LAURENTIAN BANK

THIRD QUARTER 2023

Report to Shareholders

For the period ended July 31, 2023

Laurentian Bank of Canada reported net income of $49.3 million and diluted earnings per share of $1.03 for the third quarter of 2023, compared with $55.9 million and $1.18 for the third quarter of 2022. Return on common shareholders' equity was 6.9% for the third quarter of 2023, compared with 8.4% for the third quarter of 2022. Adjusted net income[1] was $57.6 million and adjusted diluted earnings per share were $1.22 for the third quarter of 2023, compared with $58.2 million and $1.24 for the third quarter of 2022. Adjusted return on common shareholders' equity was 8.2% for the third quarter of 2023, compared with 8.7% for the same period a year ago.

For the nine months ended July 31, 2023, reported net income was $150.5 million and diluted earnings per share were $3.22, compared with $170.9 million and $3.69 for the nine months ended July 31, 2022. Return on common shareholders' equity was 7.4% for the nine months ended July 31, 2023, compared with 8.9% for the nine months ended July 31, 2022. Adjusted net income was $163.6 million and adjusted diluted earnings per share were $3.53 for the nine months ended July 31, 2023, compared with $179.2 million and $3.88 for the nine months ended July 31, 2022. Adjusted return on common shareholders' equity was 8.0% for the nine months ended July 31, 2023, compared with 9.4% for the same period a year ago.

"We announced solid results this quarter, and I am extremely pleased with the progress we continue to make on our fiscal year 2023 priorities, in particular, our continued focus on enhancing the customer experience," said Rania Llewellyn, President & CEO.

In millions of dollars, except per share and percentage amounts (Unaudited)	For the three months ended July 31, 2023	July 31, 2022	Variance	For the nine months ended July 31, 2023	July 31, 2022	Variance
Reported basis						
Net income	**$ 49.3**	$ 55.9	(12)%	**$ 150.5**	$ 170.9	(12)%
Diluted earnings per share	**$ 1.03**	$ 1.18	(13)%	**$ 3.22**	$ 3.69	(13)%
Return on common shareholders' equity[1]	**6.9 %**	8.4 %		**7.4 %**	8.9 %	
Efficiency ratio[2]	**72.9 %**	68.3 %		**71.5 %**	67.9 %	
Common Equity Tier 1 (CET1) capital ratio[3]	**9.8 %**	9.1 %				
Adjusted basis						
Adjusted net income[4]	**$ 57.6**	$ 58.2	(1)%	**$ 163.6**	$ 179.2	(9)%
Adjusted diluted earnings per share[1]	**$ 1.22**	$ 1.24	(2)%	**$ 3.53**	$ 3.88	(9)%
Adjusted return on common shareholders' equity[1]	**8.2 %**	8.7 %		**8.0 %**	9.4 %	
Adjusted efficiency ratio[1]	**68.5 %**	67.1 %		**69.2 %**	66.4 %	

(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' (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 JULY 31, 2023

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition of Laurentian Bank of Canada (the Bank) as at July 31, 2023 and its operating results for the three-month and nine-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 August 30, 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 as at and for the period ended July 31, 2023, and, unless otherwise indicated, has been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), as well as in accordance with IAS 34, *Interim Financial Reporting.* All amounts are presented in Canadian dollars.

ABOUT LAURENTIAN BANK OF CANADA

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

Founded in Montréal in 1846, Laurentian Bank helps families, businesses and communities thrive. Today, we have approximately 3,000 employees working together as one team, to provide a broad range of financial services and advice-based solutions for customers across Canada and the United States. We protect, manage and grow $50.6 billion in balance sheet assets and $27.4 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. 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: 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; 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 July 31, 2023	April 30, 2023	Variance	July 31, 2022	Variance	For the nine months ended July 31, 2023	July 31, 2022	Variance
Operating results								
Total revenue	**$ 260,830**	$ 257,167	1 %	$ 259,952	— %	**$ 778,065**	$ 777,093	— %
Net income	**$ 49,263**	$ 49,291	— %	$ 55,866	(12)%	**$ 150,464**	$ 170,933	(12)%
Adjusted net income[1]	**$ 57,646**	$ 51,684	12 %	$ 58,153	(1)%	**$ 163,626**	$ 179,244	(9)%
Operating performance								
Diluted earnings per share	**$ 1.03**	$ 1.11	(7)%	$ 1.18	(13)%	**$ 3.22**	$ 3.69	(13)%
Adjusted diluted earnings per share[2]	**$ 1.22**	$ 1.16	5 %	$ 1.24	(2)%	**$ 3.53**	$ 3.88	(9)%
Return on common shareholders' equity[2]	**6.9 %**	7.7 %		8.4 %		**7.4 %**	8.9 %	
Adjusted return on common shareholders' equity[2]	**8.2 %**	8.1 %		8.7 %		**8.0 %**	9.4 %	
Net interest margin[3]	**1.84 %**	1.80 %		1.83 %		**1.80 %**	1.86 %	
Efficiency ratio[3]	**72.9 %**	71.0 %		68.3 %		**71.5 %**	67.9 %	
Adjusted efficiency ratio[2]	**68.5 %**	69.7 %		67.1 %		**69.2 %**	66.4 %	
Operating leverage[3][4]	**(2.7)%**	(0.5)%		(3.0)%		**(5.3)%**	2.6 %	
Adjusted operating leverage[2][4]	**1.7 %**	(0.4)%		(2.8)%		**(4.2)%**	3.9 %	
Financial position ($ millions)								
Loans and acceptances	**$ 36,959**	$ 37,901	(2)%	$ 36,571	1 %	**$ 36,959**	$ 36,571	1 %
Total assets	**$ 50,638**	$ 50,698	— %	$ 49,796	2 %	**$ 50,638**	$ 49,796	2 %
Deposits	**$ 26,314**	$ 26,518	(1)%	$ 26,675	(1)%	**$ 26,314**	$ 26,675	(1)%
Average earning assets[3]	**$ 41,495**	$ 41,866	(1)%	$ 40,971	1 %	**$ 41,738**	$ 39,496	6 %
Average loans and acceptances[3]	**$ 37,204**	$ 37,763	(1)%	$ 36,047	3 %	**$ 37,517**	$ 34,923	7 %
Basel III regulatory capital ratios								
CET1 capital ratio[5]	**9.8 %**	9.3 %		9.1 %		**9.8 %**	9.1 %	
Total risk-weighted assets ($ millions)[5]	**$ 22,651**	$ 23,785		$ 23,465		**$ 22,651**	$ 23,465	
Credit quality								
Gross impaired loans as a % of loans and acceptances[3]	**0.55 %**	0.49 %		0.43 %		**0.55 %**	0.43 %	
Net impaired loans as a % of loans and acceptances[3]	**0.38 %**	0.34 %		0.29 %		**0.38 %**	0.29 %	
Provision for credit losses as a % of average loans and acceptances[3]	**0.14 %**	0.18 %		0.18 %		**0.16 %**	0.15 %	
Common share information								
Closing share price[6]	**$ 39.73**	$ 32.21	23 %	$ 41.79	(5)%	**$ 39.73**	$ 41.79	(5)%
Price / earnings ratio (trailing four quarters)[3]	**8.8 x**	6.9 x		31.7 x		**8.8 x**	31.7 x	
Adjusted price / earnings ratio (trailing four quarters)[2]	**8.2 x**	6.6 x		8.4 x		**8.2 x**	8.4 x	
Book value per share[2]	**$ 59.30**	$ 59.06	— %	$ 56.70	5 %	**$ 59.30**	$ 56.70	5 %
Dividends declared per share	**$ 0.47**	$ 0.46	2 %	$ 0.45	4 %	**$ 1.39**	$ 1.33	5 %
Dividend yield[3]	**4.7 %**	5.7 %		4.3 %		**4.7 %**	4.2 %	
Dividend payout ratio[3]	**45.8 %**	41.6 %		37.9 %		**43.1 %**	35.9 %	
Adjusted dividend payout ratio[2]	**38.5 %**	39.6 %		36.3 %		**39.4 %**	34.2 %	

