SECOND QUARTER 2023

Report to Shareholders

For the period ended April 30, 2023

Laurentian Bank of Canada reported net income of $49.3 million and diluted earnings per share of $1.11 for the second quarter of 2023, compared with $59.5 million and $1.34 for the second quarter of 2022. Return on common shareholders' equity was 7.7% for the second quarter of 2023, compared with 10.0% for the second quarter of 2022. Adjusted net income[1] was $51.7 million and adjusted diluted earnings per share were $1.16 for the second quarter of 2023, compared with $61.6 million and $1.39 for the second quarter of 2022. Adjusted return on common shareholders' equity was 8.1% for the second quarter of 2023, compared with 10.3% a year ago.

For the six months ended April 30, 2023, reported net income was $101.2 million and diluted earnings per share were $2.20, compared with $115.1 million and $2.51 for the six months ended April 30, 2022. Return on common shareholders' equity was 7.6% for the six months ended April 30, 2023, compared with 9.2% for the six months ended April 30, 2022. Adjusted net income was $106.0 million and adjusted diluted earnings per share were $2.31 for the six months ended April 30, 2023, compared with $121.1 million and $2.65 for the six months ended April 30, 2022. Adjusted return on common shareholders' equity was 8.0% for the six months ended April 30, 2023, compared with 9.7% for the same period a year ago.

"I am extremely pleased with our results this quarter and the progress we have made in optimizing our funding profile, ending the quarter with a very strong liquidity position and capital level," said Rania Llewellyn, President & CEO. "This quarter we continued to achieve key milestones along our digital journey, including the public launch of our digital account opening solution, which will allow us to deepen our relationships with current customers and acquire net new customers outside of our branch footprint across Canada."

In millions of dollars, except per share and percentage amounts (Unaudited)	For the three months ended April 30, 2023	April 30, 2022	Variance	For the six months ended April 30, 2023	April 30, 2022	Variance
Reported basis						
Net income	**$ 49.3**	$ 59.5	(17)%	**$ 101.2**	$ 115.1	(12)%
Diluted earnings per share	**$ 1.11**	$ 1.34	(17)%	**$ 2.20**	$ 2.51	(12)%
Return on common shareholders' equity[1]	**7.7 %**	10.0 %		**7.6 %**	9.2 %	
Efficiency ratio[2]	**71.0 %**	66.3 %		**70.8 %**	67.7 %	
Common Equity Tier 1 (CET1) capital ratio[3]	**9.3 %**	9.3 %				
Adjusted basis						
Adjusted net income[4]	**$ 51.7**	$ 61.6	(16)%	**$ 106.0**	$ 121.1	(12)%
Adjusted diluted earnings per share[1]	**$ 1.16**	$ 1.39	(17)%	**$ 2.31**	$ 2.65	(13)%
Adjusted return on common shareholders' equity[1]	**8.1 %**	10.3 %		**8.0 %**	9.7 %	
Adjusted efficiency ratio[1]	**69.7 %**	65.2 %		**69.5 %**	66.1 %	

(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 the Office of the Superintendent of Financial Institutions's (OSFI) "Capital Adequacy Requirements" guideline. Refer to the Capital Management section on page 14 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE PERIOD ENDED APRIL 30, 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 April 30, 2023 and its operating results for the three-month and six-month periods then ended, compared with the corresponding periods shown. This MD&A should be read in conjunction with the Condensed Interim Consolidated Financial Statements. This MD&A is dated as of May 31, 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 (SEDAR) at www.sedar.com.

BASIS OF PRESENTATION

The financial information reported herein is based on the Condensed Interim Consolidated Financial Statements for the periods ended April 30, 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 $50.7 billion in balance sheet assets and $27.7 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") may make written or oral forward-looking statements within the meaning of applicable Canadian and United States (U.S.) securities legislation. These forward-looking statements are made in accordance with the "safe harbor" provisions and are intended to be forward-looking statements in accordance with applicable Canadian and U.S. securities legislation. Forward-looking statements 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 statements under the headings "Outlook" 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. The forward-looking statements contained in, or incorporated by reference in, this document are used to assist readers in obtaining a better understanding of the Bank's financial position and the results of operations as at and for the periods ended on the dates presented and may not be appropriate for other purposes.

Forward-looking statements typically are identified with words or phrases such as "believe", "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.

The Bank cautions 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; 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" of 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 or potential events.

Any forward-looking statements contained herein or incorporated by reference represent the views of management of the Bank 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 SEDAR at www.sedar.com.

HIGHLIGHTS

TABLE 1
FINANCIAL HIGHLIGHTS

In thousands of dollars, except when noted	For the three months ended April 30, 2023	January 31, 2023	Variance	April 30, 2022	Variance	For the six months ended April 30, 2023	April 30, 2022	Variance
Operating results								
Total revenue	**$ 257,167**	$ 260,068	(1)%	$ 259,602	(1)%	**$ 517,235**	$ 517,141	— %
Net income	**$ 49,291**	$ 51,910	(5)%	$ 59,549	(17)%	**$ 101,201**	$ 115,067	(12)%
Adjusted net income[1]	**$ 51,684**	$ 54,296	(5)%	$ 61,600	(16)%	**$ 105,980**	$ 121,091	(12)%
Operating performance								
Diluted earnings per share	**$ 1.11**	$ 1.09	2 %	$ 1.34	(17)%	**$ 2.20**	$ 2.51	(12)%
Adjusted diluted earnings per share[2]	**$ 1.16**	$ 1.15	1 %	$ 1.39	(17)%	**$ 2.31**	$ 2.65	(13)%
Return on common shareholders' equity[2]	**7.7 %**	7.5 %		10.0 %		**7.6 %**	9.2 %	
Adjusted return on common shareholders' equity[2]	**8.1 %**	7.8 %		10.3 %		**8.0 %**	9.7 %	
Net interest margin[3]	**1.80 %**	1.77 %		1.87 %		**1.79 %**	1.88 %	
Efficiency ratio[3]	**71.0 %**	70.6 %		66.3 %		**70.8 %**	67.7 %	
Adjusted efficiency ratio[2]	**69.7 %**	69.4 %		65.2 %		**69.5 %**	66.1 %	
Operating leverage[3][4]	**(0.5)%**	(4.3)%		4.1 %		**(4.6)%**	5.0 %	
Adjusted operating leverage[2][4]	**(0.4)%**	(4.3)%		2.7 %		**(5.2)%**	4.9 %	
Financial position ($ millions)								
Loans and acceptances	**$ 37,901**	$ 37,646	1 %	$ 35,835	6 %	**$ 37,901**	$ 35,835	6 %
Total assets	**$ 50,698**	$ 50,361	1 %	$ 48,318	5 %	**$ 50,698**	$ 48,318	5 %
Deposits	**$ 26,518**	$ 27,552	(4)%	$ 25,242	5 %	**$ 26,518**	$ 25,242	5 %
Average earning assets[3]	**$ 41,866**	$ 41,856	— %	$ 39,412	6 %	**$ 41,861**	$ 38,746	8 %
Average loans and acceptances[3]	**$ 37,763**	$ 37,591	— %	$ 34,923	8 %	**$ 37,675**	$ 34,351	10 %
Basel III regulatory capital ratios								
CET1 capital ratio[5]	**9.3 %**	9.1 %		9.3 %		**9.3 %**	9.3 %	
CET1 risk-weighted assets ($ millions)[5]	**$ 23,785**	$ 23,901		$ 22,557		**$ 23,785**	$ 22,557	
Credit quality								
Gross impaired loans as a % of loans and acceptances[3]	**0.49 %**	0.45 %		0.52 %		**0.49 %**	0.52 %	
Net impaired loans as a % of loans and acceptances[3]	**0.34 %**	0.32 %		0.33 %		**0.34 %**	0.33 %	
Provision for credit losses as a % of average loans and acceptances[3]	**0.18 %**	0.16 %		0.15 %		**0.17 %**	0.13 %	
Common share information								
Closing share price[6]	**$ 32.21**	$ 35.77	(10)%	$ 39.07	(18)%	**$ 32.21**	$ 39.07	(18)%
Price / earnings ratio (trailing four quarters)[3]	**6.9 x**	7.3 x		26.9 x		**6.9 x**	26.9 x	
Adjusted price / earnings ratio (trailing four quarters)[2]	**6.6 x**	7.0 x		7.9 x				
Book value per share[2]	**$ 59.06**	$ 58.29	1 %	$ 55.94	6 %	**$ 59.06**	$ 55.94	6 %
Dividends declared per share	**$ 0.46**	$ 0.46	— %	$ 0.44	5 %	**$ 0.92**	$ 0.88	5 %
Dividend yield[3]	**5.7 %**	5.1 %		4.5 %		**5.7 %**	4.5 %	
Dividend payout ratio[3]	**41.6 %**	42.1 %		32.6 %		**41.9 %**	35.0 %	
Adjusted dividend payout ratio[2]	**39.6 %**	40.1 %		31.5 %		**39.9 %**	33.1 %	

(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 (year-over-year for the six-month period presented).
(5) In accordance with OSFI's "Capital Adequacy Requirements" guideline. Refer to the Capital Management section on page 14 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

	For the three months ended			For the six months ended	
In thousands of dollars (Unaudited)	**April 30, 2023**	January 31, 2023	April 30, 2022	**April 30, 2023**	April 30, 2022
Non-interest expenses	**$ 182,472**	$ 183,675	$ 172,105	**$ 366,147**	$ 350,035
Adjusting items, before income taxes					
Amortization of acquisition-related intangible assets[1]	**3,221**	3,210	3,030	**6,431**	6,058
Strategic review-related charges[2]	**—**	—	(277)	**—**	2,065
	3,221	3,210	2,753	**6,431**	8,123
Adjusted non-interest expenses	**$ 179,251**	$ 180,465	$ 169,352	**$ 359,716**	$ 341,912
Income before income taxes	**$ 58,526**	$ 60,961	$ 74,497	**$ 119,487**	$ 144,706
Adjusting items, before income taxes (detailed above)	**3,221**	3,210	2,753	**6,431**	8,123
Adjusted income before income taxes	**$ 61,747**	$ 64,171	$ 77,250	**$ 125,918**	$ 152,829
Reported net income	**$ 49,291**	$ 51,910	$ 59,549	**$ 101,201**	$ 115,067
Adjusting items, net of income taxes					
Amortization of acquisition-related intangible assets[1]	**2,393**	2,386	2,254	**4,779**	4,506
Strategic review-related charges[2]	**—**	—	(203)	**—**	1,518
	2,393	2,386	2,051	**4,779**	6,024
Adjusted net income	**$ 51,684**	$ 54,296	$ 61,600	**$ 105,980**	$ 121,091
Net income available to common shareholders	**$ 48,003**	$ 47,309	$ 58,261	**$ 95,312**	$ 109,178
Adjusting items, net of income taxes (detailed above)	**2,393**	2,386	2,051	**4,779**	6,024
Adjusted net income available to common shareholders	**$ 50,396**	$ 49,695	$ 60,312	**$ 100,091**	$ 115,202

(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			For the six months ended	
	April 30, 2023	January 31, 2023	April 30, 2022	**April 30, 2023**	April 30, 2022
Shareholders' equity	**$ 2,845,993**	$ 2,808,932	$ 2,689,345	**$ 2,845,993**	$ 2,689,345
Less:					
Preferred shares	**(122,071)**	(122,071)	(122,071)	**(122,071)**	(122,071)
Limited recourse capital notes	**(123,516)**	(123,282)	(121,581)	**(123,516)**	(121,581)
Cash flow hedges reserve[1]	**(32,591)**	(33,323)	(27,621)	**(32,591)**	(27,621)
Common shareholders' equity	**$ 2,567,815**	$ 2,530,256	$ 2,418,072	**$ 2,567,815**	$ 2,418,072
Impact of averaging month-end balances[2]	**(24,981)**	(11,057)	(26,717)	**(36,994)**	(34,839)
Average common shareholders' equity	**$ 2,542,834**	$ 2,519,199	$ 2,391,355	**$ 2,530,821**	$ 2,383,233

(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			For the six months ended	
	April 30, 2023	January 31, 2023	April 30, 2022	**April 30, 2023**	April 30, 2022
Diluted earnings per share	**$ 1.11**	$ 1.09	$ 1.34	**$ 2.20**	$ 2.51
Adjusting items, net of income taxes, on a per share basis[1]	**0.05**	0.06	0.05	**0.11**	0.14
Adjusted diluted earnings per share[2]	**$ 1.16**	$ 1.15	$ 1.39	**$ 2.31**	$ 2.65

(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 23 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.

