Rate (CDOR) published a CDOR cessation notice stating that the calculation and publication of all tenors of CDOR will permanently cease immediately following a final publication on June 28, 2024.

The Bank has established an enterprise-wide program, aimed at ensuring the transition from IBORs to 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 its IBOR exposure to RFRs.

The IBOR reform exposes the Bank to various risks, which the project is managing and monitoring closely, including but not limited to risks arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform and operational risks arising from changes to the Bank's IT systems and processes.

The following table discloses the non-derivative financial assets, non-derivative financial liabilities, derivative financial instruments and off-balance sheet commitments subject to the interest rate benchmark reform as at January 31, 2023 that have yet to transition to alternative benchmark rates.

| (in millions of dollars) | **As at January 31, 2023** | | As at October 31, 2022 | |
|---|---|---|---|---|
| | **USD LIBOR[1]** | **CDOR[2]** | USD LIBOR[1] | CDOR[2] |
| Non-derivative financial assets[3] | **$ 220** | **$ 615** | $ 229 | $ 600 |
| Non-derivative financial liabilities[4] | **—** | **662** | — | 628 |
| Derivative financial instruments[5] | **—** | **8,006** | — | 9,015 |
| Off-balance sheet commitments[6] | **—** | **987** | — | 1,028 |

(1) Includes non-derivative financial assets indexed at USD LIBOR that will mature after June 30, 2023.

(2) Includes non-derivative financial assets, non-derivative financial liabilities, derivative financial instruments and off-balance sheet commitments indexed at CDOR that will mature after June 28, 2024.

(3) Non-derivative financial assets include debt securities, outstanding balances on loans and customers' liabilities under acceptances.

(4) Non-derivative financial liabilities include deposits, acceptances and obligations related to securities sold short.

(5) Derivative financial instruments include the notional amounts of interest rate swaps and total return swaps. As at January 31, 2023, the notional amount of derivatives indexed to CDOR 1-month and 3-month tenors in qualifying hedge accounting relationships that are maturing after June 28, 2024 and have yet to transition to a RFR was $7.3 billion ($8.2 billion as at October 31, 2022) for those hedging interest rate risk and $4.5 million ($22.6 million as at October 31, 2022) for those hedging equity price risk. As at January 31, 2023, the notional amount of derivatives indexed to USD LIBOR in qualifying hedge accounting relationships that are maturing after June 30, 2023 and have yet to transition to a RFR was nil (nil as at October 31, 2022).

(6) Contractual amount for undrawn loan commitments, a portion of which can also be drawn in other benchmark rates.

## 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 2022 Annual Consolidated Financial Statements.

## 4. SECURITIES

### Credit quality

As at January 31, 2023, 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, 2023, allowances for credit losses amounted to $0.2 million ($0.2 million as at October 31, 2022) for debt securities at amortized cost and $0.2 million reported in Accumulated other comprehensive income for debt securities at FVOCI ($0.2 million as at October 31, 2022).

### Securities at amortized cost

| | **As at January 31, 2023** | As at October 31, 2022 |
|---|---|---|
| Securities issued or guaranteed | | |
| by Canada[1] | **$ 1,142,119** | $ 1,338,249 |
| by provinces | **1,512,540** | 1,483,855 |
| by municipalities | **61,504** | 110,510 |
| Other debt securities | **95,102** | 71,791 |
| | **$ 2,811,265** | $ 3,004,405 |

(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, 2023** |
|---|---|---|---|---|
| | **Amortized cost** | **Unrealized gains** | **Unrealized losses** | **Fair value** |
| Securities issued or guaranteed | | | | |
| by Canada[1] | **$ 9,886** | **$ 7** | **$ 43** | **$ 9,850** |
| by provinces | **7,159** | **1** | **152** | **7,008** |
| by municipalities | **2,624** | **—** | **78** | **2,546** |
| Other debt securities | **12,832** | **24** | **420** | **12,436** |
| Preferred shares | **75,229** | **366** | **7,468** | **68,127** |
| Common shares and other securities | **18,039** | **9,921** | **2,057** | **25,903** |
| | **$ 125,769** | **$ 10,319** | **$ 10,218** | **$ 125,870** |

| | | | | As at October 31, 2022 |
|---|---|---|---|---|
| | Amortized cost | Unrealized gains | Unrealized losses | Fair value |
| Securities issued or guaranteed | | | | |
| by Canada[1] | $ 8,111 | $ 1 | $ 92 | $ 8,020 |
| by provinces | 6,994 | — | 156 | 6,838 |
| by municipalities | 2,617 | — | 79 | 2,538 |
| Other debt securities | 13,748 | 17 | 539 | 13,226 |
| Preferred shares | 145,646 | 1,281 | 17,020 | 129,907 |
| Common shares and other securities | 17,812 | 10,389 | 2,108 | 26,093 |
| | $ 194,928 | $ 11,688 | $ 19,994 | $ 186,622 |