(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 nine-month periods 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 nine months ended	
In thousands of dollars (Unaudited)	**July 31, 2023**	April 30, 2023	July 31, 2022	**July 31, 2023**	July 31, 2022
Non-interest expenses	**$ 190,062**	$ 182,472	$ 177,479	**$ 556,209**	$ 527,514
Less: Adjusting items, before income taxes					
Amortization of acquisition-related intangible assets[1]	**3,178**	3,221	3,074	**9,609**	9,132
Restructuring charges[2]	**5,480**	—	—	**5,480**	—
Strategic review-related charges[3]	**2,713**	—	—	**2,713**	2,065
	11,371	3,221	3,074	**17,802**	11,197
Adjusted non-interest expenses	**$ 178,691**	$ 179,251	$ 174,405	**$ 538,407**	$ 516,317
Income before income taxes	**$ 57,431**	$ 58,526	$ 65,844	**$ 176,918**	$ 210,550
Adjusting items, before income taxes (detailed above)	**11,371**	3,221	3,074	**17,802**	11,197
Adjusted income before income taxes	**$ 68,802**	$ 61,747	$ 68,918	**$ 194,720**	$ 221,747
Reported net income	**$ 49,263**	$ 49,291	$ 55,866	**$ 150,464**	$ 170,933
Adjusting items, net of income taxes					
Amortization of acquisition-related intangible assets[1]	**2,361**	2,393	2,287	**7,140**	6,793
Restructuring charges[2]	**4,027**	—	—	**4,027**	—
Strategic review-related charges[3]	**1,995**	—	—	**1,995**	1,518
	8,383	2,393	2,287	**13,162**	8,311
Adjusted net income	**$ 57,646**	$ 51,684	$ 58,153	**$ 163,626**	$ 179,244
Net income available to common shareholders	**$ 44,662**	$ 48,003	$ 51,265	**$ 139,974**	$ 160,443
Adjusting items, net of income taxes (detailed above)	**8,383**	2,393	2,287	**13,162**	8,311
Adjusted net income available to common shareholders	**$ 53,045**	$ 50,396	$ 53,552	**$ 153,136**	$ 168,754

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

(2) In the third quarter of 2023, restructuring charges resulted from the right-sizing of the Bank's Capital Markets franchise and were mainly comprised of severance charges. Restructuring charges were included in the Impairment and restructuring charges line-item.

(3) In the third quarter of 2023, strategic review-related charges resulted from the Bank's review of strategic options to maximize shareholder and stakeholder value and mainly included professional fees. In 2022, strategic review-related charges 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. Strategic review-related charges were included in the Impairment and restructuring charges line-item

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

In thousands of dollars (Unaudited)	For the three months ended			For the nine months ended	
	July 31, 2023	April 30, 2023	July 31, 2022	**July 31, 2023**	July 31, 2022
Shareholders' equity	**$ 2,821,415**	$ 2,845,993	$ 2,726,823	**$ 2,821,415**	$ 2,726,823
Plus (less):					
Preferred shares	**(122,071)**	(122,071)	(122,071)	**(122,071)**	(122,071)
Limited recourse capital notes	**(123,487)**	(123,516)	(121,543)	**(123,487)**	(121,543)
Cash flow hedge reserve[1]	**7,328**	(32,591)	(31,511)	**7,328**	(31,511)
Common shareholders' equity	**$ 2,583,185**	$ 2,567,815	$ 2,451,698	**$ 2,583,185**	$ 2,451,698
Impact of averaging month-end balances[2]	**(14,911)**	(24,981)	(21,160)	**(39,743)**	(52,523)
Average common shareholders' equity	**$ 2,568,274**	$ 2,542,834	$ 2,430,538	**$ 2,543,442**	$ 2,399,175

(1) The cash flow hedge reserve is presented in the Accumulated other comprehensive income (loss) 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 nine months ended	
	July 31, 2023	April 30, 2023	July 31, 2022	**July 31, 2023**	July 31, 2022
Diluted earnings per share	**$ 1.03**	$ 1.11	$ 1.18	**$ 3.22**	$ 3.69
Adjusting items, net of income taxes, on a per share basis[1]	**0.19**	0.05	0.06	**0.31**	0.19
Adjusted diluted earnings per share[2]	**$ 1.22**	$ 1.16	$ 1.24	**$ 3.53**	$ 3.88

(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.

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.

On July 11, 2023, the Bank announced that its Board of Directors and Management team were conducting a review of strategic options to maximize shareholder and stakeholder value. While underway, the Bank does not intend to disclose further developments until the review is complete. The Bank remains committed to executing on its strategy and its 2023 priorities with the full support and confidence of the Board.

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.

Personal Banking recently launched a Customer Experience Council, which brings together cross-functional groups to align on enhancements to the customer experience. As a result, Private Banking has now achieved an "excellent" NPS rating, which is a score above 50 points, and our branch and Loyalty Team NPS increased by 19 points and 16 points respectively since the beginning of the year.

Earlier this year, the Bank announced the launch of a Mortgage Financing Centre to improve the customer experience by handling all mortgage acquisition and refinancing solutions for our retail branches. As a result of this group's high degree of specialization, we have achieved a first-time-right score of 96% for mortgages and have successfully reduced the time to yes to less than two days, in line with industry standards and exceeding our three-year target of less than 3 days.

In December 2021, we established a target for Capital Markets to grow its historical syndicate positions with core provincial and corporate issuers from 9th position to 7th position. As of this quarter we now sit in 8th position and continue to make progress towards our FY 2024 objective.

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.

Following the launch in the second quarter of 2023 of our digital account opening solution to the public, 66% of customers being onboarded through this channel are new to the Bank and more than 40% are from outside of Quebec. This is in line with our strategy to acquire additional net new customers as well as grow our customer base outside of our traditional branch footprint.

Following a recent marketing effort on deposit campaigns, with a particular focus on our High Interest Savings Account, we have seen a 50% increase in chequing account openings and 125 times increase in high-interest savings accounts opened on a year-to-date basis.

We have also launched a new "virtual first pilot" to enhance the customer experience by serving customers where and how they want, while still maintaining a presence in our communities. This pilot will also enable us to offer additional products and services to our recently acquired customers from across Canada through an advice-based model.

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.

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, in May 2023, we announced the right-sizing of our Capital Markets franchise. This is in line with our commitment to operate a focused and aligned offering in key business, where we have significant alignment with the rest of the Bank.

As part of our drive to enhance efficiencies, we launched a Business Efficiency Program within Personal Banking at the beginning of this year. This program was established to identify key initiatives that will support the Bank in meeting its medium-term efficiency target. This year's objective was $4 million in savings, and, we are on track and expect to meet our target.

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 year marked our third annual employee survey. Over the last three years, we have put a heavy emphasis on everyone's work-life experience and as a result, since that first survey in 2021, our overall response rate has gone up from 66% to 85%. Furthermore, our overall engagement has gone up from 74% to 80%, meeting our FY2024 target one year early and higher than the industry benchmark of 78%.

We also had an improvement in our Sustainalytics ESG score, which maintained our low ESG risk rating.

As part of our Giving Beyond Numbers corporate giving strategy, we announced a $25,000 donation to Newcomer Women's Services Toronto, which empowers newcomer women and their families in building a life in Canada by connecting them to social and economic opportunities.