In the second year of our plan, we are focusing on three priorities in 2023: delivering excellent customer service, deposits and optimizing our funding structure, 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. Last quarter, Equipment Financing, a specialty within Commercial Banking joined Inventory Financing by moving from an "excellent" to "world class" rating in its NPS by proactively putting its customers at the centre of all its organizational decisions.

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

As a result of actions we have been consistently taking to drive these results, including addressing the top five digital pain points as identified by our customers last year, and the inclusion of NPS metrics in Personal Banking scorecards this year, we have achieved significant increases in our branch, private banking and loyalty team NPS scores.

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. This was a key component of our strategy to grow our retail footprint nationally and to date there has been an almost equal split in digital applications between Quebec and Rest of Canada.

Deposits and Optimizing our Funding Structure

We will continue our focus on deposits and optimizing our funding structure so that we can maintain a strong balance sheet and support our loan growth.

This quarter, we publicly launched our digital account onboarding solution to market. The new digital account opening process will allow us to deepen our relationships with current customers and acquire additional customers outside of our branch footprint across Canada.

To meet the everyday banking needs for a wide range of customers we launched the service with a High Interest Savings Account and a variety of chequing accounts. To date, approximately two-thirds of account openings are from "new to bank" customers.

As part of our strategic priority to make size our advantage and leverage partnerships to get to market more quickly, we worked with thirdstream to enable customers to open these accounts anytime and from anywhere in Canada.

Driving Efficiencies Through Simplification

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

Right sizing our Capital Markets franchise
In line with our priority to drive efficiencies through simplification and our strategic objective to focus on our specializations, coupled with unfavourable financial market conditions, we have decided in late May to right size our Capital Markets franchise. This is in line with our commitment to operate a focused and aligned offering in key businesses, where we have significant alignment with the rest of the Bank.

As a result, restructuring charges of an estimated $6 million (before income taxes) are expected to be incurred in the third quarter of 2023. We expect these actions will generate recurring cost savings of an approximate $5 million (before income taxes) on an annual basis.

Other measures to simplify and improve efficiencies

This quarter, two additional initiatives that will lead to about $1 million in annual savings were the re-evaluation and reduction of our enterprise-wide printing needs and improved training and onboarding processes in operations, leading to increased productivity levels.

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.

This quarter, the Bank launched its 2022 ESG report, which highlights the progress we have made so far on our ESG journey.

As part of our commitment to helping our customers on their ESG journey's, we are a collaborator of *Québec Net Positif*, helping Quebec-based small- and medium-sized businesses get ready to thrive in a low-carbon and sustainable economy.

OUTLOOK

ECONOMIC OUTLOOK

The outlook for global economic growth remains challenging due to global banking sector turmoil, elevated interest rate levels and geopolitical tensions. We expect the ongoing period of adjustment to higher interest rates ending in a mild recession in North America.

The expectation in the United States is that the U.S. Federal Reserve is now close to the end of its rate hiking cycle, as consumer spending and business investment is softening due to uncertain economic conditions. However, the labour market remains solid, despite a decline in job postings. The unemployment rate in April of 3.4% was a five-decade low and wage growth remains strong.

In Canada, the Consumer Price Index (CPI) rebounded slightly to 4.4% in April. This remains higher than the Bank of Canada's stated 2% inflation target and the Bank of Canada may continue its cycle of policy rate hikes if CPI inflation does not subside sufficiently. On average, Canadian consumers are reducing spending, particularly on non-essential goods. In the labour market, record high immigration levels are providing businesses with a supply of labour, with almost a quarter of a million jobs added between January and April this year. The unemployment rate has been steady at 5% so far this year.

In the housing sector, resale activity and prices have rebounded mildly this spring due to lower mortgage rates, record high immigration and solid job market conditions. Supply on the resale market sits at a two-decade low and homebuilding of new residential units has slowed below household formation this spring.

Recent oil supply cuts driven by the Organization of the Petroleum Exporting Countries (OPEC) have been supportive of the Canadian dollar relative to the U.S. dollar. The Canadian dollar is at the top of the range observed during the last year, reaching US$75 cents in early May.

ANALYSIS OF CONSOLIDATED RESULTS

TABLE 5
CONDENSED CONSOLIDATED RESULTS

In thousands of dollars, except percentage amounts (Unaudited)	For the three months ended April 30, 2023	For the three months ended January 31, 2023	For the three months ended April 30, 2022	For the six months ended April 30, 2023	For the six months ended April 30, 2022
Net interest income	**$ 184,185**	$ 187,116	$ 180,090	**$ 371,301**	$ 361,008
Other income	**72,982**	72,952	79,512	**145,934**	156,133
Total revenue	**257,167**	260,068	259,602	**517,235**	517,141
Provision for credit losses	**16,169**	15,432	13,000	**31,601**	22,400
Non-interest expenses	**182,472**	183,675	172,105	**366,147**	350,035
Income before income taxes	**58,526**	60,961	74,497	**119,487**	144,706
Income taxes	**9,235**	9,051	14,948	**18,286**	29,639
Net income	**49,291**	51,910	59,549	**101,201**	115,067
Preferred share dividends and limited recourse capital note interest	**1,288**	4,601	1,288	**5,889**	5,889
Net income available to common shareholders	**$ 48,003**	47,309	$ 58,261	**$ 95,312**	$ 109,178
Non-GAAP financial measures					
Adjusted non-interest expenses[1]	**$ 179,251**	$ 180,465	$ 169,352	**$ 359,716**	$ 341,912
Adjusted income before income taxes[1]	**$ 61,747**	$ 64,171	$ 77,250	**125,918**	152,829
Adjusted net income[1]	**$ 51,684**	$ 54,296	$ 61,600	**105,980**	121,091
Adjusted net income available to common shareholders[1]	**$ 50,396**	$ 49,695	$ 60,312	**100,091**	115,202

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

SECOND QUARTER OF 2023 COMPARED WITH SECOND QUARTER OF 2022

Net income was $49.3 million and diluted earnings per share were $1.11 for the second quarter of 2023, compared with $59.5 million and $1.34 for the second quarter of 2022. Adjusted net income was $51.7 million and adjusted diluted earnings per share were $1.16 for the second quarter of 2023, compared with $61.6 million and $1.39 for the second quarter of 2022.

Total revenue

Total revenue of $257.2 million for the second quarter of 2023 decreased by 1% compared with $259.6 million for the second quarter of 2022.

Net interest income increased by $4.1 million or 2% to $184.2 million for the second quarter of 2023, compared with $180.1 million for the second quarter of 2022. The increase was mainly due to higher interest income from commercial loans, partly offset by higher funding costs and lower mortgage pre-payment penalties. The net interest margin was 1.80% for the second quarter of 2023, a decrease of 7 basis points compared with the second 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 $6.5 million or 8% to $73.0 million for the second quarter of 2023, compared with $79.5 million for the second quarter of 2022. Unfavourable market conditions impacted financial markets related revenue in the second quarter of 2023, including fees and securities brokerage commissions, income from mutual funds and income from financial instruments.

Provision for credit losses

The provision for credit losses was $16.2 million for the second quarter of 2023 compared with $13.0 million for the second quarter of 2022, an increase of $3.2 million reflecting higher provisions on impaired loans due to credit migration, partly offset by lower provisions on performing loans. The provision for credit losses as a percentage of average loans and acceptances stood at 18 basis points for the quarter, compared with 15 basis points for the same quarter a year ago. Refer to the “Risk management” section on pages 16 to 18 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 $182.5 million for the second quarter of 2023, an increase of $10.4 million compared with the second quarter of 2022. Adjusted non-interest expenses increased by $9.9 million or 6% to $179.3 million for the second quarter of 2023, compared with $169.4 million for the second quarter of 2022.

Salaries and employee benefits amounted to $100.7 million for the second quarter of 2023, an increase of $2.0 million compared with the second 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 performance-based compensation.

Premises and technology costs were $48.6 million for the second quarter of 2023, an increase of $4.9 million compared with the second 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.

Other non-interest expenses were $33.2 million for the second quarter of 2023, an increase of $3.3 million compared with the second quarter of 2022, mainly resulting from higher advertising, business development and travel expenses, as well as higher professional and advisory services fees to deliver strategic initiatives.

Efficiency ratio
The efficiency ratio on a reported basis was 71.0% for the second quarter of 2023, compared with 66.3% for the second quarter of 2022. The adjusted efficiency ratio was 69.7% for the second quarter of 2023, compared to 65.2% for the second quarter of 2022, mainly as a result of pressures on revenues and investments in strategic priorities, as detailed above. The same elements also contributed to negative operating leverage on a year-over-year basis.

Income taxes

For the second quarter of 2023, income taxes were $9.2 million, and the effective tax rate was 15.8%. For the second quarter of 2022, the income tax expense was $14.9 million, and the effective tax rate was 20.1%. 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.

Canadian Tax Measures
The 2023 Federal Budget, released in March 2023, proposed a number of tax measures, including the denial of a deduction for dividends received by financial institutions on shares of Canadian corporations that are mark-to-market properties, a 2% tax on share buybacks for Canadian public companies in excess of a *de minimus* threshold, and amending the definition of "financial service" to make payment card clearing services taxable for GST/HST purposes. The Bank does not expect these measures, if enacted as proposed, to have a significant impact on its financial results.

SIX MONTHS ENDED APRIL 30, 2023 COMPARED WITH SIX MONTHS ENDED APRIL 30, 2022

Net income was $101.2 million and diluted earnings per share were $2.20 for the six months ended April 30, 2023, compared with $115.1 million and $2.51 for the six months ended April 30, 2022. Adjusted net income was $106.0 million and adjusted diluted earnings per share were $2.31 for the six months ended April 30, 2023, compared with $121.1 million and $2.65 for the six months ended April 30, 2022.