(1) 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 $1.6 million for the three months ended January 31, 2023 ($2.8 million for the three months ended January 31, 2022), including a negligible amount for investments that were sold during all such periods.

| | For the three months ended | |
|---|---|---|
| | **January 31, 2023** | January 31, 2022 |
| Fair value at beginning of period | **$ 156,000** | $ 198,436 |
| Change in fair value | **8,219** | (2,459) |
| Designated at FVOCI | **638** | 6,057 |
| Sales or redemptions | **(70,827)** | (3,397) |
| Fair value at end of period | **$ 94,030** | $ 198,637 |

## 5. LOANS AND ALLOWANCES FOR CREDIT LOSSES

As at January 31, 2023 and October 31, 2022, 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, 2022.

### 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, 2022.

### Credit risk exposure

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

| | As at January 31, 2023 | | | | As at October 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Performing | | Impaired | | Performing | | Impaired | |
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| **Personal loans** | | | | | | | | |
| Very low risk | $ 2,209,765 | $ 1,119 | $ — | $ 2,210,884 | $ 2,313,984 | $ 307 | $ — | $ 2,314,291 |
| Low risk | 312,118 | 54,002 | — | 366,120 | 352,966 | 61,515 | — | 414,481 |
| Medium risk | 222,604 | 232,148 | — | 454,752 | 243,561 | 271,247 | — | 514,808 |
| High risk | — | 10,003 | — | 10,003 | — | 10,229 | — | 10,229 |
| Default | — | — | 17,063 | 17,063 | — | — | 12,826 | 12,826 |
| Gross carrying amount | 2,744,487 | 297,272 | 17,063 | 3,058,822 | 2,910,511 | 343,298 | 12,826 | 3,266,635 |
| Allowances for loan losses | 9,582 | 35,777 | 4,516 | 49,875 | 12,078 | 35,710 | 3,476 | 51,264 |
| Net carrying amount | $ 2,734,905 | $ 261,495 | $ 12,547 | $ 3,008,947 | $ 2,898,433 | $ 307,588 | $ 9,350 | $ 3,215,371 |
| **Residential mortgage loans** | | | | | | | | |
| Very low risk | $11,617,351 | $ — | $ — | $11,617,351 | $11,436,281 | $ — | $ — | $11,436,281 |
| Low risk | 2,536,768 | 14,438 | — | 2,551,206 | 2,634,189 | 15,690 | — | 2,649,879 |
| Medium risk | 1,646,420 | 306,211 | — | 1,952,631 | 1,641,105 | 310,396 | — | 1,951,501 |
| High risk | — | 73,298 | — | 73,298 | — | 72,259 | — | 72,259 |
| Default | — | — | 44,038 | 44,038 | — | — | 47,560 | 47,560 |
| Gross carrying amount | 15,800,539 | 393,947 | 44,038 | 16,238,524 | 15,711,575 | 398,345 | 47,560 | 16,157,480 |
| Allowances for loan losses | 6,636 | 6,577 | 2,212 | 15,425 | 6,811 | 6,592 | 2,591 | 15,994 |
| Net carrying amount | $15,793,903 | $ 387,370 | $ 41,826 | $16,223,099 | $15,704,764 | $ 391,753 | $ 44,969 | $16,141,486 |
| **Commercial loans[1]** | | | | | | | | |
| Very low risk | $ 3,839,494 | $ 33,044 | $ — | $ 3,872,538 | $ 3,842,829 | $ 11,333 | $ — | $ 3,854,162 |
| Low risk | 10,617,245 | 162,672 | — | 10,779,917 | 10,798,691 | 132,248 | — | 10,930,939 |
| Medium risk | 2,732,327 | 411,816 | — | 3,144,143 | 2,516,822 | 334,460 | — | 2,851,282 |
| High risk | — | 443,064 | — | 443,064 | — | 423,260 | — | 423,260 |
| Default | — | — | 109,459 | 109,459 | — | — | 97,303 | 97,303 |
| Gross carrying amount | 17,189,066 | 1,050,596 | 109,459 | 18,349,121 | 17,158,342 | 901,301 | 97,303 | 18,156,946 |
| Allowances for loan losses | 58,893 | 27,366 | 43,719 | 129,978 | 51,094 | 28,887 | 46,237 | 126,218 |
| Net carrying amount | $17,130,173 | $ 1,023,230 | $ 65,740 | $18,219,143 | $17,107,248 | $ 872,414 | $ 51,066 | $18,030,728 |
| **Total loans** | | | | | | | | |
| Gross carrying amount | $35,734,092 | $ 1,741,815 | $ 170,560 | $37,646,467 | $35,780,428 | $ 1,642,944 | $ 157,689 | $37,581,061 |
| Allowances for loan losses | 75,111 | 69,720 | 50,447 | 195,278 | 69,983 | 71,189 | 52,304 | 193,476 |
| Net carrying amount | $35,658,981 | $ 1,672,095 | $ 120,113 | $37,451,189 | $35,710,445 | $ 1,571,755 | $ 105,385 | $37,387,585 |
| **Off-balance sheet exposures[2]** | | | | | | | | |
| Very low risk | $ 1,164,107 | $ 287 | $ — | $ 1,164,394 | $ 1,124,620 | $ 335 | $ — | $ 1,124,955 |
| Low risk | 1,164,694 | 23,729 | — | 1,188,423 | 1,292,992 | 23,680 | — | 1,316,672 |
| Medium risk | 419,392 | 40,006 | — | 459,398 | 457,896 | 39,900 | — | 497,796 |
| High risk | — | 52,728 | — | 52,728 | — | 38,660 | — | 38,660 |
| Default | — | — | — | — | — | — | — | — |
| Total exposure | 2,748,193 | 116,750 | — | 2,864,943 | 2,875,508 | 102,575 | — | 2,978,083 |
| Allowances for off-balance sheet exposures losses | 5,827 | 2,367 | — | 8,194 | 5,864 | 1,811 | — | 7,675 |
| Total exposure, net | $ 2,742,366 | $ 114,383 | $ — | $ 2,856,749 | $ 2,869,644 | $ 100,764 | $ — | $ 2,970,408 |