OUTLOOK

ECONOMIC OUTLOOK

The global economic outlook remains challenged as individuals and businesses adjust to a higher interest rate environment in many major economies. In North America, we expect a mild recession to occur, beginning in late 2023.

In the United States, real gross domestic product (GDP) has remained positive but is slowing as tighter financial conditions gradually weigh on consumer spending and business investment. Labour market conditions remain solid, despite slowing modestly this summer.

In Canada, the Consumer Price Index (CPI) moderated to 3.3% in July. However, this remains higher than the Bank of Canada's stated 2% target, leading to a further rate increase this summer. While high immigration and solid labour market conditions have contributed to real GDP momentum, wildfires across the country temporarily ceased some economic activity in impacted regions. The gradual impact of higher interest rate costs on households and businesses is also slowing growth. The unemployment rate has been modestly increasing and reached 5.5% in July.

Homebuilding rebounded this summer but remains below new household formation. Record high immigration and solid job market conditions are driving demand, however, the Bank of Canada's policy rate hikes have tempered resale activity.

Tight global oil market conditions and monetary policy tightening have been supportive of the Canadian dollar relative to the U.S. dollar. The Canadian dollar appreciated to its highest level of the year during the summer, reaching 0.75 USD in early August.

ANALYSIS OF CONSOLIDATED RESULTS

TABLE 5
CONDENSED CONSOLIDATED RESULTS

	For the three months ended			For the nine months ended	
In thousands of dollars, except percentage amounts (Unaudited)	**July 31, 2023**	April 30, 2023	July 31, 2022	**July 31, 2023**	July 31, 2022
Net interest income	**$ 192,126**	$ 184,185	$ 188,504	**$ 563,427**	$ 549,512
Other income	**68,704**	72,982	71,448	**214,638**	227,581
Total revenue	**260,830**	257,167	259,952	**778,065**	777,093
Provision for credit losses	**13,337**	16,169	16,629	**44,938**	39,029
Non-interest expenses	**190,062**	182,472	177,479	**556,209**	527,514
Income before income taxes	**57,431**	58,526	65,844	**176,918**	210,550
Income taxes	**8,168**	9,235	9,978	**26,454**	39,617
Net income	**49,263**	49,291	55,866	**150,464**	170,933
Preferred share dividends and limited recourse capital note interest	**4,601**	1,288	4,601	**10,490**	10,490
Net income available to common shareholders	**$ 44,662**	$ 48,003	$ 51,265	**$ 139,974**	$ 160,443
Non-GAAP financial measures					
Adjusted non-interest expenses[1]	**$ 178,691**	$ 179,251	$ 174,405	**$ 538,407**	$ 516,317
Adjusted income before income taxes[1]	**$ 68,802**	$ 61,747	$ 68,918	**$ 194,720**	$ 221,747
Adjusted net income[1]	**$ 57,646**	$ 51,684	$ 58,153	**$ 163,626**	$ 179,244
Adjusted net income available to common shareholders[1]	**$ 53,045**	$ 50,396	$ 53,552	**$ 153,136**	$ 168,754

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

THIRD QUARTER OF 2023 COMPARED WITH THIRD QUARTER OF 2022

Net income was $49.3 million and diluted earnings per share were $1.03 for the third quarter of 2023, compared with $55.9 million and $1.18 for the third quarter of 2022. Of note, reported results for the third quarter of 2023 included restructuring and strategic-review related charges of $8.2 million ($6.0 million after income taxes), or $0.14 per share, as further detailed in the Non-GAAP Financial and Other Measures section. Adjusted net income was $57.6 million and adjusted diluted earnings per share were $1.22 for the third quarter of 2023, compared with $58.2 million and $1.24 for the third quarter of 2022.

Total revenue

Total revenue was $260.8 million for the third quarter of 2023, mainly unchanged compared with the third quarter of 2022.

Net interest income increased by $3.6 million or 2% to $192.1 million for the third quarter of 2023, compared with $188.5 million for the third quarter of 2022. The increase was 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 1.84% for the third quarter of 2023, an increase of 1 basis point compared with the third quarter of 2022, mainly due to favourable changes in the Bank's business mix, partly offset by higher funding costs as a result of the rising interest rate environment.

Other income decreased by $2.7 million or 4% to $68.7 million for the third quarter of 2023, compared with $71.4 million for the third quarter of 2022. Unfavourable market conditions impacted financial markets related revenue in the third quarter of 2023, including income from financial instruments, fees and securities brokerage commissions and income from mutual funds.

Provision for credit losses

The provision for credit losses was $13.3 million for the third quarter of 2023 compared with $16.6 million for the third quarter of 2022, an improvement of $3.3 million reflecting lower provisions on performing loans due to volume reduction and credit migration, partly offset by higher provisions on impaired loans. The provision for credit losses as a percentage of average loans and acceptances was 14 basis points for the quarter, compared with 18 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 $190.1 million for the third quarter of 2023, an increase of $12.6 million compared with the third quarter of 2022. In the third quarter of 2023, non-interest expenses included restructuring and strategic-review related charges of $8.2 million; refer to the Non-GAAP Financial and Other Measures section for further details. Adjusted non-interest expenses increased by $4.3 million or 2% to $178.7 million for the third quarter of 2023, compared with $174.4 million for the third quarter of 2022.

Salaries and employee benefits amounted to $98.6 million for the third quarter of 2023, a decrease of $1.4 million compared with the third quarter of 2022, mostly due to lower performance-based compensation. This was partly offset by salary increases and talent acquisition to invest in strategic priorities, improve the customer experience, and support growth.

Premises and technology costs were $49.2 million for the third quarter of 2023, an increase of $5.0 million compared with the third 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 $34.0 million for the third quarter of 2023, an increase of $0.8 million compared with the third quarter of 2022, mainly resulting from higher advertising, business development and travel expenses.

Impairment and restructuring charges were $8.2 million for the third quarter of 2023, compared with nil for the third quarter of 2022. In the third quarter of 2023, this line-item included restructuring charges of $5.5 million resulting from the right-sizing of the Bank's Capital Markets franchise, as well as charges of $2.7 million resulting from the Bank's review of strategic options to maximize shareholder and stakeholder value. Refer to the Non-GAAP Financial Measures and Other Measures section for further details.

Efficiency ratio
The efficiency ratio on a reported basis was 72.9% for the third quarter of 2023, compared with 68.3% for the third quarter of 2022. The increase year-over-year is mainly due to the restructuring and strategic-review related charges incurred in the third quarter of 2023. The adjusted efficiency ratio was 68.5% for the third quarter of 2023, compared to 67.1% for the third quarter of 2022, mainly as a result of investments in strategic priorities.

Income taxes

For the third quarter of 2023, income taxes were $8.2 million, and the effective tax rate was 14.2%. 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 the interest paid semi-annually on the limited recourse capital notes. For the third quarter of 2022, the income tax expense was $10.0 million, and the effective tax rate was 15.2%. 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 and of the interest paid semi-annually on the limited recourse capital notes.

NINE MONTHS ENDED JULY 31, 2023 COMPARED WITH NINE MONTHS ENDED JULY 31, 2022

Net income was $150.5 million and diluted earnings per share were $3.22 for the nine months ended July 31, 2023, compared with $170.9 million and $3.69 for the nine months ended July 31, 2022. Adjusted net income was $163.6 million and adjusted diluted earnings per share were $3.53 for the nine months ended July 31, 2023, compared with $179.2 million and $3.88 for the nine months ended July 31, 2022.

Total revenue

Total revenue was $778.1 million for the nine months ended July 31, 2023, mainly unchanged compared with the nine months ended July 31, 2022.

Net interest income increased by $13.9 million or 3% to $563.4 million for the nine months ended July 31, 2023, compared with $549.5 million for the nine months ended July 31, 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 nine months ended July 31, 2023, a decrease of 6 basis points compared with the nine months ended July 31, 2022, mainly due to higher funding costs and lower mortgage prepayment penalties, partly offset by favourable changes in the Bank's business mix.