Total revenue

Total revenue was $517.2 million for the six months ended April 30, 2023, unchanged compared with the six months ended April 30, 2022.

Net interest income increased by $10.3 million or 3% to $371.3 million for the six months ended April 30, 2023, compared with $361.0 million for the six months ended April 30, 2022. The increase was mainly due to higher interest income from commercial loans, partly offset by higher funding costs and lower mortgage pre-payment penalties. The net interest margin was 1.79% for the six months ended April 30, 2023, a decrease of 9 basis points compared with the six months ended April 30, 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 $10.2 million or 7% to $145.9 million for the six months ended April 30, 2023, compared with $156.1 million for the six months ended April 30, 2022. The decrease was mainly due to the volatile market conditions unfavourably impacting financial markets revenue in the six months ended April 30, 2023, including fees and securities brokerage commissions, income from mutual funds and income from financial instruments.

Provision for credit losses

The provision for credit losses increased by $9.2 million to $31.6 million for the six months ended April 30, 2023 compared with $22.4 million for the six months ended April 30, 2022, mainly reflecting higher provisions on impaired loans due to credit migration. The provision for credit losses as a percentage of average loans and acceptances stood at 17 basis points for the six months ended April 30, 2023, compared with 13 basis points for the six months ended April 30, 2022. Refer to the "Risk management" section on pages 16 to 18 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 increased by $16.1 million or 5% to $366.1 million for the six months ended April 30, 2023, compared with $350.0 million for the six months ended April 30, 2022. Adjusted non-interest expenses increased by $17.8 million or 5% to $359.7 million for the six months ended April 30, 2023, compared with $341.9 million for the six months ended April 30, 2022.

Salaries and employee benefits increased by $8.1 million or 4% to $204.6 million for the six months ended April 30, 2023, compared with the six months ended April 30, 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 performance-based compensation.

Premises and technology costs increased by $6.9 million to $95.6 million for the six months ended April 30, 2023, compared with the six months ended April 30, 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.

Other non-interest expenses increased by $3.1 million to $65.9 million for the six months ended April 30, 2023, compared with the six months ended April 30, 2022. The increase mainly resulted from higher advertising, business development and travel expenses.

Efficiency ratio
The efficiency ratio on a reported basis was 70.8% for the six months ended April 30, 2023, compared with 67.7% for the six months ended April 30, 2022. The adjusted efficiency ratio was 69.5% for the six months ended April 30, 2023, compared with 66.1% for the six months ended April 30, 2022, mainly as a result of pressures on revenues and investments in strategic priorities, as detailed above. The same elements also contributed to negative operating leverage on a year-over-year basis.

Income taxes

For the six months ended April 30, 2023, the income tax expense was $18.3 million and the effective tax rate was 15.3%. For the six months ended April 30, 2022, the income tax expense was $29.6 million and the effective tax rate was 20.5%. For both periods, 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.

SECOND QUARTER OF 2023 COMPARED WITH FIRST QUARTER OF 2023

Net income was $49.3 million and diluted earnings per share were $1.11 for the second quarter of 2023, compared with $51.9 million and $1.09 for the first quarter of 2023. Adjusted net income was $51.7 million and adjusted diluted earnings per share were $1.16 for the second quarter of 2023, compared with $54.3 million and $1.15 for the first quarter of 2023. Net income available to common shareholders included the quarterly dividend declared on the Preferred Shares Series 13 in the second quarter of 2023, whereas the first quarter of 2023 included interest paid semi-annually on the limited recourse capital notes and the quarterly dividend declared on the Preferred Shares Series 13.

Total revenue decreased by $2.9 million to $257.2 million for the second quarter of 2023 compared with $260.1 million for the previous quarter. Net interest income decreased by $2.9 million sequentially to $184.2 million. The decrease mainly reflects the negative impact of three fewer days in the second quarter and higher funding costs, partly offset by higher interest income from commercial loans. Net interest margin was 1.80% for the second quarter of 2023, an increase of 3 basis points compared with 1.77% for the first quarter of 2023 due to improved margins in the commercial loan portfolio, partly offset by higher funding costs. Other income amounted to $73.0 million for the second quarter of 2023, unchanged compared with the previous quarter.

The provision for credit losses was $16.2 million for the second quarter of 2023, an increase of $0.7 million compared with $15.4 million for the first quarter of 2023 reflecting higher provisions on impaired loans, partly offset by lower provisions on performing loans. Refer to the "Risk Management" section for additional information.

Non-interest expenses decreased by $1.2 million to $182.5 million for the second quarter of 2023 from $183.7 million in the first quarter of 2023. The decrease mostly resulted from lower salaries from the three fewer days in the second quarter and seasonally lower vacation accruals, partly offset by higher technology and professional services costs as the Bank is investing in its infrastructure and strategic priorities. Adjusted non-interest expenses amounted to $179.3 million in the second quarter of 2023, a decrease of $1.2 million, mainly for the same reasons.

ANALYSIS OF FINANCIAL CONDITION

TABLE 6
CONDENSED BALANCE SHEET

In thousands of dollars (Unaudited)		As at April 30, 2023		As at October 31, 2022
Assets				
Cash and deposits with banks	$	**1,070,571**	$	1,890,923
Securities		**6,003,372**		6,184,461
Securities purchased under reverse repurchase agreements		**4,382,809**		3,727,752
Liquid assets[1]		**11,456,752**		11,803,136
Loans and acceptances, net of allowances		**37,697,819**		37,387,585
Other assets		**1,543,850**		1,526,037
	$	**50,698,421**	$	50,716,758
Liabilities and Shareholders' Equity				
Deposits	$	**26,518,138**	$	27,131,806
Other liabilities		**8,351,199**		8,274,874
Debt related to securitization activities		**12,644,468**		12,192,422
Subordinated debt		**338,623**		336,553
Shareholders' equity		**2,845,993**		2,781,103
	$	**50,698,421**	$	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 April 30, 2023, total assets amounted to $50.7 billion, unchanged compared with $50.7 billion as at October 31, 2022.

Liquid assets

As at April 30, 2023, liquid assets amounted to $11.5 billion, a decrease of $0.3 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 April 30, 2023, unchanged compared with October 31, 2022.

Loans

Loans and bankers' acceptances, net of allowances, stood at $37.7 billion as at April 30, 2023, an increase of $0.3 billion since October 31, 2022. During the first half of 2023, commercial loan and residential mortgage growth were partly offset by a decrease in personal loans. Commercial loans and acceptances amounted to $18.6 billion as at April 30, 2023, an increase of $0.4 billion or 2% since October 31, 2022. The increase resulted mainly from net growth in both inventory financing and real estate lending. Residential mortgage loans of $16.4 billion as at April 30, 2023 increased by $0.2 billion or 1% from October 31, 2022. Personal loans of $2.9 billion as at April 30, 2023 decreased by $0.4 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 April 30, 2023, unchanged since October 31, 2022.

Deposits

The Bank has prudently maintained higher liquidity over the last few quarters due to macroeconomic uncertainty. The Bank had strongly increased its personal partnership and personal term deposits in the first quarter by a combined $1.4 billion. In addition and as further detailed below, the Bank issued an additional $0.8 billion of cost-effective long-term debt related to securitization activities during the second quarter. Therefore, the Bank took actions throughout the second quarter to reduce shorter-term more costly deposits, including personal deposits from advisors and brokers, leading to a decrease of $0.6 billion of total deposits to $26.5 billion as at April 30, 2023 compared with $27.1 billion as at October 31, 2022. Of note, personal deposits sourced through the retail channel increased by $0.4 billion or 5% since October 31, 2022.

Personal deposits represented 83% of total deposits as at April 30, 2023, compared with 82% as at October 31, 2022, and contributed to the Bank's sound liquidity position.

Other liabilities

Other liabilities stood at $8.4 billion as at April 30, 2023, an increase of $0.1 billion or 1% since October 31, 2022. The increase resulted mainly from higher obligations related to trading activities.

Debt related to securitization activities

Debt related to securitization activities increased by $0.5 billion or 4% compared with October 31, 2022 and stood at $12.6 billion as at April 30, 2023. As detailed in the Deposits section above, the Bank took actions throughout the second quarter to optimize its funding structure and issued $0.8 billion of cost-effective debt related to securitization activities.

Subordinated debt

Subordinated debt stood at $0.3 billion as at April 30, 2023, 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 April 30, 2023 and increased by $64.9 million compared with October 31, 2022. Retained earnings increased by $51.9 million compared to October 31, 2022, mainly as a result of the net income contribution of $101.2 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 $59.06 as at April 30, 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 "Capital 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 23 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 23 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.

On April 28, 2023, OSFI released the draft amendments to the Pillar 3 Disclosure Guidelines for consultation. These amendments incorporate the market risk and credit valuation adjustment risk disclosures of the Basel III Pillar 3 framework. The draft amendments are for D-SIBs and SMSBs designated by OSFI to apply the market risk framework of the Capital Adequacy Requirements Guideline effective in the first quarter 2024. As the Bank is not a SMSB designated by OSFI to apply the market risk framework, the impact of these draft amendments is expected to be limited for the Bank.

Most of these revised rules took effect in the second quarter of 2023 for the Bank, with those related to the market risk and credit valuation adjustment risk taking effect in early 2024. The new regulatory requirements had no material impact on the Bank's Common Equity Tier 1 capital or Common Equity Tier 1 capital ratio as at April 30, 2023.

Regulatory capital ratios

The Common Equity Tier 1 capital ratio stood at 9.3% as at April 30, 2023, an increase of 20 basis points 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 an increased CET1 capital ratio since the beginning of the year due to internal capital generation. 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 April 30, 2023	As at October 31, 2022
Regulatory capital		
Common shares	$ 1,172,269	$ 1,167,549
Retained earnings	1,374,233	1,322,381
Accumulated other comprehensive income, excluding cash flow hedge reserve	48,210	19,438
Share-based compensation reserve	5,694	4,725
Transitional arrangements for expected credit losses in response to COVID-19[1]	—	15,609
Deductions from Common Equity Tier 1 capital[2]	(383,403)	(362,389)
Common Equity Tier 1 capital	2,217,003	2,167,313
Qualifying preferred shares and limited recourse capital notes	245,587	244,403
Additional Tier 1 capital	245,587	244,403
Tier 1 capital	2,462,590	2,411,716
Qualifying subordinated debt	338,623	336,553
Collective allowances	157,525	133,658
Tier 2 capital	496,148	470,211
Total capital	$ 2,958,738	$ 2,881,927
CET1 risk-weighted assets	$ 23,784,984	$ 23,909,169
Total exposure	$ 51,957,103	$ 52,170,897
Capital ratios		
Common Equity Tier 1 capital ratio	9.3 %	9.1 %
Tier 1 capital ratio	10.4 %	10.1 %
Total capital ratio	12.4 %	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 May 25, 2023, there were 5,000,000 outstanding Preferred Shares Series 13, 43,479,161 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 April 30, 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 April 30, 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.