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

### 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, 2023 | | | | For the three months ended January 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | $ 13,173 | $ 36,862 | $ 3,476 | $ 53,511 | $ 9,561 | $ 36,551 | $ 9,471 | $ 55,583 |
| Transfers: | | | | | | | | |
| to Stage 1 | 3,506 | (3,407) | (99) | — | 3,041 | (2,532) | (509) | — |
| to Stage 2 | (2,059) | 2,359 | (300) | — | (1,870) | 2,651 | (781) | — |
| to Stage 3 | (65) | (2,474) | 2,539 | — | (33) | (1,205) | 1,238 | — |
| Originations | 131 | — | — | 131 | 177 | — | — | 177 |
| Derecognitions | (438) | (3,864) | (821) | (5,123) | (265) | (1,488) | (5,744) | (7,497) |
| Net remeasurement of allowances | (3,655) | 7,545 | 8,380 | 12,270 | (226) | 5,776 | 1,704 | 7,254 |
| Provision for (reversal of) credit losses | (2,580) | 159 | 9,699 | 7,278 | 824 | 3,202 | (4,092) | (66) |
| Write-offs | — | — | (10,369) | (10,369) | — | — | (2,701) | (2,701) |
| Recoveries | — | — | 1,930 | 1,930 | — | — | 2,078 | 2,078 |
| Foreign exchange and other | — | — | (220) | (220) | — | — | (221) | (221) |
| Balance at end of period | $ 10,593 | $ 37,021 | $ 4,516 | $ 52,130 | $ 10,385 | $ 39,753 | $ 4,535 | $ 54,673 |
| Total allowances for loan losses | $ 9,582 | $ 35,777 | $ 4,516 | $ 49,875 | $ 9,346 | $ 38,578 | $ 4,535 | $ 52,459 |
| Total allowances for off-balance sheet exposures | 1,011 | 1,244 | — | 2,255 | 1,039 | 1,175 | — | 2,214 |
| Total allowances for credit losses | $ 10,593 | $ 37,021 | $ 4,516 | $ 52,130 | $ 10,385 | $ 39,753 | $ 4,535 | $ 54,673 |
| **Residential mortgage loans** | | | | | | | | |
| Balance at beginning of period | $ 6,839 | $ 6,599 | $ 2,591 | $ 16,029 | $ 6,577 | $ 4,707 | $ 4,209 | $ 15,493 |
| Transfers: | | | | | | | | |
| to Stage 1 | 1,721 | (1,552) | (169) | — | 1,458 | (1,306) | (152) | — |
| to Stage 2 | (209) | 618 | (409) | — | (330) | 801 | (471) | — |
| to Stage 3 | (21) | (192) | 213 | — | (14) | (158) | 172 | — |
| Originations | 278 | — | — | 278 | 565 | — | — | 565 |
| Derecognitions | (393) | (336) | (226) | (955) | (664) | (337) | (1,323) | (2,324) |
| Net remeasurement of allowances | (1,552) | 1,455 | 798 | 701 | (872) | 1,827 | 256 | 1,211 |
| Provision for (reversal of) credit losses | (176) | (7) | 207 | 24 | 143 | 827 | (1,518) | (548) |
| Write-offs | — | — | (262) | (262) | — | — | (461) | (461) |
| Recoveries | — | — | 58 | 58 | — | — | 292 | 292 |