Other income decreased by $12.9 million or 6% to $214.6 million for the nine months ended July 31, 2023, compared with $227.6 million for the nine months ended July 31, 2022. The decrease was mainly due to the volatile market conditions unfavourably impacting financial markets revenue in the nine months ended July 31, 2023, including fees and securities brokerage commissions, income from financial instruments and income from mutual funds.

Provision for credit losses

The provision for credit losses increased by $5.9 million to $44.9 million for the nine months ended July 31, 2023 compared with $39.0 million for the nine months ended July 31, 2022, 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 was 16 basis points for the nine months ended July 31, 2023, compared with 15 basis points for the nine months ended July 31, 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 $28.7 million or 5% to $556.2 million for the nine months ended July 31, 2023, compared with $527.5 million for the nine months ended July 31, 2022. For the nine months ended July 31, 2023, non-interest expenses included restructuring and strategic-review related charges of $8.2 million, compared with strategic-review related charges of $2.1 million for the nine months ended July 31, 2022; refer to the Non-GAAP Financial and Other Measures section for further details. Adjusted non-interest expenses increased by $22.1 million or 4% to $538.4 million for the nine months ended July 31, 2023, compared with $516.3 million for the nine months ended July 31, 2022.

Salaries and employee benefits increased by $6.7 million or 2% to $303.3 million for the nine months ended July 31, 2023, compared with the nine months ended July 31, 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 $11.9 million to $144.8 million for the nine months ended July 31, 2023, compared with the nine months ended July 31, 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 $4.0 million to $99.9 million for the nine months ended July 31, 2023, compared with the nine months ended July 31, 2022. The increase mainly resulted from higher advertising, business development and travel expenses.

Impairment and restructuring charges increased by $6.1 million to $8.2 million for the nine months ended July 31, 2023, compared with $2.1 million for the nine months ended July 31, 2022. For the nine months ended July 31, 2023, this line-item included restructuring charges of $5.5 million resulting from the right-sizing of the Bank's Capital Markets franchise, as well as charges of $2.7 million resulting from the Bank's review of strategic options to maximize shareholder and stakeholder value. For the nine months ended July 31, 2022, strategic review-related charges of $2.1 million 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.
Refer to the Non-GAAP Financial Measures and Other Measures section for further details.

Efficiency ratio
The efficiency ratio on a reported basis was 71.5% for the nine months ended July 31, 2023, compared with 67.9% for the nine months ended July 31, 2022. The increase year-over-year is mainly due to the restructuring and strategic-review related charges incurred in the nine months ended July 31, 2023. The adjusted efficiency ratio was 69.2% for the nine months ended July 31, 2023, compared with 66.4% for the nine months ended July 31, 2022, mainly as a result of investments in strategic priorities.

Income taxes

For the nine months ended July 31, 2023, the income tax expense was $26.5 million and the effective tax rate was 15.0%. The lower effective tax rate, compared to the statutory rate, is attributed to a lower taxation level of income from foreign operations. For the nine months ended July 31, 2022, the income tax expense was $39.6 million and the effective tax rate was 18.8%. 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 the amendment of the definition of "financial service" to make payment card clearing services taxable for GST/HST purposes which was enacted in the third quarter of 2023. The Bank does not expect these measures to have a significant impact on its financial results.

THIRD QUARTER OF 2023 COMPARED WITH SECOND QUARTER OF 2023

Net income was $49.3 million and diluted earnings per share were $1.03 for the third quarter of 2023, compared with $49.3 million and $1.11 for the second quarter of 2023. Adjusted net income was $57.6 million and adjusted diluted earnings per share were $1.22 for the third quarter of 2023, compared with $51.7 million and $1.16 for the second quarter of 2023. Net income available to common shareholders included in the third quarter of 2023 the interest paid semi-annually on the limited recourse capital notes and the quarterly dividend declared on the Preferred Shares Series 13, whereas the second quarter of 2023 included the quarterly dividend declared on the Preferred Shares Series 13.

Total revenue increased by $3.7 million to $260.8 million for the third quarter of 2023 compared with $257.2 million for the previous quarter. Net interest income increased by $7.9 million sequentially to $192.1 million. The increase mainly reflects the positive impact of three additional days in the third quarter and sequentially higher mortgage pre-payment penalties. Net interest margin was 1.84% for the third quarter of 2023, an increase of 4 basis points compared with 1.80% for the second quarter of 2023 due to improved funding costs and higher mortgage pre-payment penalties.

Other income amounted to $68.7 million for the third quarter of 2023, a decrease of $4.3 million compared with $73.0 million for the previous quarter as a result of lower income from financial instruments and lower fees and securities brokerage commissions due to unfavourable market conditions.

The provision for credit losses was $13.3 million for the third quarter of 2023, a decrease of $2.8 million compared with $16.2 million for the second quarter of 2023 reflecting lower provisions on performing loans, partly offset by higher provisions on impaired loans. Refer to the "Risk Management" section for additional information.

Non-interest expenses increased by $7.6 million to $190.1 million for the third quarter of 2023 from $182.5 million in the second quarter of 2023. The increase resulted from the aforementioned restructuring and strategic-review related charges of $8.2 million incurred in the third quarter of 2023, partly offset by sequentially lower performance-based compensation. Adjusted non-interest expenses amounted to $178.7 million in the third quarter of 2023, a decrease of $0.6 million mainly due to sequentially lower performance-based compensation.

ANALYSIS OF FINANCIAL CONDITION

TABLE 6
CONDENSED BALANCE SHEET

In thousands of dollars (Unaudited)		**As at July 31, 2023**		As at October 31, 2022
Assets				
Cash and deposits with banks	**$**	**1,847,591**	$	1,890,923
Securities		**6,244,507**		6,184,461
Securities purchased under reverse repurchase agreements		**4,108,985**		3,727,752
Liquid assets[1]		**12,201,083**		11,803,136
Loans and acceptances, net of allowances		**36,749,773**		37,387,585
Other assets		**1,687,505**		1,526,037
	$	**50,638,361**	$	50,716,758
Liabilities and Shareholders' Equity				
Deposits	**$**	**26,314,161**	$	27,131,806
Other liabilities		**8,576,707**		8,274,874
Debt related to securitization activities		**12,586,553**		12,192,422
Subordinated debt		**339,525**		336,553
Shareholders' equity		**2,821,415**		2,781,103
	$	**50,638,361**	$	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 July 31, 2023, total assets amounted to $50.6 billion, relatively in line with $50.7 billion as at October 31, 2022.

Liquid assets

As at July 31, 2023, liquid assets amounted to $12.2 billion, an increase of $0.4 billion compared with $11.8 billion as at October 31, 2022. The Bank continues to prudently manage its level of liquid assets. The Bank's funding sources remain well diversified and sufficient to meet all liquidity requirements. Liquid assets represented 24% of total assets as at July 31, 2023, compared with 23% as at October 31, 2022.

Loans

Loans and bankers' acceptances, net of allowances, stood at $36.7 billion as at July 31, 2023, a decrease of $0.6 billion since October 31, 2022. During the first nine months of 2023, the decrease in personal and commercial loans was partly offset by an increase in residential mortgage loans. Commercial loans and acceptances amounted to $17.8 billion as at July 31, 2023, a decrease of $0.4 billion or 2% since October 31, 2022. The decrease resulted mainly from a seasonal reduction in inventory financing volumes. Personal loans of $2.7 billion as at July 31, 2023 decreased by $0.5 billion from October 31, 2022, mainly as a result of a decline in the investment loan portfolio driven by volatile market conditions. Residential mortgage loans of $16.4 billion as at July 31, 2023 increased by $0.3 billion or 2% from October 31, 2022.