DIVIDENDS

On May 31, 2023, the Board of Directors declared a quarterly dividend of $0.47 per common share, payable on August 1, 2023, to shareholders of record on July 4, 2023. This quarterly dividend increased by 2% compared with the dividend declared in the previous quarter and is 4% 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 April 30, 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 increase or decrease its allowances for credit losses in subsequent periods.

Provision for credit losses

Second quarter of 2023 compared with second quarter of 2022
Total provision for credit losses of $16.2 million increased by $3.2 million compared with the second quarter of 2022, mainly as a result of higher provisions on impaired loans, partly offset by lower provisions on performing loans. The provision for credit losses as a percentage of average loans and acceptances stood at 18 basis points for the quarter, compared with 15 basis points for the same quarter a year ago.

The provision for credit losses on performing loans was $4.1 million for the second quarter of 2023 compared with a provision of $7.5 million for the second quarter of 2022. This mainly reflects releases of provisions on personal loans due to the lower volume and credit migration, partly offset by higher provisions on commercial loans.

The provision for credit losses on impaired loans was $12.1 million for the second quarter of 2023 and increased by $6.6 million, due to higher provisions in both the personal and the commercial loan portfolios due to credit migration.

Six months ended April 30, 2023 compared with six months ended April 30, 2022
Total provision for credit losses of $31.6 million increased by $9.2 million compared with the six months ended April 30, 2022, mainly as a result of higher provisions on impaired loans, partly offset by lower provisions on performing loans.

The provision for credit losses on performing loans was $10.0 million for the six months ended April 30, 2023 compared with $13.0 million for the six months ended April 30, 2022, mainly as a result of releases of provisions on personal loans due to the lower volume and credit migration, partly offset by higher provisions on commercial loans.

The provision for credit losses on impaired loans of $21.6 million increased by $12.2 million for the six months ended April 30, 2023 compared with the six months ended April 30, 2022, due to higher provisions on the personal loans portfolio partly offset by lower provisions on commercial loans.

Second quarter of 2023 compared with first quarter of 2023
Total provision for credit losses of $16.2 million increased by $0.7 million compared with the first quarter of 2023, mainly as a result of higher provisions on impaired loans, partly offset by lower provisions on performing loans. The provision for credit losses as a percentage of average loans and acceptances stood at 18 basis points, compared to 16 basis points the previous quarter.

The provision for credit losses on performing loans was $4.1 million for the second quarter of 2023 compared with $5.9 million for the first quarter of 2023, reflecting higher releases of provisions on personal loans due to the lower volume and credit migration, partly offset by higher provisions on commercial loans.

The provision for credit losses on impaired loans of $12.1 million increased by $2.5 million compared with the first quarter of 2023 due to higher provisions on the commercial loan portfolio, partly offset by lower provisions on personal loans.

TABLE 8
PROVISION FOR CREDIT LOSSES

In thousands of dollars, except percentage amounts (Unaudited)	For the three months ended April 30, 2023	January 31, 2023	April 30, 2022	For the six months ended April 30, 2023	April 30, 2022
Personal loans					
Performing (Stage 1 and 2)	**$ (5,507)**	$ (2,421)	$ 1,997	**$ (7,928)**	$ 6,023
Impaired (Stage 3)	**5,163**	9,699	3,095	**14,862**	(997)
	(344)	7,278	5,092	**6,934**	5,026
Residential mortgage loans					
Performing (Stage 1 and 2)	**157**	(183)	648	**(26)**	1,618
Impaired (Stage 3)	**76**	207	750	**283**	(768)
	233	24	1,398	**257**	850
Commercial loans[1]					
Performing (Stage 1 and 2)	**9,462**	8,494	4,895	**17,956**	5,386
Impaired (Stage 3)	**6,818**	(364)	1,615	**6,454**	11,138
	16,280	8,130	6,510	**24,410**	16,524
Total loans					
Performing (Stage 1 and 2)	**4,112**	5,890	7,540	**10,002**	13,027
Impaired (Stage 3)	**12,057**	9,542	5,460	**21,599**	9,373
Provision for credit losses	**$ 16,169**	$ 15,432	$ 13,000	**$ 31,601**	$ 22,400
As a % of average loans and acceptances	**0.18 %**	0.16 %	0.15 %	**0.17 %**	0.13 %

(1) Including customers' liabilities under acceptances.

Allowances for credit losses

Allowances for loan losses amounted to $202.8 million as at April 30, 2023, an increase of $9.3 million compared with October 31, 2022. Allowances for loan losses on performing loans amounted to $148.3 million as at April 30, 2023, up $7.1 million compared with October 31, 2022, mainly as a result of higher allowances on commercial loans due to credit migration partly offset by lower allowances on personal loans. Allowances for loan losses on impaired loans of $54.5 million increased by $2.2 million compared with October 31, 2022, mainly due to higher allowances for the personal loan portfolio.

TABLE 9
ALLOWANCES FOR CREDIT LOSSES (ACL)

In thousands of dollars (Unaudited)	As at April 30, 2023	As at October 31, 2022
Allowances for loan losses		
Personal	**$ 45,799**	$ 51,264
Residential mortgages	**14,608**	15,994
Commercial	**142,356**	126,218
Total allowances for loan losses	**202,763**	193,476
Allowances for off-balance sheet exposures losses	**8,844**	7,675
Total allowances for credit losses	**$ 211,607**	$ 201,151
ACL on performing loans (Stage 1 and 2)	**$ 148,261**	$ 141,172
ACL on impaired loans (Stage 3)	**54,502**	52,304
Total allowances for loan losses	**$ 202,763**	$ 193,476

Impaired loans

Gross impaired loans amounted to $184.1 million as at April 30, 2023, up $26.4 million compared with October 31, 2022, mainly due to an increase in impaired commercial loans partly offset by a decrease in impaired residential mortgages. 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 April 30, 2023		As at October 31, 2022
Gross impaired loans (GIL)				
Personal	$	22,312	$	12,826
Residential mortgages		35,399		47,560
Commercial		126,386		97,303
	$	184,097		157,689
Allowances for loan losses on impaired loans (Stage 3)				
Personal	$	(5,630)	$	(3,476)
Residential mortgages		(1,710)		(2,591)
Commercial		(47,162)		(46,237)
	$	(54,502)	$	(52,304)
Net impaired loans				
Personal	$	16,682	$	9,350
Residential mortgages		33,689		44,969
Commercial		79,224		51,066
	$	129,595	$	105,385
Impaired loans as a % of loans and acceptances				
Gross		0.49 %		0.42 %
Net		0.34 %		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 April 30, 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 April 30, 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	$	3,693	$	(28,342)	$	3,189	$	(29,762)
Decrease of 100 basis points	$	(3,943)	$	29,968	$	(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 six months ended April 30, 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 April 30, 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 April 30, 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 April 30, 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 April 30, 2023

In thousands of dollars (Unaudited)	Term								Total
	0 to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specific maturity	
Assets									
Cash and non-interest-bearing deposits with banks	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 51,927	$ 51,927
Interest-bearing deposits with banks	914,119	—	—	—	—	—	—	104,525	1,018,644
Securities	411,675	483,054	169,507	240,768	922,484	2,126,836	1,613,269	35,779	6,003,372
Securities purchased under reverse repurchase agreements	4,099,248	283,561	—	—	—	—	—	—	4,382,809
Loans[1]									
Personal loans	25,883	23,392	9,780	9,753	4,823	6,596	1,701	2,821,391	2,903,319
Residential mortgages	538,023	553,593	499,217	583,082	3,034,848	11,055,263	31,678	103,387	16,399,091
Commercial loans	2,950,936	1,328,431	1,320,681	946,674	2,770,359	2,568,743	1,469,671	5,242,677	18,598,172
Customers' liabilities under acceptances									
Allowances for loan losses	—	—	—	—	—	—	—	(202,763)	(202,763)
	3,514,842	1,905,417	1,829,678	1,539,509	5,810,030	13,630,601	1,503,049	7,964,693	37,697,819
Others	1,971	1,580	4,730	291	823	264	—	1,534,191	1,543,850
Total assets	$8,941,855	$2,673,612	$2,003,915	$1,780,568	$6,733,337	$15,757,701	$3,116,318	$ 9,691,115	$50,698,421
Liabilities and equity									
Deposits									
Personal deposits[1]	$2,177,471	$1,492,479	$1,393,034	$1,736,622	$3,290,252	$ 3,593,122	$ 68,615	$ 8,240,037	21,991,632
Business, Banks and other deposits[1]	156,737	148,459	98,261	124,786	121,770	117,134	1,688	1,300,609	2,069,444
Wholesale deposits	708,554	81,700	57,000	—	721,292	341,466	—	—	1,910,012
Covered bonds	—	—	—	—	—	547,050	—	—	547,050
	3,042,762	1,722,638	1,548,295	1,861,408	4,133,314	4,598,772	70,303	9,540,646	26,518,138
Obligations related to securities sold short[2]	516,123	47,952	113,025	167,484	603,666	808,778	1,088,267	251	3,345,546
Obligations related to securities sold under repurchase agreements	3,208,901	—	—	—	—	—	—	—	3,208,901
Other liabilities	3,242	3,257	3,513	3,528	26,927	22,159	62,408	1,671,718	1,796,752
Debt related to securitization activities[3]	415,988	360,567	263,883	284,199	2,262,137	7,644,127	1,679,264	(265,697)	12,644,468
Subordinated debt	—	—	—	—	—	338,623	—	—	338,623
Equity	—	—	—	—	—	—	—	2,845,993	2,845,993
Total liabilities and equity	$7,187,016	$2,134,414	$1,928,716	$2,316,619	$7,026,044	$13,412,459	$2,900,242	$13,792,911	$50,698,421

(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)	**April 30, 2023**	January 31, 2023	October 31, 2022	July 31, 2022	April 30, 2022	January 31, 2022	October 31, 2021	July 31, 2021
Net interest income	**$ 184,185**	$ 187,116	$ 183,824	$ 188,504	$ 180,090	$ 180,918	$ 173,095	$ 174,696
Other income	**72,982**	72,952	73,318	71,448	79,512	76,621	77,336	80,188
Total revenue	**257,167**	260,068	257,142	259,952	259,602	257,539	250,431	254,884
Provision for credit losses	**16,169**	15,432	17,849	16,629	13,000	9,400	24,900	5,400
Non-interest expenses	**182,472**	183,675	174,147	177,479	172,105	177,930	356,480	170,258
Income before income taxes	**58,526**	60,961	65,146	65,844	74,497	70,209	(130,949)	79,226
Income taxes	**9,235**	9,051	9,496	9,978	14,948	14,691	(28,073)	17,162
Net income (loss)	**$ 49,291**	$ 51,910	$ 55,650	$ 55,866	$ 59,549	$ 55,518	$ (102,876)	$ 62,064
Earnings (loss) per share								
Basic	**$ 1.11**	$ 1.09	$ 1.26	$ 1.19	$ 1.35	$ 1.17	$ (2.39)	$ 1.32
Diluted	**$ 1.11**	$ 1.09	$ 1.26	$ 1.18	$ 1.34	$ 1.17	$ (2.39)	$ 1.32