| Foreign exchange and other | — | — | (382) | (382) | — | — | (382) | (382) |
| Balance at end of period | $ 6,663 | $ 6,592 | $ 2,212 | $ 15,467 | $ 6,720 | $ 5,534 | $ 2,140 | $ 14,394 |
| Total allowances for loan losses | $ 6,636 | $ 6,577 | $ 2,212 | $ 15,425 | $ 6,663 | $ 5,510 | $ 2,140 | $ 14,313 |
| Total allowances for off-balance sheet exposures | 27 | 15 | — | 42 | 57 | 24 | — | 81 |
| Total allowances for credit losses | $ 6,663 | $ 6,592 | $ 2,212 | $ 15,467 | $ 6,720 | $ 5,534 | $ 2,140 | $ 14,394 |
| **Commercial loans** | | | | | | | | |
| Balance at beginning of period | $ 55,835 | $ 29,539 | $ 46,237 | $ 131,611 | $ 44,933 | $ 13,257 | $ 73,312 | $ 131,502 |
| Transfers: | | | | | | | | |
| to Stage 1 | 2,306 | (1,978) | (328) | — | 2,462 | (1,393) | (1,069) | — |
| to Stage 2 | (1,455) | 1,567 | (112) | — | (674) | 858 | (184) | — |
| to Stage 3 | (59) | (191) | 250 | — | (20) | (270) | 290 | — |
| Originations | 1,816 | — | — | 1,816 | 2,847 | — | — | 2,847 |
| Derecognitions | (4,786) | (7,172) | (8,596) | (20,554) | (5,471) | (3,495) | (7,048) | (16,014) |
| Net remeasurement of allowances | 11,094 | 7,352 | 8,422 | 26,868 | 1,537 | 4,110 | 17,534 | 23,181 |
| Provision for (reversal of) credit losses | 8,916 | (422) | (364) | 8,130 | 681 | (190) | 9,523 | 10,014 |
| Write-offs | — | — | (1,638) | (1,638) | — | — | (1,163) | (1,163) |
| Recoveries | — | — | 36 | 36 | — | — | 177 | 177 |
| Foreign exchange and other | (1,069) | (643) | (552) | (2,264) | (95) | (21) | (565) | (681) |
| Balance at end of period | $ 63,682 | $ 28,474 | $ 43,719 | $ 135,875 | $ 45,519 | $ 13,046 | $ 81,284 | $ 139,849 |
| Total allowances for loan losses | $ 58,893 | $ 27,366 | $ 43,719 | $ 129,978 | $ 41,468 | $ 12,823 | $ 81,284 | $ 135,575 |
| Total allowances for off-balance sheet exposures | 4,789 | 1,108 | — | 5,897 | 4,051 | 223 | — | 4,274 |
| Total allowances for credit losses | $ 63,682 | $ 28,474 | $ 43,719 | $ 135,875 | $ 45,519 | $ 13,046 | $ 81,284 | $ 139,849 |
| **Total exposure** | | | | | | | | |
| Total allowances for loan losses | $ 75,111 | $ 69,720 | $ 50,447 | $ 195,278 | $ 57,477 | $ 56,911 | $ 87,959 | $ 202,347 |
| Total allowances for off-balance sheet exposures | 5,827 | 2,367 | — | 8,194 | 5,147 | 1,422 | — | 6,569 |
| Total allowances for credit losses | $ 80,938 | $ 72,087 | $ 50,447 | $ 203,472 | $ 62,624 | $ 58,333 | $ 87,959 | $ 208,916 |