Other assets

Other assets stood at $1.7 billion as at July 31, 2023, an increase of $0.2 billion compared with October 31, 2022, mainly resulting from the higher fair value of derivatives and an increase in other short-term assets.

Deposits

Deposits decreased by $0.8 billion to $26.3 billion as at July 31, 2023 compared with $27.1 billion as at October 31, 2022, relatively in line with the reduction in loans. Personal deposits stood at $22.4 billion as at July 31, 2023, an increase of $0.2 billion compared with $22.2 billion as at October 31, 2022. Of note, personal deposits sourced through the retail channel increased by $0.3 billion or 4% compared with October 31, 2022. Personal notice and demand deposits from partnerships also increased by $0.3 billion or 9% since October 31, 2022, and deposits from advisors and brokers decreased by $0.3 billion. Personal deposits represented 85% of total deposits as at July 31, 2023, compared with 82% as at October 31, 2022, and contributed to the Bank's sound liquidity position. Business and other deposits decreased by $1.0 billion over the same period to $3.9 billion, partly offset by an increase in cost-effective long-term debt related to securitization activities, as detailed below.

Other liabilities

Other liabilities stood at $8.6 billion as at July 31, 2023, an increase of $0.3 billion or 4% 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 $0.4 billion or 3% compared with October 31, 2022 and stood at $12.6 billion as at July 31, 2023. Since the beginning of the year, new issuances of cost-effective long-term debt related to securitization activities more than offset maturities of liabilities, as well as normal repayments.

Subordinated debt

Subordinated debt stood at $0.3 billion as at July 31, 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 July 31, 2023 and increased by $40.3 million compared with October 31, 2022. Retained earnings increased by $75.7 million compared to October 31, 2022, mainly as a result of the net income contribution of $150.5 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 $59.30 as at July 31, 2023 compared to $58.02 as at October 31, 2022.

CAPITAL MANAGEMENT

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

Regulatory capital ratios

The CET1 capital ratio was 9.8% as at July 31, 2023, in excess of the minimum regulatory requirement and the Bank's target management levels. The CET1 capital ratio increased by 70 basis points compared with October 31, 2022 due to internal capital generation and the seasonal inventory financing loan reduction. 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 July 31, 2023	As at October 31, 2022
Regulatory capital		
Common shares	$ 1,175,660	$ 1,167,549
Retained earnings	1,398,051	1,322,381
Accumulated other comprehensive income (loss)	(3,854)	42,045
Share-based compensation reserve	6,000	4,725
Transitional arrangements for expected credit losses in response to COVID-19[1]	—	15,609
Deductions from Common Equity Tier 1 capital[2]	(362,282)	(384,996)
Common Equity Tier 1 capital	2,213,575	2,167,313
Qualifying preferred shares and limited recourse capital notes	245,558	244,403
Additional Tier 1 capital	245,558	244,403
Tier 1 capital	2,459,133	2,411,716
Qualifying subordinated debt	339,525	336,553
Collective allowances	156,836	133,658
Tier 2 capital	496,361	470,211
Total capital	$ 2,955,494	$ 2,881,927
Total risk-weighted assets	$ 22,650,530	$ 23,909,169
Total exposure	$ 51,502,084	$ 52,170,897
Capital ratios		
Common Equity Tier 1 capital ratio	9.8 %	9.1 %
Tier 1 capital ratio	10.9 %	10.1 %
Total capital ratio	13.0 %	12.1 %
Leverage ratio	4.8 %	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 goodwill, software and other intangible assets, net pension plan assets, cash flow hedge reserve and other.

OUTSTANDING CAPITAL INSTRUMENTS

As at August 25, 2023, there were 5,000,000 outstanding Preferred Shares Series 13, 43,559,940 outstanding common shares and 1,614,199 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 July 31, 2023, which are the Class A Preferred Shares Series 13, the subordinated debentures due on June 15, 2032, as well as the Limited Recourse Capital Notes (LRCN) Series 1 would be converted into common shares pursuant to an automatic conversion formula with a conversion price based on the greater of: (i) a contractual floor price of $5.00, and (ii) the current market price of the Bank's common shares at the time of the trigger event (10-day weighted average). Based on a floor price of $5.00 and assuming no accrued interest and no declared and unpaid dividends, these NVCC capital instruments would convert into a maximum of 120,000,000 common shares, in aggregate, which would represent a dilution impact of 73.4% based on the number of common shares outstanding as at July 31, 2023.

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

DIVIDENDS

On August 30, 2023, the Board of Directors declared a quarterly dividend of $0.47 per common share, payable on November 1, 2023, to shareholders of record on October 2, 2023. This quarterly dividend is equal to 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 July 31, 2023 and are further described in Note 5 to the Condensed Interim Consolidated Financial Statements.

The allowance for credit losses is sensitive to the inputs used in models, including macroeconomic variables used in the forward-looking scenarios and their respective weights. The comprehensive impact of recent macro-economic developments on the Canadian and U.S. economies is uncertain. Therefore, it remains difficult to predict whether these factors may result in write-offs in the future, or if the Bank will need to increase or decrease its allowances for credit losses in subsequent periods.

Provision for credit losses

Third quarter of 2023 compared with third quarter of 2022
Total provision for credit losses of $13.3 million decreased by $3.3 million compared with the third quarter of 2022, mainly as a result of lower provisions on performing loans, partly offset by higher provisions on impaired loans. The provision for credit losses as a percentage of average loans and acceptances was 14 basis points for the quarter, compared with 18 basis points for the same quarter a year ago.

The provision for credit losses on performing loans resulted in a release of $0.1 million for the third quarter of 2023 compared with a provision of $11.0 million for the third quarter of 2022. This mainly reflects lower provisions on commercial loans and releases of provisions on personal loans due to the lower volume and credit migration.

The provision for credit losses on impaired loans was $13.4 million for the third quarter of 2023 and increased by $7.8 million, due to higher provisions in both the personal and the commercial loan portfolios due to credit migration.

Nine months ended July 31, 2023 compared with nine months ended July 31, 2022
Total provision for credit losses of $44.9 million increased by $5.9 million compared with the nine months ended July 31, 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 $9.9 million for the nine months ended July 31, 2023 compared with $24.0 million for the nine months ended July 31, 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 $35.0 million increased by $20.0 million for the nine months ended July 31, 2023 compared with the nine months ended July 31, 2022, due to higher provisions on the personal loans portfolio due to credit migration.

Third quarter of 2023 compared with second quarter of 2023
Total provision for credit losses of $13.3 million decreased by $2.8 million compared with the second quarter of 2023, mainly as a result of lower provisions on performing loans, partly offset by higher provisions on impaired loans. The provision for credit losses as a percentage of average loans and acceptances was 14 basis points, compared to 18 basis points the previous quarter.

The provision for credit losses on performing loans resulted in a release of $0.1 million for the third quarter of 2023 compared with a provision of $4.1 million for the second quarter of 2023. This mainly reflects lower provisions on commercial loans and releases of provisions on personal loans due to the lower volume and credit migration.

The provision for credit losses on impaired loans of $13.4 million increased by $1.4 million compared with the second quarter of 2023 due to higher provisions on the personal and residential loan portfolios, partly offset by lower provisions on commercial loans.