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 second quarter ended April 30, 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 second quarter ended April 30, 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 APRIL 30, 2023

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

In thousands of Canadian dollars (Unaudited)	Notes	As at April 30, 2023	As at October 31, 2022
Assets			
Cash and non-interest bearing deposits with banks		$ 51,927	$ 79,702
Interest-bearing deposits with banks		1,018,644	1,811,221
Securities	4 and 6		
At amortized cost		2,882,842	3,004,405
At fair value through profit or loss (FVTPL)		3,043,118	2,993,434
At fair value through other comprehensive income (FVOCI)		77,412	186,622
		6,003,372	6,184,461
Securities purchased under reverse repurchase agreements		4,382,809	3,727,752
Loans	5 and 6		
Personal		2,903,319	3,266,635
Residential mortgage		16,399,091	16,157,480
Commercial		18,598,172	18,057,146
Customers' liabilities under acceptances		—	99,800
		37,900,582	37,581,061
Allowances for loan losses		(202,763)	(193,476)
		37,697,819	37,387,585
Other			
Derivatives		230,864	312,538
Premises and equipment		117,414	121,227
Software and other intangible assets		289,305	294,438
Goodwill		83,385	83,710
Deferred tax assets		87,419	71,533
Other assets		735,463	642,591
		1,543,850	1,526,037
		$ 50,698,421	$ 50,716,758
Liabilities and shareholders' equity			
Deposits	7		
Personal		$ 21,991,632	$ 22,234,036
Business, banks and other		4,526,506	4,897,770
		26,518,138	27,131,806
Other			
Obligations related to securities sold short		3,345,546	3,221,358
Obligations related to securities sold under repurchase agreements		3,208,901	2,924,295
Acceptances		—	99,800
Derivatives		457,453	808,958
Deferred tax liabilities		55,684	54,255
Other liabilities	14	1,283,615	1,166,208
		8,351,199	8,274,874
Debt related to securitization activities	6	12,644,468	12,192,422
Subordinated debt		338,623	336,553
Shareholders' equity			
Preferred shares	8	122,071	122,071
Limited recourse capital notes	8	123,516	122,332
Common shares	8	1,172,269	1,167,549
Retained earnings		1,374,233	1,322,381
Accumulated other comprehensive income		48,210	42,045
Share-based compensation reserve	9	5,694	4,725
		2,845,993	2,781,103
		$ 50,698,421	$ 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 April 30, 2023	For the three months ended January 31, 2023	For the three months ended April 30, 2022	For the six months ended April 30, 2023	For the six months ended April 30, 2022
Interest and dividend income	13					
Loans		**$ 513,819**	$ 495,380	$ 287,156	**$ 1,009,199**	$ 564,544
Securities		**22,360**	22,698	11,444	**45,058**	23,413
Deposits with banks		**15,548**	15,326	1,035	**30,874**	1,596
Other, including derivatives		**3,886**	6,228	20,351	**10,114**	41,453
		555,613	539,632	319,986	**1,095,245**	631,006
Interest expense	13					
Deposits		**233,547**	219,134	86,568	**452,681**	167,123
Debt related to securitization activities		**75,766**	72,690	45,762	**148,456**	90,333
Subordinated debt		**4,442**	4,591	5,302	**9,033**	9,137
Other, including derivatives		**57,673**	56,101	2,264	**113,774**	3,405
		371,428	352,516	139,896	**723,944**	269,998
Net interest income		**184,185**	187,116	180,090	**371,301**	361,008
Other income						
Lending fees		**16,734**	16,343	17,279	**33,077**	34,625
Fees and securities brokerage commissions		**10,889**	10,754	14,175	**21,643**	26,861
Income from mutual funds		**10,970**	11,076	12,364	**22,046**	25,527
Income from financial instruments	13	**9,070**	7,228	10,290	**16,298**	17,876
Service charges		**7,256**	6,847	7,541	**14,103**	15,117
Card service revenues		**7,636**	8,446	6,847	**16,082**	14,253
Fees on investment accounts		**3,317**	3,260	3,871	**6,577**	7,539
Insurance income, net		**1,751**	2,080	2,286	**3,831**	4,902
Other		**5,359**	6,918	4,859	**12,277**	9,433
		72,982	72,952	79,512	**145,934**	156,133
Total revenue		**257,167**	260,068	259,602	**517,235**	517,141
Provision for credit losses	5	**16,169**	15,432	13,000	**31,601**	22,400
Non-interest expenses						
Salaries and employee benefits	9 and 10	**100,732**	103,886	98,780	**204,618**	196,486
Premises and technology		**48,561**	47,054	43,690	**95,615**	88,694
Other		**33,179**	32,735	29,912	**65,914**	62,790
Impairment and restructuring charges		**—**	—	(277)	**—**	2,065
		182,472	183,675	172,105	**366,147**	350,035
Income before income taxes		**58,526**	60,961	74,497	**119,487**	144,706
Income taxes		**9,235**	9,051	14,948	**18,286**	29,639
Net income		**$ 49,291**	$ 51,910	$ 59,549	**$ 101,201**	$ 115,067
Preferred share dividends and limited recourse capital note interest	8	**1,288**	4,601	1,288	**5,889**	5,889
Net income available to common shareholders		**$ 48,003**	$ 47,309	$ 58,261	**$ 95,312**	$ 109,178
Earnings per share	11					
Basic		**$ 1.11**	$ 1.09	$ 1.35	**$ 2.20**	$ 2.52
Diluted		**$ 1.11**	$ 1.09	$ 1.34	**$ 2.20**	$ 2.51
Dividends per common share		**$ 0.46**	$ 0.46	$ 0.44	**$ 0.92**	$ 0.88

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 April 30, 2023	January 31, 2023	April 30, 2022	For the six months ended April 30, 2023	April 30, 2022
Net income	**$ 49,291**	$ 51,910	$ 59,549	**$ 101,201**	$ 115,067
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	**(72)**	154	(583)	**82**	(816)
Reclassification of net (gains) losses on debt securities at FVOCI to net income	**321**	(17)	89	**304**	152
	249	137	(494)	**386**	(664)
Net change in value of derivatives designated as cash flow hedges	**(732)**	10,716	(7,970)	**9,984**	(14,474)
Net foreign currency translation adjustments					
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**20,936**	(26,966)	6,014	**(6,030)**	19,770
Net gains (losses) on hedges of investments in foreign operations	**(11,639)**	13,464	(3,386)	**1,825**	(9,317)
	9,297	(13,502)	2,628	**(4,205)**	10,453
	8,814	(2,649)	(5,836)	**6,165**	(4,685)
Items that may not subsequently be reclassified to the Consolidated Statement of Income					
Remeasurement gains (losses) on employee benefit plans	**(1,393)**	(834)	7,852	**(2,227)**	9,141
Net gains (losses) on equity securities designated at FVOCI	**(1,294)**	74	(8,483)	**(1,220)**	(10,031)
	(2,687)	(760)	(631)	**(3,447)**	(890)
Total other comprehensive income, net of income taxes	**6,127**	(3,409)	(6,467)	**2,718**	(5,575)
Comprehensive income	**$ 55,418**	$ 48,501	$ 53,082	**$ 103,919**	$ 109,492

INCOME TAXES — OTHER COMPREHENSIVE INCOME

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

In thousands of Canadian dollars (Unaudited)	For the three months ended April 30, 2023	January 31, 2023	April 30, 2022	For the six months ended April 30, 2023	April 30, 2022
Net change in debt securities at FVOCI					
Unrealized net gains (losses) on debt securities at FVOCI	**$ (25)**	$ 55	$ (210)	**$ 30**	$ (294)
Reclassification of net (gains) losses on debt securities at FVOCI to net income	**115**	(6)	32	**109**	55
	90	49	(178)	**139**	(239)
Net change in value of derivatives designated as cash flow hedges	**(263)**	3,858	(2,871)	**3,595**	(5,214)
Net foreign currency translation adjustments					
Net gains (losses) on hedges of investments in foreign operations	**126**	(337)	(308)	**(211)**	(334)
Remeasurement gains (losses) on employee benefit plans	**(502)**	(300)	2,827	**(802)**	3,291
Net gains (losses) on equity securities designated at FVOCI	**(467)**	27	(3,534)	**(440)**	(4,092)
	$ (1,016)	$ 3,297	$ (4,064)	**$ 2,281**	$ (6,588)

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended April 30, 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: Debt securities at FVOCI	Cash flow hedges	Translation of foreign operations	Total	Share-based compen-sation reserve	Total shareholders' equity
Balance as at October 31, 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				101,201						101,201
Other comprehensive income, net of income taxes										
Unrealized net gains on debt securities at FVOCI					82			82		82
Reclassification of net losses on debt securities at FVOCI to net income					304			304		304
Net change in value of derivatives designated as cash flow hedges						9,984		9,984		9,984
Net unrealized foreign currency translation losses on investments in foreign operations							(6,030)	(6,030)		(6,030)
Net gains on hedges of investments in foreign operations							1,825	1,825		1,825
Remeasurement losses on employee benefit plans				(2,227)						(2,227)
Net losses on equity securities designated at FVOCI				(1,220)						(1,220)
Comprehensive income				97,754	386	9,984	(4,205)	6,165		103,919
Net sale of treasury limited recourse capital notes		1,184		(112)						1,072
Issuance of common shares			4,720							4,720
Share-based compensation									969	969
Dividends and other										
Preferred shares and limited recourse capital notes				(5,889)						(5,889)
Common shares				(39,901)						(39,901)
Balance as at April 30, 2023	$ 122,071	$ 123,516	$ 1,172,269	$ 1,374,233	$ (236)	$ 32,591	$ 15,855	$ 48,210	$ 5,694	$ 2,845,993

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 six months ended April 30, 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				115,067						115,067
Other comprehensive income, net of income taxes										
Unrealized net losses on debt securities at FVOCI					(816)			(816)		(816)
Reclassification of net losses on debt securities at FVOCI to net income					152			152		152
Net change in value of derivatives designated as cash flow hedges						(14,474)		(14,474)		(14,474)
Net unrealized foreign currency translation gains on investments in foreign operations							19,770	19,770		19,770
Net losses on hedges of investments in foreign operations							(9,317)	(9,317)		(9,317)
Remeasurement gains on employee benefit plans				9,141						9,141
Net losses on equity securities designated at FVOCI				(10,031)						(10,031)
Comprehensive income				114,177	(664)	(14,474)	10,453	(4,685)		109,492
Net purchase of treasury limited recourse capital notes		(2,031)								(2,031)
Issuance of common shares			1,548							1,548
Repurchase of common shares for cancellation			(10,795)	(6,419)						(17,214)
Share-based compensation									758	758
Dividends and other										
Preferred shares and limited recourse capital notes				(5,889)						(5,889)
Common shares				(38,189)						(38,189)
Balance as at April 30, 2022	$ 122,071	$ 121,581	$ 1,163,475	$ 1,258,944	$ (386)	$ 27,621	$ (8,386)	$ 18,849	$ 4,425	$ 2,689,345