### Main macroeconomic factors

The following tables show the main macroeconomic factors used to estimate the collective allowances for credit losses as at January 31, 2023 and as at October 31, 2022.

| As at January 31, 2023 | 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 (decrease) | **(0.7)%** | **4.3%** | **1.2%** | **4.4%** | **(3.6)%** | **4.2%** |
| Average unemployment rate (percentage points) | **5.7** | **5.9** | **5.1** | **4.9** | **7.8** | **8.1** |
| Housing price index growth (decrease) | **(7.8)%** | **6.9%** | **1.5%** | **9.9%** | **(16.2)%** | **5.1%** |
| S&P/TSX index growth (decrease)(3) | **0.6%** | **17.5%** | **9.6%** | **12.6%** | **(12.5)%** | **18.4%** |

| As at October 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 (decrease) | (0.1)% | 3.3% | 1.2% | 3.4% | (3.5)% | 2.9% |
| Average unemployment rate (percentage points) | 5.9 | 6.3 | 5.5 | 5.5 | 8.0 | 8.3 |
| Housing price index growth (decrease) | (13.3)% | 5.8% | (5.4)% | 8.5% | (21.3)% | 3.6% |
| S&P/TSX index growth (decrease)(3) | 0.3% | 13.5% | 9.8% | 14.9% | (10.7)% | 19.9% |

(1) Expected variation or average over the next 12 months. These factors are used for Stage 1 ECL calculations.
(2) Expected variation or average 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 average unemployment rate, the housing price index and the S&P/TSX index. The main macroeconomic factors used for the commercial loan portfolio is the GDP. An increase in the average unemployment rate will generally correlate with higher allowances for credit losses, whereas an increase in the other macroeconomic factors mentioned above will generally correlate with lower allowances for credit losses.

*Description of scenarios used for ECL measurement as at January 31, 2023*
In the base scenario, the adjustment of households and businesses to tighter financial conditions leads to a shallow recession in North America during 2023. High interest rates dampen consumer spending and restrain business investment. Unemployment rises only modestly and the moderate decline in home prices ends later in 2023. Equity returns are subdued. Central banks successfully restore price stability during 2023. The recovery is characterized by modest economic momentum.

In the downside scenario, financial conditions tightened to a greater extent than expected by financial markets as central banks must add further hikes to combat persistently high inflation. Very high interest rates lead to deeper and longer recession in North America during 2023, reflecting a painful adjustment from consumers and businesses. Unemployment increases substantially and contribute to a significant decline in home prices. Equity returns are deeply negative. Central banks are unable to cut back policy rates before 2024 due to the inflation stickiness, making the interest rates environment more restrictive. The recovery is tepid for the remaining forecast period.

In the upside scenario, a soft-landing is achieved. North America avoids a recession during 2023. Inflation cools down rapidly. Compelling evidence of price stability allows central banks to bring down policy rates close to neutral territory earlier during 2023, facilitating adjustments from consumers and businesses. Resilient labour market conditions are preserved, and home prices increase. Improving sentiment and acceleration in economic momentum contribute to solid equity returns. The recovery is marked by above-trend growth.

### Sensitivity analysis of allowances for credit losses on performing loans

If the Bank was to only use the base scenario for the measurement of allowances for credit losses on performing loans, it would be $38.0 million lower than the recognized allowances for credit losses as at January 31, 2023 ($33.5 million lower as at October 31, 2022). If the Bank was to only use the downside scenario for the measurement of allowances for credit losses on performing loans, it would be $53.3 million higher than the recognized allowances for credit losses as at January 31, 2023 ($46.0 million higher as at October 31, 2022).