TABLE 8

PROVISION FOR CREDIT LOSSES

In thousands of dollars, except percentage amounts (Unaudited)	For the three months ended July 31, 2023	April 30, 2023	July 31, 2022	For the nine months ended July 31, 2023	July 31, 2022
Personal loans					
Performing (Stage 1 and 2)	**$ (2,316)**	$ (5,507)	$ 603	**$ (10,244)**	$ 6,626
Impaired (Stage 3)	**6,583**	5,163	4,574	**21,445**	3,577
	4,267	(344)	5,177	**11,201**	10,203
Residential mortgage loans					
Performing (Stage 1 and 2)	**(828)**	157	296	**(854)**	1,914
Impaired (Stage 3)	**1,003**	76	1,122	**1,286**	354
	175	233	1,418	**432**	2,268
Commercial loans[1]					
Performing (Stage 1 and 2)	**3,053**	9,462	10,079	**21,009**	15,465
Impaired (Stage 3)	**5,842**	6,818	(45)	**12,296**	11,093
	8,895	16,280	10,034	**33,305**	26,558
Total loans					
Performing (Stage 1 and 2)	**(91)**	4,112	10,978	**9,911**	24,005
Impaired (Stage 3)	**13,428**	12,057	5,651	**35,027**	15,024
Provision for credit losses	**$ 13,337**	$ 16,169	$ 16,629	**$ 44,938**	$ 39,029
As a % of average loans and acceptances	**0.14 %**	0.18 %	0.18 %	**0.16 %**	0.15 %

(1) Including customers' liabilities under acceptances.

Allowances for credit losses

Allowances for loan losses amounted to $209.5 million as at July 31, 2023, an increase of $16.1 million compared with October 31, 2022. Allowances for loan losses on performing loans amounted to $148.9 million as at July 31, 2023, up $7.7 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 $60.7 million increased by $8.4 million compared with October 31, 2022, mainly due to higher allowances for the commercial and personal loan portfolios.

TABLE 9

ALLOWANCES FOR CREDIT LOSSES (ACL)

In thousands of dollars (Unaudited)	As at July 31, 2023	As at October 31, 2022
Allowances for loan losses		
Personal	**$ 45,546**	$ 51,264
Residential mortgages	**14,190**	15,994
Commercial	**149,803**	126,218
Total allowances for loan losses	**209,539**	193,476
Allowances for off-balance sheet exposures losses	**7,548**	7,675
Total allowances for credit losses	**$ 217,087**	$ 201,151
ACL on performing loans (Stage 1 and 2)	**$ 148,869**	$ 141,172
ACL on impaired loans (Stage 3)	**60,670**	52,304
Total allowances for loan losses	**$ 209,539**	$ 193,476

Impaired loans

Gross impaired loans amounted to $202.1 million as at July 31, 2023, up $44.4 million compared with October 31, 2022, mainly due to an increase in impaired commercial loans. See Note 5 to the Condensed Interim Consolidated Financial Statements for additional information.

TABLE 10
IMPAIRED LOANS

In thousands of dollars, except percentage amounts (Unaudited)		As at July 31, 2023		As at October 31, 2022
Gross impaired loans (GIL)				
Personal	$	**20,219**	$	12,826
Residential mortgages		**40,358**		47,560
Commercial		**141,498**		97,303
	$	**202,075**		157,689
Allowances for loan losses on impaired loans (Stage 3)				
Personal	$	**(7,820)**	$	(3,476)
Residential mortgages		**(2,005)**		(2,591)
Commercial		**(50,845)**		(46,237)
	$	**(60,670)**	$	(52,304)
Net impaired loans				
Personal	$	**12,399**	$	9,350
Residential mortgages		**38,353**		44,969
Commercial		**90,653**		51,066
	$	**141,405**	$	105,385
Impaired loans as a % of loans and acceptances				
Gross		**0.55 %**		0.42 %
Net		**0.38 %**		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 July 31, 2023. As presented, the effect on the economic value of common shareholders' equity and on net interest income before taxes of a sudden and sustained 1% increase in interest rates was as follows.

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

In thousands of dollars (Unaudited)				As at July 31, 2023				As at October 31, 2022
		Effect on NII[1]		**Effect on EVE[2]**		Effect on NII[1]		Effect on EVE[2]
Change in interest rates								
Increase of 100 basis points	$	**(2,315)**	$	**(32,137)**	$	3,189	$	(29,762)
Decrease of 100 basis points	$	**2,109**	$	**29,718**	$	(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 nine months ended July 31, 2023.

Credit ratings

Personal deposits constitute the most important source of financing for the Bank. The Bank also accesses wholesale markets to obtain financing through securitization and unsecured funding. The Bank's capacity to obtain such financing, especially wholesale funding, is tied to the credit ratings set by rating agencies such as DBRS Morningstar (DBRS) and S&P Global Ratings (S&P). Revisions of the Bank's credit ratings may therefore influence financing operations, as well as other collateral obligations.

Changes to credit ratings could also impact the Bank involvement with other operational banking arrangements. The Bank regularly monitors the impact of a hypothetical downgrade of its credit rating on collateral requirements. As at July 31, 2023, additional collateral that would be required in the event of a one-to-three-notch rating downgrade was not significant.

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

TABLE 12
CREDIT RATINGS
As at July 31, 2023

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

(1) Each DBRS rating category is appended with one of three rating trends —"Positive," "Stable," "Negative"— in addition to "Under Review." The rating trend helps to give investors an understanding of DBRS's opinion regarding the outlook for the rating in question. However, investors must not assume that a positive or negative trend necessarily indicates that a rating change is imminent.
(2) The S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future action. The S&P rating outlooks have the following meanings: "Positive" means that a rating may be raised; "Negative" means that a rating may be lowered; "Stable" means that a rating is not likely to change; "Developing" means a rating may be raised or lowered.

Contractual maturities of assets and liabilities

The following tables provide remaining contractual maturity profiles of assets and liabilities at their carrying value (e.g., amortized cost or fair value) as at July 31, 2023 and October 31, 2022. Details of contractual maturities and commitments to extend funds are a source of information for the management of liquidity risk and does not represent how the Bank manages its interest rate or its liquidity risk and funding needs. These details form a basis for assessing a behavioural balance sheet with effective maturities to calculate liquidity risk measures.

TABLE 13

CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

As at July 31, 2023

In thousands of dollars (Unaudited)	Term								
	0 to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specific maturity	Total
Assets									
Cash and non-interest-bearing deposits with banks	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 66,690	$ 66,690
Interest-bearing deposits with banks	1,590,605	—	—	55,000	—	—	—	135,296	1,780,901
Securities	688,988	131,334	256,508	333,816	805,216	2,161,963	1,779,976	86,706	6,244,507
Securities purchased under reverse repurchase agreements	3,331,267	777,718	—	—	—	—	—	—	4,108,985
Loans[(1)]									
Personal loans	24,824	16,601	8,962	2,829	2,593	6,472	743	2,672,042	2,735,066
Residential mortgages	532,330	555,420	577,803	830,615	3,387,484	10,417,623	44,615	101,694	16,447,584
Commercial loans	2,952,746	1,500,900	1,130,165	1,134,007	2,566,679	2,559,089	1,424,502	4,508,574	17,776,662
Allowances for loan losses	—	—	—	—	—	—	—	(209,539)	(209,539)
	3,509,900	2,072,921	1,716,930	1,967,451	5,956,756	12,983,184	1,469,860	7,072,771	36,749,773
Others	1,764	4,711	298	453	540	387	—	1,679,352	1,687,505
Total assets	$9,122,524	$2,986,684	$1,973,736	$2,356,720	$6,762,512	$15,145,534	$3,249,836	$ 9,040,815	$50,638,361
Liabilities and equity									
Deposits									
Personal deposits[(1)]	$1,501,026	$1,390,720	$1,728,539	$2,900,143	$3,364,188	$ 3,718,830	$ 80,085	$ 7,753,127	22,436,658
Business, Banks and other deposits[(1)]	155,329	97,390	125,629	122,157	89,629	122,612	1,930	1,187,913	1,902,589
Wholesale deposits	203,690	155,793	10,000	355,008	385,844	315,710	—	—	1,426,045
Covered bonds	—	—	—	—	—	548,869		—	548,869
	1,860,045	1,643,903	1,864,168	3,377,308	3,839,661	4,706,021	82,015	8,941,040	26,314,161
Obligations related to securities sold short[(2)]	552,674	52,694	109,030	149,839	411,871	1,187,188	1,082,362	—	3,545,658
Obligations related to securities sold under repurchase agreements	3,200,384	—	—	—	—	—	—	—	3,200,384
Other liabilities	3,270	3,542	3,562	3,477	26,731	22,919	60,314	1,706,850	1,830,665
Debt related to securitization activities[(3)]	281,951	201,413	224,201	648,598	2,619,244	7,350,765	1,574,755	(314,374)	12,586,553
Subordinated debt	—	—	—	—	—	339,525	—	—	339,525
Equity	—	—	—	—	—	—	—	2,821,415	2,821,415
Total liabilities and equity	$5,898,324	$1,901,552	$2,200,961	$4,179,222	$6,897,507	$13,606,418	$2,799,446	$13,154,931	$50,638,361