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 April 30, 2023	January 31, 2023	April 30, 2022	For the six months ended April 30, 2023	April 30, 2022
Cash flows relating to operating activities						
Net income		**$ 49,291**	$ 51,910	$ 59,549	**$ 101,201**	$ 115,067
Adjustments to determine net cash flows relating to operating activities:						
Provision for credit losses	5	**16,169**	15,432	13,000	**31,601**	22,400
Deferred income taxes		**(8,269)**	(8,608)	3,641	**(16,877)**	7,990
Impairment of software, intangible assets and premises and equipment		**59**	24	84	**83**	931
Depreciation of premises and equipment		**4,648**	4,508	4,224	**9,156**	8,468
Amortization of software and other intangible assets		**9,864**	9,836	8,686	**19,700**	17,258
Change in operating assets and liabilities:						
Loans		**(261,662)**	(77,899)	(1,714,596)	**(339,561)**	(2,445,343)
Acceptances		**(2,585)**	(97,215)	94,000	**(99,800)**	109,000
Securities at FVTPL		**83,905**	(133,589)	(146,587)	**(49,684)**	(56,718)
Securities purchased under reverse repurchase agreements		**(441,298)**	(213,759)	(279,827)	**(655,057)**	(488,213)
Accrued interest receivable		**(12,419)**	(16,554)	(25,096)	**(28,973)**	(17,263)
Derivative assets		**46,913**	34,761	(65,795)	**81,674**	(144)
Deposits		**(1,034,343)**	420,675	1,139,104	**(613,668)**	2,253,574
Obligations related to securities sold short		**(200,935)**	325,123	(346,888)	**124,188**	(172,555)
Obligations related to securities sold under repurchase agreements		**886,149**	(601,543)	236,479	**284,606**	169,811
Accrued interest payable		**32,704**	32,689	7,672	**65,393**	(37,325)
Derivative liabilities		**(22,477)**	(329,028)	262,290	**(351,505)**	287,993
Debt related to securitization activities		**524,873**	(72,827)	454,760	**452,046**	516,609
Other, net		**22,685**	(22,770)	360,197	**(85)**	(36,349)
		(306,728)	(678,834)	64,897	**(985,562)**	255,191
Cash flows relating to financing activities						
Payment of lease liabilities		**(4,244)**	(4,130)	(4,350)	**(8,374)**	(9,111)
Net proceeds from issuance of subordinated debt		**—**	—	347,876	**—**	347,876
Net sale (purchase) of subordinated debt		**2,497**	(618)	(12,817)	**1,879**	(12,817)
Net sale (purchase) of treasury limited recourse capital notes	8	**209**	863	266	**1,072**	(2,031)
Net proceeds from issuance of common shares	8	**24**	(6)	16	**18**	144
Repurchase of common shares for cancellation	8	**—**	—	(4,613)	**—**	(17,214)
Dividends and other distributions		**(18,988)**	(22,101)	(38,101)	**(41,089)**	(56,836)
		(20,502)	(25,992)	288,277	**(46,494)**	250,011
Cash flows relating to investing activities						
Change in securities at amortized cost						
Acquisitions		**(664,074)**	(924,530)	(1,019,261)	**(1,588,604)**	(1,871,364)
Proceeds on sale and at maturity		**592,483**	1,117,634	650,080	**1,710,117**	1,726,596
Change in securities at FVOCI						
Acquisitions		**(180,690)**	(118,962)	(264,264)	**(299,652)**	(469,258)
Proceeds on sale and at maturity		**227,458**	180,033	250,984	**407,491**	459,924
Proceeds on sale of loan portfolios		**—**	—	217,008	**—**	217,008
Additions to premises and equipment and software and other intangible assets		**(8,716)**	(10,075)	(10,429)	**(18,791)**	(17,167)
Change in interest-bearing deposits with banks		**347,378**	445,199	(171,609)	**792,577**	(553,799)
		313,839	689,299	(347,491)	**1,003,138**	(508,060)
Effect of exchange rate changes on cash and non-interest-bearing deposits with banks		**1,672**	(529)	602	**1,143**	3,663
Net change in cash and non-interest bearing deposits with banks		**(11,719)**	(16,056)	6,285	**(27,775)**	805
Cash and non-interest bearing deposits with banks at beginning of period		**63,646**	79,702	63,522	**79,702**	69,002
Cash and non-interest bearing deposits with banks at end of period		**$ 51,927**	$ 63,646	$ 69,807	**$ 51,927**	$ 69,807
Supplemental disclosure about cash flows relating to operating activities:						
Interest paid during the period		**$ 322,562**	$ 304,957	$ 136,810	**$ 627,519**	$ 319,919
Interest received during the period		**$ 541,798**	$ 515,263	$ 297,362	**$ 1,057,061**	$ 621,155
Dividends received during the period		**$ 1,277**	$ 2,175	$ 3,189	**$ 3,452**	$ 6,633
Income taxes paid during the period		**$ 23,768**	$ 32,094	$ 21,120	**$ 55,862**	$ 52,388

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 April 30, 2023 were approved for issuance by the Board of Directors on May 31, 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 April 30, 2023 that have yet to transition to alternative benchmark rates.

(in millions of dollars)	**As at April 30, 2023**		As at October 31, 2022	
	USD LIBOR[1]	**CDOR[2]**	USD LIBOR[1]	CDOR[2]
Non-derivative financial assets[3]	**$ 190**	**$ 615**	$ 229	$ 600
Non-derivative financial liabilities[4]	**—**	**611**	—	628
Derivative financial instruments[5]	**—**	**6,398**	—	9,015
Off-balance sheet commitments[6]	**—**	**1,065**	—	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 April 30, 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 $6.8 billion ($8.2 billion as at October 31, 2022) for those hedging interest rate risk and $4.0 million ($22.6 million as at October 31, 2022) for those hedging equity price risk. As at April 30, 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 April 30, 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 April 30, 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[1]

	As at April 30, 2023	As at October 31, 2022
Securities issued or guaranteed		
by Canada[2]	**$ 1,169,326**	$ 1,338,249
by provinces	**1,470,264**	1,483,855
by municipalities	**61,986**	110,510
Other debt securities	**181,266**	71,791
	$ 2,882,842	$ 3,004,405

(1) The Bank applies fair value hedge accounting to hedge its exposure to interest rate risk and changes in fair value of its securities at amortized cost. The carrying value of securities that are part of fair value hedging relationships are adjusted for related gains (losses) on hedge contracts.

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

Securities at FVOCI

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

				As at April 30, 2023
	Amortized cost	**Unrealized gains**	**Unrealized losses**	**Fair value**
Securities issued or guaranteed				
by Canada[1]	**$ 42,104**	**$ 4**	**$ 74**	**$ 42,034**
by provinces	**4,356**	**2**	**92**	**4,266**
by municipalities	**1,673**	**—**	**42**	**1,631**
Other debt securities	**4,292**	**—**	**118**	**4,174**
Common shares and other securities	**15,482**	**9,825**	**—**	**25,307**
	$ 67,907	**$ 9,831**	**$ 326**	**$ 77,412**

				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 $0.6 million for the three months ended April 30, 2023 ($1.6 million for the three months ended January 31, 2023 and $2.1 million for three months ended April 30, 2022) and $2.2 million for the six months ended April 30, 2023 ($4.9 million for the six months ended April 30, 2022), including a negligible amount for investments that were sold during all such periods.

	For the six months ended	
	April 30, 2023	April 30, 2022
Fair value at beginning of period	**$ 156,000**	$ 198,436
Change in fair value	**17,282**	(15,843)
Designated at FVOCI	**793**	7,102
Sales or redemptions	**(148,768)**	(3,244)
Fair value at end of period	**$ 25,307**	$ 186,451