This sensitivity is isolated to the measurement of allowances for credit losses and therefore did not consider changes in the migration of exposures between stage 1 and stage 2 from the determination of the significant increase in credit risk that would have resulted in a 100% base scenario or a 100% downside scenario. As a result, the allowances for credit losses on performing loans could exceed the amount implied by the 100% downside case scenario from the migration of additional exposures from stage 1 to stage 2. Actual credit losses could differ materially from those reflected in these estimates.

Under the current probability-weighted scenarios, if all performing loans were in stage 1, reflecting a 12-month expected loss period, the allowances for credit losses on performing loans would be $141.0 million as at January 31, 2023 ($136.0 million as at October 31, 2022)

### 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.

| | As at January 31, 2023 | | | As at October 31, 2022 | | |
|---|---|---|---|---|---|---|
| | **1 day-31 days** | **32 days-90 days** | **Total** | 1 day-31 days | 32 days-90 days | Total |
| Personal loans | **$ 83,136** | **$ 28,926** | **$ 112,062** | $ 70,173 | $ 23,726 | $ 93,899 |
| Residential mortgage loans | **109,460** | **25,060** | **134,520** | 115,028 | 27,496 | 142,524 |
| | **$ 192,596** | **$ 53,986** | **$ 246,582** | $ 185,201 | $ 51,222 | $ 236,423 |

### Finance lease receivables

The Commercial loans line item includes net investment in leases of $1.0 billion as at January 31, 2023 ($1.1 billion as at October 31, 2022).

## 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, 2023** | As at October 31, 2022 |
|---|---|---|
| Residential mortgage loans | **$ 10,519,395** | $ 10,298,524 |
| Replacement Assets[1] | **567,958** | 799,619 |
| Debt related to securitization activities | **(10,866,071)** | (10,860,606) |

(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, 2023, the Bank has also securitized other residential mortgage loans for a total amount of $63.2 million ($88.5 million as at October 31, 2022) 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, nil was pledged as collateral with the Bank of Canada (nil as at October 31, 2022).

### 6.2 STRUCTURED ENTITIES SECURITIZATON VEHICLES

In the ordinary course of business, the Bank enters into transactions with other 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 other structured entities that do not qualify for derecognition and their associated financial liabilities included in the Consolidated Balance Sheet.

| | **As at January 31, 2023** | As at October 31, 2022 |
|---|---|---|
| Personal loans | **$ 1,385,205** | $ 1,475,526 |
| Commercial loans[1] | **698,439** | 783,781 |
| Debt related to securitization activities | **(1,253,524)** | (1,331,816) |

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

### 6.3 COVERED BONDS

In April 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. In May 2021, the Bank issued its inaugural $250.0 million covered bonds which bear interest at a rate of 1.603% annually, payable semi-annually. In April 2022, the Bank issued its second tranche of covered bonds for $300.0 million which bear interest at a rate of 3.545% 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, 2023 the total amount of mortgages outstanding was $705.9 million ($732.9 million as at October 31, 2022).

## 7. DEPOSITS

| | | | | | | | | As at January 31, 2023 |
|---|---|---|---|---|---|---|---|---|
| | | **Demand[1]** | | **Notice[2]** | | **Term[3]** | | **Total** |
| Personal | **$** | **128,835** | **$** | **8,731,974** | **$** | **13,871,898** | **$** | **22,732,707** |
| Business, banks and other[4] | | **1,135,221** | | **506,456** | | **3,178,097** | | **4,819,774** |
| | **$** | **1,264,056** | **$** | **9,238,430** | **$** | **17,049,995** | **$** | **27,552,481** |

| | | | | | | | | As at October 31, 2022 |
|---|---|---|---|---|---|---|---|---|
| | | Demand[1] | | Notice[2] | | Term[3] | | Total |
| Personal | $ | 136,160 | $ | 7,936,834 | $ | 14,161,042 | $ | 22,234,036 |
| Business, banks and other[4] | | 1,331,138 | | 448,406 | | 3,118,226 | | 4,897,770 |
| | $ | 1,467,298 | $ | 8,385,240 | $ | 17,279,268 | $ | 27,131,806 |

(1) Demand deposits, primarily chequing accounts, consist of deposits in respect of which the Bank is not authorized to require notice prior to withdrawal by customers.
(2) Notice deposits, primarily savings accounts, consist of deposits in respect of which the Bank may legally require a withdrawal notice.
(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 2023, of which nil was drawn as at January 31, 2023 (nil as at October 31, 2022).