(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)	July 31, 2023	April 30, 2023	January 31, 2023	October 31, 2022	July 31, 2022	April 30, 2022	January 31, 2022	October 31, 2021
Net interest income	**$ 192,126**	$ 184,185	$ 187,116	$ 183,824	$ 188,504	$ 180,090	$ 180,918	$ 173,095
Other income	**68,704**	72,982	72,952	73,318	71,448	79,512	76,621	77,336
Total revenue	**260,830**	257,167	260,068	257,142	259,952	259,602	257,539	250,431
Provision for credit losses	**13,337**	16,169	15,432	17,849	16,629	13,000	9,400	24,900
Non-interest expenses	**190,062**	182,472	183,675	174,147	177,479	172,105	177,930	356,480
Income before income taxes	**57,431**	58,526	60,961	65,146	65,844	74,497	70,209	(130,949)
Income taxes	**8,168**	9,235	9,051	9,496	9,978	14,948	14,691	(28,073)
Net income (loss)	**$ 49,263**	$ 49,291	$ 51,910	$ 55,650	$ 55,866	$ 59,549	$ 55,518	$ (102,876)
Earnings (loss) per share								
Basic	**$ 1.03**	$ 1.11	$ 1.09	$ 1.26	$ 1.19	$ 1.35	$ 1.17	$ (2.39)
Diluted	**$ 1.03**	$ 1.11	$ 1.09	$ 1.26	$ 1.18	$ 1.34	$ 1.17	$ (2.39)

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 third quarter ended July 31, 2023, there have been no changes to ICFR that affected materially or are reasonably likely to materially affect ICFR.

The Board of Directors of Laurentian Bank of Canada approved this document prior to its release.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies followed by the Bank are outlined in Notes 2 and 3 to the 2022 Annual Consolidated Financial Statements. The Condensed Interim Consolidated Financial Statements for the third quarter ended July 31, 2023 have been prepared in accordance with these accounting policies.

Some of these accounting policies are deemed critical as they require management to apply judgment in order to make particularly significant estimates that, by their very nature, involve uncertainties. Changes in these estimates could materially affect the Bank's Consolidated Financial Statements. Refer to the section "Critical Accounting Policies and Estimates" of the Bank's 2022 Annual Report, as well as to Notes 2 and 3 to the 2022 Annual Consolidated Financial Statements for additional information.

Economic conditions impact on judgments, estimates and assumptions

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

FUTURE CHANGES TO ACCOUNTING POLICIES

The IASB has issued new standards and amendments to existing standards which are applicable for the Bank in various annual periods beginning on November 1, 2023. There have been no significant updates to the future accounting changes disclosed in Note 4 of the 2022 Annual Consolidated Financial Statements and in the section "Future Changes to Accounting Policies" of the Bank's 2022 Annual Report, except as detailed below.

International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12)

In May 2023, the IASB issued *International Tax Reform— Pillar Two Model Rules*, which amended IAS 12 *Income taxes* and will be effective on November 1, 2024 for the Bank. To date, the Pillar Two Model Rules have not yet been substantively enacted in any of the jurisdictions in which the Bank operates. Refer to Note 4 to the Condensed Interim Consolidated Financial Statements for further details.

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 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.

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.

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

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

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.

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, less a deduction for goodwill, software and other intangibles, net pension assets, cash flow hedge reserve 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.

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

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.

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

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.

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 JULY 31, 2023

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

In thousands of Canadian dollars (Unaudited)	Notes	As at July 31, 2023	As at October 31, 2022
Assets			
Cash and non-interest bearing deposits with banks		$ 66,690	$ 79,702
Interest-bearing deposits with banks		1,780,901	1,811,221
Securities	4 and 6		
At amortized cost		2,999,130	3,004,405
At fair value through profit or loss (FVTPL)		3,207,196	2,993,434
At fair value through other comprehensive income (FVOCI)		38,181	186,622
		6,244,507	6,184,461
Securities purchased under reverse repurchase agreements		4,108,985	3,727,752
Loans	5 and 6		
Personal		2,735,066	3,266,635
Residential mortgage		16,447,584	16,157,480
Commercial		17,776,662	18,057,146
Customers' liabilities under acceptances		—	99,800
		36,959,312	37,581,061
Allowances for loan losses		(209,539)	(193,476)
		36,749,773	37,387,585
Other			
Derivatives		371,508	312,538
Premises and equipment		115,308	121,227
Software and other intangible assets		287,301	294,438
Goodwill		81,856	83,710
Deferred tax assets		104,521	71,533
Other assets		727,011	642,591
		1,687,505	1,526,037
		$ 50,638,361	$ 50,716,758
Liabilities and shareholders' equity			
Deposits	7		
Personal		$ 22,436,658	$ 22,234,036
Business, banks and other		3,877,503	4,897,770
		26,314,161	27,131,806
Other			
Obligations related to securities sold short		3,545,658	3,221,358
Obligations related to securities sold under repurchase agreements		3,200,384	2,924,295
Acceptances		—	99,800
Derivatives		598,895	808,958
Deferred tax liabilities		56,763	54,255
Other liabilities	14	1,175,007	1,166,208
		8,576,707	8,274,874
Debt related to securitization activities	6	12,586,553	12,192,422
Subordinated debt		339,525	336,553
Shareholders' equity			
Preferred shares	8	122,071	122,071
Limited recourse capital notes	8	123,487	122,332
Common shares	8	1,175,660	1,167,549
Retained earnings		1,398,051	1,322,381
Accumulated other comprehensive income (loss)		(3,854)	42,045
Share-based compensation reserve	9	6,000	4,725
		2,821,415	2,781,103
		$ 50,638,361	$ 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 July 31, 2023	April 30, 2023	July 31, 2022	For the nine months ended July 31, 2023	July 31, 2022
Interest and dividend income	13					
Loans		**$ 538,561**	$ 513,819	$ 347,419	**$ 1,547,760**	$ 911,963
Securities		**23,125**	22,360	15,925	**68,183**	39,338
Deposits with banks		**17,786**	15,548	4,284	**48,660**	5,880
Other, including derivatives		**5,077**	3,886	12,544	**15,191**	53,997
		584,549	555,613	380,172	**1,679,794**	1,011,178
Interest expense	13					
Deposits		**251,749**	233,547	125,404	**704,430**	292,527
Debt related to securitization activities		**83,225**	75,766	54,313	**231,681**	144,646
Subordinated debt		**4,590**	4,442	6,751	**13,623**	15,888
Other, including derivatives		**52,859**	57,673	5,200	**166,633**	8,605
		392,423	371,428	191,668	**1,116,367**	461,666
Net interest income		**192,126**	184,185	188,504	**563,427**	549,512
Other income						
Lending fees		**16,874**	16,734	17,087	**49,951**	51,712
Fees and securities brokerage commissions		**9,300**	10,889	10,686	**30,943**	37,547
Income from mutual funds		**10,889**	10,970	11,408	**32,935**	36,935
Income from financial instruments	13	**6,728**	9,070	9,606	**23,026**	27,482
Service charges		**7,042**	7,256	7,364	**21,145**	22,481
Card service revenues		**6,717**	7,636	5,821	**22,799**	20,074
Fees on investment accounts		**3,270**	3,317	3,251	**9,847**	10,790
Insurance income, net		**2,275**	1,751	1,982	**6,106**	6,884
Other		**5,609**	5,359	4,243	**17,886**	13,676
		68,704	72,982	71,448	**214,638**	227,581
Total revenue		**260,830**	257,167	259,952	**778,065**	777,093
Provision for credit losses	5	**13,337**	16,169	16,629	**44,938**	39,029
Non-interest expenses						
Salaries and employee benefits	9 and 10	**98,640**	100,732	100,076	**303,258**	296,562
Premises and technology		**49,224**	48,561	44,244	**144,839**	132,938
Other		**34,005**	33,179	33,159	**99,919**	95,949
Impairment and restructuring charges	15	**8,193**	—	—	**8,193**	2,065
		190,062	182,472	177,479	**556,209**	527,514
Income before income taxes		**57,431**	58,526	65,844	**176,918**	210,550
Income taxes		**8,168**	9,235	9,978	**26,454**	39,617
Net income		**$ 49,263**	$ 49,291	$ 55,866	**$ 150,464**	$ 170,933
Preferred share dividends and limited recourse capital note interest	8	**4,601**	1,288	4,601	**10,490**	10,490
Net income available to common shareholders		**$ 44,662**	$ 48,003	$ 51,265	**$ 139,974**	$ 160,443
Earnings per share	11					
Basic		**$ 1.03**	$ 1.11	$ 1.19	**$ 3.22**	$ 3.70
Diluted		**$ 1.03**	$ 1.11	$ 1.18	**$ 3.22**	$ 3.69
Dividends per common share		**$ 0.47**	$ 0.46	$ 0.45	**$ 1.39**	$ 1.33