5. LOANS AND ALLOWANCES FOR CREDIT LOSSES

As at April 30, 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 April 30, 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	$ 2,141,832	$ 224	$ —	$ 2,142,056	$ 2,313,984	$ 307	$ —	$ 2,314,291
Low risk	308,866	50,852	—	359,718	352,966	61,515	—	414,481
Medium risk	222,059	147,855	—	369,914	243,561	271,247	—	514,808
High risk	—	9,319	—	9,319	—	10,229	—	10,229
Default	—	—	22,312	22,312	—	—	12,826	12,826
Gross carrying amount	2,672,757	208,250	22,312	2,903,319	2,910,511	343,298	12,826	3,266,635
Allowances for loan losses	8,423	31,746	5,630	45,799	12,078	35,710	3,476	51,264
Net carrying amount	$ 2,664,334	$ 176,504	$ 16,682	$ 2,857,520	$ 2,898,433	$ 307,588	$ 9,350	$ 3,215,371
Residential mortgage loans								
Very low risk	$11,851,824	$ 3,859	$ —	$11,855,683	$11,436,281	$ —	$ —	$11,436,281
Low risk	2,457,148	13,754	—	2,470,902	2,634,189	15,690	—	2,649,879
Medium risk	1,641,689	316,339	—	1,958,028	1,641,105	310,396	—	1,951,501
High risk	—	79,079	—	79,079	—	72,259	—	72,259
Default	—	—	35,399	35,399	—	—	47,560	47,560
Gross carrying amount	15,950,661	413,031	35,399	16,399,091	15,711,575	398,345	47,560	16,157,480
Allowances for loan losses	5,973	6,925	1,710	14,608	6,811	6,592	2,591	15,994
Net carrying amount	$15,944,688	$ 406,106	$ 33,689	$16,384,483	$15,704,764	$ 391,753	$ 44,969	$16,141,486
Commercial loans[1]								
Very low risk	$ 3,670,085	$ 29,970	$ —	$ 3,700,055	$ 3,842,829	$ 11,333	$ —	$ 3,854,162
Low risk	10,843,088	220,624	—	11,063,712	10,798,691	132,248	—	10,930,939
Medium risk	2,620,526	625,721	—	3,246,247	2,516,822	334,460	—	2,851,282
High risk	—	461,772	—	461,772	—	423,260	—	423,260
Default	—	—	126,386	126,386	—	—	97,303	97,303
Gross carrying amount	17,133,699	1,338,087	126,386	18,598,172	17,158,342	901,301	97,303	18,156,946
Allowances for loan losses	62,815	32,379	47,162	142,356	51,094	28,887	46,237	126,218
Net carrying amount	$17,070,884	$ 1,305,708	$ 79,224	$18,455,816	$17,107,248	$ 872,414	$ 51,066	$18,030,728
Total loans								
Gross carrying amount	$35,757,117	$ 1,959,368	$ 184,097	$37,900,582	$35,780,428	$ 1,642,944	$ 157,689	$37,581,061
Allowances for loan losses	77,211	71,050	54,502	202,763	69,983	71,189	52,304	193,476
Net carrying amount	$35,679,906	$ 1,888,318	$ 129,595	$37,697,819	$35,710,445	$ 1,571,755	$ 105,385	$37,387,585
Off-balance sheet exposures[2]								
Very low risk	$ 1,177,748	$ 2,956	$ —	$ 1,180,704	$ 1,124,620	$ 335	$ —	$ 1,124,955
Low risk	1,020,651	38,879	—	1,059,530	1,292,992	23,680	—	1,316,672
Medium risk	361,617	49,928	—	411,545	457,896	39,900	—	497,796
High risk	—	27,715	—	27,715	—	38,660	—	38,660
Default	—	—	—	—	—	—	—	—
Total exposure	2,560,016	119,478	—	2,679,494	2,875,508	102,575	—	2,978,083
Allowances for off-balance sheet exposures losses	6,010	2,834	—	8,844	5,864	1,811	—	7,675
Total exposure, net	$ 2,554,006	$ 116,644	$ —	$ 2,670,650	$ 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 April 30, 2023				For the three months ended April 30, 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	**$ 10,593**	**$ 37,021**	**$ 4,516**	**$ 52,130**	$ 10,385	$ 39,753	$ 4,535	$ 54,673
Transfers:								
to Stage 1	**3,432**	**(3,098)**	**(334)**	**—**	7,135	(6,786)	(349)	—
to Stage 2	**(995)**	**1,376**	**(381)**	**—**	(845)	1,494	(649)	—
to Stage 3	**(26)**	**(5,262)**	**5,288**	**—**	(42)	(1,325)	1,367	—
Originations	**311**	**—**	**—**	**311**	569	—	—	569
Derecognitions	**(361)**	**(3,468)**	**(908)**	**(4,737)**	(323)	(2,906)	(1,989)	(5,218)
Net remeasurement of allowances	**(3,502)**	**6,086**	**1,498**	**4,082**	(3,865)	8,891	4,715	9,741
Provision for (reversal of) credit losses	**(1,141)**	**(4,366)**	**5,163**	**(344)**	2,629	(632)	3,095	5,092
Write-offs	**—**	**—**	**(6,183)**	**(6,183)**	—	—	(5,928)	(5,928)
Recoveries	**—**	**—**	**2,357**	**2,357**	—	—	1,582	1,582
Foreign exchange and other	**—**	**—**	**(223)**	**(223)**	—	—	(222)	(222)
Balance at end of period	**$ 9,452**	**$ 32,655**	**$ 5,630**	**$ 47,737**	$ 13,014	$ 39,121	$ 3,062	$ 55,197
Total allowances for loan losses	**$ 8,423**	**$ 31,746**	**$ 5,630**	**$ 45,799**	$ 11,875	$ 37,989	$ 3,062	$ 52,926
Total allowances for off-balance sheet exposures	**1,029**	**909**	**—**	**1,938**	1,139	1,132	—	2,271
Total allowances for credit losses	**$ 9,452**	**$ 32,655**	**$ 5,630**	**$ 47,737**	$ 13,014	$ 39,121	$ 3,062	$ 55,197
Residential mortgage loans								
Balance at beginning of period	**$ 6,663**	**$ 6,592**	**$ 2,212**	**$ 15,467**	$ 6,720	$ 5,534	$ 2,140	$ 14,394
Transfers:								
to Stage 1	**1,780**	**(1,523)**	**(257)**	**—**	1,549	(1,436)	(113)	—
to Stage 2	**(305)**	**658**	**(353)**	**—**	(411)	709	(298)	—
to Stage 3	**(4)**	**(174)**	**178**	**—**	(8)	(258)	266	—
Originations	**266**	**—**	**—**	**266**	591	—	—	591
Derecognitions	**(131)**	**(144)**	**(267)**	**(542)**	(382)	(380)	(269)	(1,031)
Net remeasurement of allowances	**(2,052)**	**1,786**	**775**	**509**	(1,256)	1,930	1,164	1,838
Provision for (reversal of) credit losses	**(446)**	**603**	**76**	**233**	83	565	750	1,398
Write-offs	**—**	**—**	**(453)**	**(453)**	—	—	(671)	(671)
Recoveries	**—**	**—**	**257**	**257**	—	—	339	339
Foreign exchange and other	**—**	**—**	**(382)**	**(382)**	—	—	(381)	(381)
Balance at end of period	**$ 6,217**	**$ 7,195**	**$ 1,710**	**$ 15,122**	$ 6,803	$ 6,099	$ 2,177	$ 15,079
Total allowances for loan losses	**$ 5,973**	**$ 6,925**	**$ 1,710**	**$ 14,608**	$ 6,757	$ 6,088	$ 2,177	$ 15,022
Total allowances for off-balance sheet exposures	**244**	**270**	**—**	**514**	46	11	—	57
Total allowances for credit losses	**$ 6,217**	**$ 7,195**	**$ 1,710**	**$ 15,122**	$ 6,803	$ 6,099	$ 2,177	$ 15,079
Commercial loans								
Balance at beginning of period	**$ 63,682**	**$ 28,474**	**$ 43,719**	**$ 135,875**	$ 45,519	$ 13,046	$ 81,284	$ 139,849
Transfers:								
to Stage 1	**5,253**	**(4,164)**	**(1,089)**	**—**	1,081	(1,037)	(44)	—
to Stage 2	**(2,020)**	**2,118**	**(98)**	**—**	(2,675)	2,718	(43)	—
to Stage 3	**(46)**	**(2,504)**	**2,550**	**—**	(14)	(110)	124	—
Originations	**1,131**	**—**	**—**	**1,131**	3,704	—	—	3,704
Derecognitions	**(4,212)**	**(6,043)**	**(9,954)**	**(20,209)**	(4,359)	(2,723)	(10,572)	(17,654)
Net remeasurement of allowances	**3,766**	**16,183**	**15,409**	**35,358**	4,350	3,960	12,150	20,460
Provision for (reversal of) credit losses	**3,872**	**5,590**	**6,818**	**16,280**	2,087	2,808	1,615	6,510
Write-offs	**—**	**—**	**(3,079)**	**(3,079)**	—	—	(19,491)	(19,491)
Recoveries	**—**	**—**	**240**	**240**	—	—	488	488
Foreign exchange and other	**(2)**	**(30)**	**(536)**	**(568)**	(186)	(37)	(547)	(770)
Balance at end of period	**$ 67,552**	**$ 34,034**	**$ 47,162**	**$ 148,748**	$ 47,420	$ 15,817	$ 63,349	$ 126,586
Total allowances for loan losses	**$ 62,815**	**$ 32,379**	**$ 47,162**	**$ 142,356**	$ 43,666	$ 15,479	$ 63,349	$ 122,494
Total allowances for off-balance sheet exposures	**4,737**	**1,655**	**—**	**6,392**	3,754	338	—	4,092
Total allowances for credit losses	**$ 67,552**	**$ 34,034**	**$ 47,162**	**$ 148,748**	$ 47,420	$ 15,817	$ 63,349	$ 126,586
Total exposure								
Total allowances for loan losses	**$ 77,211**	**$ 71,050**	**$ 54,502**	**$ 202,763**	$ 62,298	$ 59,556	$ 68,588	$ 190,442
Total allowances for off-balance sheet exposures	**6,010**	**2,834**	**—**	**8,844**	4,939	1,481	—	6,420
Total allowances for credit losses	**$ 83,221**	**$ 73,884**	**$ 54,502**	**$ 211,607**	$ 67,237	$ 61,037	$ 68,588	$ 196,862

Year-to-date reconciliation of allowances for credit losses

	For the six months ended April 30, 2023				For the six months ended April 30, 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	4,162	(4,020)	(142)	—	4,981	(4,271)	(710)	—
to Stage 2	(2,069)	2,298	(229)	—	(1,322)	2,728	(1,406)	—
to Stage 3	(213)	(4,598)	4,811	—	(72)	(705)	777	—
Originations	429	—	—	429	869	—	—	869
Derecognitions	(1,098)	(6,498)	(1,162)	(8,758)	(672)	(3,739)	(8,169)	(12,580)
Net remeasurement of allowances	(4,932)	8,611	11,584	15,263	(331)	8,557	8,511	16,737
Provision for (reversal of) credit losses	(3,721)	(4,207)	14,862	6,934	3,453	2,570	(997)	5,026
Write-offs	—	—	(16,552)	(16,552)	—	—	(8,629)	(8,629)
Recoveries	—	—	4,287	4,287	—	—	3,660	3,660
Foreign exchange and other	—	—	(443)	(443)	—	—	(443)	(443)
Balance at end of period	$ 9,452	$ 32,655	$ 5,630	$ 47,737	$ 13,014	$ 39,121	$ 3,062	$ 55,197
Total allowances for loan losses	$ 8,423	$ 31,746	$ 5,630	$ 45,799	$ 11,875	$ 37,989	$ 3,062	$ 52,926
Total allowances for off-balance sheet exposures	1,029	909	—	1,938	1,139	1,132	—	2,271
Total allowances for credit losses	$ 9,452	$ 32,655	$ 5,630	$ 47,737	$ 13,014	$ 39,121	$ 3,062	$ 55,197
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	2,982	(2,652)	(330)	—	2,280	(2,079)	(201)	—
to Stage 2	(475)	931	(456)	—	(578)	1,189	(611)	—
to Stage 3	(21)	(200)	221	—	(34)	(160)	194	—
Originations	618	—	—	618	1,179	—	—	1,179
Derecognitions	(521)	(552)	(439)	(1,512)	(949)	(531)	(1,713)	(3,193)
Net remeasurement of allowances	(3,205)	3,069	1,287	1,151	(1,672)	2,973	1,563	2,864
Provision for (reversal of) credit losses	(622)	596	283	257	226	1,392	(768)	850
Write-offs	—	—	(715)	(715)	—	—	(1,132)	(1,132)
Recoveries	—	—	315	315	—	—	631	631
Foreign exchange and other	—	—	(764)	(764)	—	—	(763)	(763)
Balance at end of period	$ 6,217	$ 7,195	$ 1,710	$ 15,122	$ 6,803	$ 6,099	$ 2,177	$ 15,079
Total allowances for loan losses	$ 5,973	$ 6,925	$ 1,710	$ 14,608	$ 6,757	$ 6,088	$ 2,177	$ 15,022
Total allowances for off-balance sheet exposures	244	270	—	514	46	11	—	57
Total allowances for credit losses	$ 6,217	$ 7,195	$ 1,710	$ 15,122	$ 6,803	$ 6,099	$ 2,177	$ 15,079
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	5,211	(4,762)	(449)	—	2,698	(1,679)	(1,019)	—
to Stage 2	(2,430)	2,584	(154)	—	(3,535)	3,836	(301)	—
to Stage 3	(390)	(1,804)	2,194	—	(22)	(281)	303	—
Originations	2,604	—	—	2,604	6,338	—	—	6,338
Derecognitions	(6,363)	(8,132)	(784)	(15,279)	(7,199)	(5,014)	(8,421)	(20,634)
Net remeasurement of allowances	14,156	17,282	5,647	37,085	4,488	5,756	20,576	30,820
Provision for (reversal of) credit losses	12,788	5,168	6,454	24,410	2,768	2,618	11,138	16,524
Write-offs	—	—	(4,717)	(4,717)	—	—	(20,654)	(20,654)
Recoveries	—	—	276	276	—	—	665	665
Foreign exchange and other	(1,071)	(673)	(1,088)	(2,832)	(281)	(58)	(1,112)	(1,451)
Balance at end of period	$ 67,552	$ 34,034	$ 47,162	$ 148,748	$ 47,420	$ 15,817	$ 63,349	$ 126,586
Total allowances for loan losses	$ 62,815	$ 32,379	$ 47,162	$ 142,356	$ 43,666	$ 15,479	$ 63,349	$ 122,494
Total allowances for off-balance sheet exposures	4,737	1,655	—	6,392	3,754	338	—	4,092
Total allowances for credit losses	$ 67,552	$ 34,034	$ 47,162	$ 148,748	$ 47,420	$ 15,817	$ 63,349	$ 126,586
Total exposure								
Total allowances for loan losses	$ 77,211	$ 71,050	$ 54,502	$ 202,763	$ 62,298	$ 59,556	$ 68,588	$ 190,442
Total allowances for off-balance sheet exposures	6,010	2,834	—	8,844	4,939	1,481	—	6,420
Total allowances for credit losses	$ 83,221	$ 73,884	$ 54,502	$ 211,607	$ 67,237	$ 61,037	$ 68,588	$ 196,862

Main macroeconomic factors

The following tables show the main macroeconomic factors used to estimate the collective allowances for credit losses as at April 30, 2023 and as at October 31, 2022.