## 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, 2023** | | January 31, 2022 |
| | **Number of shares** | | **Amount[1]** | Number of shares | Amount[1] |
| **Non-Cumulative Class A Preferred Shares (NVCC)[2]** | | | | | |
| Series 13 | | | | | |
| Outstanding at beginning and end of period | **5,000,000** | **$** | **122,071** | 5,000,000 | $ 122,071 |

(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).

### Limited Recourse Capital Notes (LRCN)

| | | | | | As at January 31, 2023 |
|---|---|---|---|---|---|
| | 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, 2023** | January 31, 2022 |
| | **Amount** | Amount |
| **Limited Recourse Capital Notes (NVCC)** | | |
| Series 1 | | |
| Outstanding at beginning of period | **$ 122,332** | $ 123,612 |
| Treasury limited recourse capital notes[1] | **950** | $ (2,297) |
| Outstanding at the end of period | **$ 123,282** | $ 121,315 |

(1) When the Bank purchases its own equity instruments as part of its trading business, they are classified as treasury instruments and the cost of these instruments is recorded as a reduction in equity.

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

### Common shares

*Issued and outstanding*

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

| | For the three months ended | | | |
|---|---|---|---|---|
| | **January 31, 2023** | | January 31, 2022 | |
| | **Number of shares** | **Amount** | Number of shares | Amount |
| **Common shares** | | | | |
| Outstanding at beginning of period | **43,334,388** | **$ 1,167,549** | 43,586,656 | $ 1,172,722 |
| Issuance under the employee share purchase option plan | **—** | **—** | 3,074 | 140 |
| Issuance under the Shareholder Dividend Reinvestment and Share Purchase Plan | **70,823** | **2,443** | 17,054 | 735 |
| Repurchase of shares for cancellation | **—** | **—** | (294,000) | (7,910) |
| Net issuance costs | **n/a** | **(14)** | n/a | (4) |
| Outstanding at the end of period | **43,405,211** | **$ 1,169,978** | 43,312,784 | $ 1,165,683 |

*Normal course issuer bid*

On December 10, 2021, the Bank announced that it had received the approval of the Toronto Stock Exchange and 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.

In 2022, the Bank repurchased 401,200 common shares under its NCIB at an average price of $42.91 per share for a total amount of $17.2 million, of which $10.8 million reduced common shares and $6.4 million reduced retained earnings. The NCIB terminated on December 14, 2022.

*Shareholder dividend reinvestment and share purchase plan*

The Bank determined that as of February 27, 2023, reinvestment related to the dividend declared would be made in common shares issued from Corporate Treasury with a 2% discount.

### Dividends

On February 14, 2023, the Board of Directors declared regular dividends on the Preferred Shares Series 13 to shareholders of record on March 7, 2023. On February 27, 2023, the Board of Directors declared a dividend of $0.46 per common share, payable on May 1, 2023, to shareholders of record on April 3, 2023.

### 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 the Basel III Accord. 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 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.

The Bank has complied with regulatory capital and leverage requirements throughout the three-month period ended January 31, 2023. Regulatory capital is detailed below.

| | As at January 31, 2023 | As at October 31, 2022 |
|---|---|---|
| **Regulatory capital** | | |
| Common Equity Tier 1 capital | $ 2,180,919 | $ 2,167,313 |
| Tier 1 capital | $ 2,426,272 | $ 2,411,716 |
| Total capital | $ 2,915,749 | $ 2,881,927 |
| Total risk-weighted assets[1] | $ 23,900,939 | $ 23,909,169 |
| **Regulatory capital ratios** | | |
| Common Equity Tier 1 capital ratio | 9.1 % | 9.1 % |
| Tier 1 capital ratio | 10.2 % | 10.1 % |
| Total capital ratio | 12.2 % | 12.1 % |

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

## 9. SHARE-BASED COMPENSATION

### Share purchase option plan

During the three months ended January 31, 2023, the Bank awarded 428,459 stock options under the New Stock Option Plan with an exercise price of $32.99 (338,647 stock options with an exercise price of $40.26 during the three months ended January 31, 2022). The weighted-average fair value of options granted during the three months ended January 31, 2023 was $5.55 per option ($6.00 per option during the three months ended January 31, 2022).