						As at April 30, 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)	**(0.1)%**	**4.0%**	**1.8%**	**4.3%**	**(3.1)%**	**4.0%**
Average unemployment rate (percentage points)	**5.8**	**6.1**	**4.9**	**4.8**	**7.7**	**8.2**
Housing price index growth (decrease)	**(1.6)%**	**0.3%**	**4.1%**	**11.9%**	**(6.8)%**	**7.7%**
S&P/TSX index growth (decrease)[3]	**—%**	**9.0%**	**9.6%**	**9.8%**	**(10.0)%**	**12.6%**

						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 April 30, 2023
In the base scenario, the adjustment of households and businesses to tighter financial conditions leads to a shallow recession in North America lasting for the remaining of 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 in late 2023, allowing them to implement mild policy rate cuts in 2024. 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 increase interest rates further as high inflation does not cool down sufficiently. Very high interest rates lead to a deep and longer recession in North America during the remaining of 2023 and early 2024, reflecting a major balance sheet deterioration for 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 until later in 2024 due to high 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 and inflation cools down rapidly. Compelling evidence of price stability allows central banks to bring down policy rates close to neutral territory earlier before the end of 2023, facilitating the adjustment phase for 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 economic 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 $37.5 million lower than the recognized allowances for credit losses as at April 30, 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 $63.1 million higher than the recognized allowances for credit losses as at April 30, 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 $147.9 million as at April 30, 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 April 30, 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	**$ 68,294**	**$ 22,838**	**$ 91,132**	$ 70,173	$ 23,726	$ 93,899
Residential mortgage loans	**121,670**	**32,344**	**154,014**	115,028	27,496	142,524
	$ 189,964	**$ 55,182**	**$ 245,146**	$ 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 April 30, 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 April 30, 2023	As at October 31, 2022
Residential mortgage loans	**$ 11,056,699**	$ 10,298,524
Replacement Assets[1]	**662,405**	799,619
Debt related to securitization activities	**(11,490,580)**	(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.

As at April 30, 2023, the Bank has also securitized other residential mortgage loans for a total amount of $69.3 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 April 30, 2023	As at October 31, 2022
Personal loans	**$ 1,233,093**	$ 1,475,526
Commercial loans[1]	**615,833**	783,781
Debt related to securitization activities	**(1,153,888)**	(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 April 30, 2023 the total amount of mortgages outstanding was $689.3 million ($732.9 million as at October 31, 2022).

7. DEPOSITS

				As at April 30, 2023
	Demand[1]	**Notice[2]**	**Term[3]**	**Total**
Personal	**$ 128,334**	**$ 8,163,851**	**$ 13,699,447**	**$ 21,991,632**
Business, banks and other[4]	**1,077,533**	**253,217**	**3,195,756**	**4,526,506**
	$ 1,205,867	**$ 8,417,068**	**$ 16,895,203**	**$ 26,518,138**

				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 April 30, 2023 (nil as at October 31, 2022).

8. SHARE CAPITAL

Preferred shares

Issued and outstanding

				For the six months ended
		April 30, 2023		April 30, 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)

Issued and outstanding

	For the six months ended	
	April 30, 2023	April 30, 2022
	Amount	Amount
Limited Recourse Capital Notes (NVCC)[1]		
Series 1		
Outstanding at beginning of period	**$ 122,332**	$ 123,612
Net sale (purchase) of treasury limited recourse capital notes[2]	**1,184**	$ (2,031)
Outstanding at the end of period	**$ 123,516**	$ 121,581

(1) 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.

(2) 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.

Common shares

Issued and outstanding

	For the six months ended			
		April 30, 2023		April 30, 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 Shareholder Dividend Reinvestment and Share Purchase Plan	**144,677**	**4,747**	34,518	1,418
Issuance under the employee share purchase option plan	**—**	**—**	3,074	140
Repurchase of shares for cancellation	**—**	**—**	(401,200)	(10,795)
Net issuance costs	**n/a**	**(27)**	n/a	(10)
Outstanding at the end of period	**43,479,065**	**$ 1,172,269**	43,223,048	$ 1,163,475

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 May 31, 2023, reinvestment related to the dividend declared would be made in common shares issued from Corporate Treasury with a 2% discount.

Dividends

On May 16, 2023, the Board of Directors declared regular dividends on the Preferred Shares Series 13 to shareholders of record on June 7, 2023. On May 31, 2023, the Board of Directors declared a dividend of $0.47 per common share, payable on August 1, 2023, to shareholders of record on July 4, 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.

In the second quarter of 2023, OSFI's 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) took effect. The revised rules also include the Small and Medium-Sized Deposit-Taking Institutions (SMSBs) Capital and Liquidity Requirements Guideline, as well as separate Pillar 3 Disclosure Requirements for Domestic Systemically Important Banks (D-SIBs) and SMSBs. The Bank has complied with regulatory capital and leverage requirements throughout the six-month period ended April 30, 2023. Regulatory capital is detailed below.

	As at April 30, 2023	As at October 31, 2022
Regulatory capital		
Common Equity Tier 1 capital	**$ 2,217,003**	$ 2,167,313
Tier 1 capital	**$ 2,462,590**	$ 2,411,716
Total capital	**$ 2,958,738**	$ 2,881,927
Total risk-weighted assets[1]	**$ 23,784,984**	$ 23,909,169
Regulatory capital ratios		
Common Equity Tier 1 capital ratio	**9.3 %**	9.1 %
Tier 1 capital ratio	**10.4 %**	10.1 %
Total capital ratio	**12.4 %**	12.1 %

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

9. SHARE-BASED COMPENSATION

Share purchase option plan

During the six months ended April 30, 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 six months ended April 30, 2022). The weighted-average fair value of options granted during the six months ended April 30, 2023 was $5.55 per option ($6.00 per option during the six months ended April 30, 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 six months ended	
	April 30, 2023	April 30, 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 six months ended April 30, 2023, the Bank recognized a compensation expense for stock option awards of $1.0 million ($0.9 million for the six months ended April 30, 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			For the six months ended	
	April 30, 2023	January 31, 2023	April 30, 2022	**April 30, 2023**	April 30, 2022
Defined benefit pension plans	**$ 1,030**	$ 1,064	$ 1,948	**$ 2,094**	$ 3,961
Defined contribution pension plans	**2,819**	2,437	2,225	**5,256**	4,405
Other plans	**189**	197	147	**386**	300
	$ 4,038	$ 3,698	$ 4,320	**$ 7,736**	$ 8,666

11. EARNINGS PER SHARE

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

	For the three months ended			For the six months ended	
	April 30, 2023	January 31, 2023	April 30, 2022	**April 30, 2023**	April 30, 2022
Earnings per share – basic					
Net income	**$ 49,291**	$ 51,910	$ 59,549	**$ 101,201**	$ 115,067
Preferred share dividends and limited recourse capital note interest	**1,288**	4,601	1,288	**5,889**	5,889
Net income attributable to common shareholders	**$ 48,003**	$ 47,309	$ 58,261	**$ 95,312**	$ 109,178
Weighted-average number of outstanding common shares (in thousands)	**43,431**	43,358	43,247	**43,394**	43,401
Earnings per share – basic	**$ 1.11**	$ 1.09	$ 1.35	**$ 2.20**	$ 2.52
Earnings per share – diluted					
Net income attributable to common shareholders	**$ 48,003**	$ 47,309	$ 58,261	**$ 95,312**	$ 109,178
Weighted-average number of outstanding common shares (in thousands)	**43,431**	43,358	43,247	**43,394**	43,401
Dilutive share purchase options (in thousands)	**1**	1	133	**1**	119
Diluted weighted-average number of outstanding common shares (in thousands)	**43,432**	43,359	43,380	**43,395**	43,520
Earnings per share – diluted	**$ 1.11**	$ 1.09	$ 1.34	**$ 2.20**	$ 2.51

(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 $57.8 million which are classified in Level 1 as at April 30, 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			For the six months ended	
	April 30, 2023	January 31, 2023	April 30, 2022	**April 30, 2023**	April 30, 2022
Interest and dividend income					
Interest income calculated using the effective interest method					
Financial instruments measured at amortized cost	**$ 549,847**	$ 530,094	$ 296,953	**$ 1,079,941**	$ 582,481
Financial instruments measured at FVOCI	**263**	126	237	**389**	429
Interest and dividend income on financial instruments not measured at amortized cost[1]	**5,503**	9,412	22,796	**14,915**	48,096
	555,613	539,632	319,986	**1,095,245**	631,006
Interest expense					
Interest expense calculated using the effective interest method					
Financial instruments measured at amortized cost	**315,037**	297,463	138,514	**612,500**	268,330
Interest expense on financial instruments not measured at amortized cost[1]	**56,391**	55,053	1,382	**111,444**	1,668
	371,428	352,516	139,896	**723,944**	269,998
Net interest income	**$ 184,185**	$ 187,116	$ 180,090	**$ 371,301**	$ 361,008

(1) Including interest income and expense on derivatives, as well as dividend income on securities not held for-trading. Dividend income was $1.5 million for the three months ended April 30, 2023 ($2.4 million three months ended January 31, 2023 and $2.9 million for the three months ended April 30, 2022) and $3.9 million for the six months ended April 30, 2023 ($6.8 million for the six months ended April 30, 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.

15. SUBSEQUENT EVENT

In line with its strategic priority of driving efficiencies through simplification and coupled with the challenging market conditions, the Bank has decided in late May to right size its Capital Markets operations by reducing its equities research and sales and trading footprint, as well as selected reductions across other sectors. As a result, restructuring charges of approximately $6 million (before income taxes) are expected to be incurred in the third quarter of 2023.

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SHAREHOLDER INFORMATION

Corporate offices

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or HCR@b2bbank.com
Tel.: 514-284-7192
or 1-800-479-1244
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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