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, 2023 | January 31, 2022 |
| Risk free interest rate | 2.93 % | 1.24 % |
| Expected life of options | 8 years | 8 years |
| Expected volatility[1] | 23 % | 23 % |
| Expected dividend yield | 5.70 % | 5.00 % |

(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, 2023, the Bank recognized a compensation expense for stock option awards of $0.6 million ($0.4 million for the three months ended January 31, 2022).

## 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, 2023** | October 31, 2022 | January 31, 2022 |
| Defined benefit pension plans | **$ 1,064** | $ 2,140 | $ 2,013 |
| Defined contribution pension plans | **2,437** | 2,339 | 2,180 |
| Other plans | **197** | (45) | 153 |
| | **$ 3,698** | $ 4,434 | $ 4,346 |

## 11. EARNINGS PER SHARE

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

| | For the three months ended | | |
|---|---|---|---|
| | **January 31, 2023** | October 31, 2022 | January 31, 2022 |
| **Earnings per share – basic** | | | |
| Net income | **$ 51,910** | $ 55,650 | $ 55,518 |
| Preferred share dividends and limited recourse capital note interest | **4,601** | 1,289 | 4,601 |
| Net income attributable to common shareholders | **$ 47,309** | $ 54,361 | $ 50,917 |
| Weighted-average number of outstanding common shares (in thousands) | **43,358** | 43,289 | 43,549 |
| Earnings per share – basic | **$ 1.09** | $ 1.26 | $ 1.17 |
| **Earnings per share – diluted** | | | |
| Net income attributable to common shareholders | **$ 47,309** | $ 54,361 | $ 50,917 |
| Weighted-average number of outstanding common shares (in thousands) | **43,358** | 43,289 | 43,549 |
| Dilutive share purchase options (in thousands) | **1** | 21 | 106 |
| Diluted weighted-average number of outstanding common shares (in thousands) | **43,359** | 43,310 | 43,655 |
| Earnings per share – diluted | **$ 1.09** | $ 1.26 | $ 1.17 |

(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 2022 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 $174.7 million which are classified in Level 1 as at January 31, 2023 ($241.2 million as at October 31, 2022). 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

Income related to financial instruments reported in the Consolidated Statement of Income is detailed as follows.

### Net interest income

| | For the three months ended | | |
|---|---|---|---|
| | **January 31, 2023** | October 31, 2022 | January 31, 2022 |
| **Interest and dividend income** | | | |
| Interest income calculated using the effective interest method | | | |
| Financial instruments measured at amortized cost | **$ 530,094** | $ 449,300 | $ 285,528 |
| Financial instruments measured at FVOCI | **126** | 63 | 192 |
| Interest and dividend income on financial instruments not measured at amortized cost[1] | **9,412** | 13,817 | 25,300 |
| | **539,632** | 463,180 | 311,020 |
| **Interest expense** | | | |
| Interest expense calculated using the effective interest method | | | |
| Financial instruments measured at amortized cost | **297,463** | 243,672 | 129,816 |
| Interest expense on financial instruments not measured at amortized cost[1] | **55,053** | 35,684 | 286 |
| | **352,516** | 279,356 | 130,102 |
| Net interest income | **$ 187,116** | $ 183,824 | $ 180,918 |

(1) Including interest income and expense on derivatives, as well as dividend income on securities not held for-trading. Dividend income was $2.4 million for the three months ended January 31, 2023 ($3.9 million for the three months ended January 31, 2022).

## 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 period.

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# SHAREHOLDER INFORMATION

### Corporate offices

*Montreal*
1360 René-Lévesque Blvd West,
Suite 600
Montreal, Quebec H3G 0E5

*Toronto*
199 Bay St, Suite 600
Toronto, Ontario M5L 0A2

www.laurentianbank.ca

### Head of Complaints Resolution

1360 René-Lévesque Blvd West,
Suite 600
Montreal, Quebec H3G 0E5
HCR@laurentianbank.ca
or HCR@b2bbank.com
Tel.: 514-284-7192
or 1-800-479-1244
Fax : 1-800-473-4790

### Corporate Governance

The Bank's website provides information on our corporate governance practices, including our governance policies and our board and committee mandates.
https://www.laurentianbank.ca/en/about_lbc/my_bank/governance.html

### 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