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 July 31, 2023	April 30, 2023	July 31, 2022	For the nine months ended July 31, 2023	July 31, 2022
Net income	**$ 49,263**	$ 49,291	$ 55,866	**$ 150,464**	$ 170,933
Other comprehensive income (loss), 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	**(26)**	(72)	(282)	**56**	(1,098)
Reclassification of net (gains) losses on debt securities at FVOCI to net income	**(31)**	321	248	**273**	400
	(57)	249	(34)	**329**	(698)
Net change in value of derivatives designated as cash flow hedges	**(39,919)**	(732)	3,890	**(29,935)**	(10,584)
Net foreign currency translation adjustments					
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**(31,407)**	20,936	(2,409)	**(37,437)**	17,361
Net gains (losses) on hedges of investments in foreign operations	**19,319**	(11,639)	3,049	**21,144**	(6,268)
	(12,088)	9,297	640	**(16,293)**	11,093
	(52,064)	8,814	4,496	**(45,899)**	(189)
Items that may not subsequently be reclassified to the Consolidated Statement of Income					
Remeasurement gains (losses) on employee benefit plans	**187**	(1,393)	2,143	**(2,040)**	11,284
Net losses on equity securities designated at FVOCI	**(589)**	(1,294)	(1,847)	**(1,809)**	(11,878)
	(402)	(2,687)	296	**(3,849)**	(594)
Total other comprehensive income (loss), net of income taxes	**(52,466)**	6,127	4,792	**(49,748)**	(783)
Comprehensive income (loss)	**$ (3,203)**	$ 55,418	$ 60,658	**$ 100,716**	$ 170,150

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 July 31, 2023	April 30, 2023	July 31, 2022	For the nine months ended July 31, 2023	July 31, 2022
Net change in debt securities at FVOCI					
Unrealized net gains (losses) on debt securities at FVOCI	**$ (10)**	$ (25)	$ (101)	**$ 20**	$ (395)
Reclassification of net (gains) losses on debt securities at FVOCI to net income	**(10)**	115	89	**99**	144
	(20)	90	(12)	**119**	(251)
Net change in value of derivatives designated as cash flow hedges	**(14,374)**	(263)	1,399	**(10,779)**	(3,815)
Net foreign currency translation adjustments					
Net gains (losses) on hedges of investments in foreign operations	**50**	126	366	**(161)**	32
Remeasurement gains (losses) on employee benefit plans	**67**	(502)	772	**(735)**	4,063
Net losses on equity securities designated at FVOCI	**(212)**	(467)	(666)	**(652)**	(4,758)
	$ (14,489)	$ (1,016)	$ 1,859	**$ (12,208)**	$ (4,729)

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	For the nine months ended July 31, 2023									
					Accumulated other comprehensive income (loss)					
In thousands of Canadian dollars (Unaudited)	Preferred shares (Note 8)	Limited recourse capital notes (Note 8)	Common shares (Note 8)	Retained earnings	Debt securities at FVOCI	Cash flow hedges	Translation of foreign operations	Total	Share-based compen-sation reserve	Total shareholders' equity
Balance as at October 31, 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				150,464						150,464
Other comprehensive income (loss), net of income taxes										
Unrealized net gains on debt securities at FVOCI					56			56		56
Reclassification of net losses on debt securities at FVOCI to net income					273			273		273
Net change in value of derivatives designated as cash flow hedges						(29,935)		(29,935)		(29,935)
Net unrealized foreign currency translation losses on investments in foreign operations							(37,437)	(37,437)		(37,437)
Net gains on hedges of investments in foreign operations							21,144	21,144		21,144
Remeasurement losses on employee benefit plans				(2,040)						(2,040)
Net losses on equity securities designated at FVOCI				(1,809)						(1,809)
Comprehensive income				146,615	329	(29,935)	(16,293)	(45,899)		100,716
Net sale of treasury limited recourse capital notes		1,155		(117)						1,038
Issuance of common shares			8,111							8,111
Share-based compensation									1,275	1,275
Dividends and other										
Preferred shares and limited recourse capital notes				(10,490)						(10,490)
Common shares				(60,338)						(60,338)
Balance as at July 31, 2023	$ 122,071	$ 123,487	$ 1,175,660	$ 1,398,051	$ (293)	$ (7,328)	$ 3,767	$ (3,854)	$ 6,000	$ 2,821,415

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 nine months ended July 31, 2022

In thousands of Canadian dollars (Unaudited)	Preferred shares (Note 8)	Limited recourse capital notes (Note 8)	Common shares (Note 8)	Retained earnings	Accumulated other comprehensive income: Debt securities at FVOCI	Accumulated other comprehensive income: Cash flow hedges	Accumulated other comprehensive income: Translation of foreign operations	Accumulated other comprehensive income: Total	Share-based compen-sation reserve	Total shareholders' equity
Balance as at October 31, 2021	$ 122,071	$ 123,612	$ 1,172,722	$ 1,195,264	$ 278	$ 42,095	$ (18,839)	$ 23,534	$ 3,667	$ 2,640,870
Net income				170,933						170,933
Other comprehensive income (loss), net of income taxes										
Unrealized net losses on debt securities at FVOCI					(1,098)			(1,098)		(1,098)
Reclassification of net losses on debt securities at FVOCI to net income					400			400		400
Net change in value of derivatives designated as cash flow hedges						(10,584)		(10,584)		(10,584)
Net unrealized foreign currency translation gains on investments in foreign operations							17,361	17,361		17,361
Net losses on hedges of investments in foreign operations							(6,268)	(6,268)		(6,268)
Remeasurement gains on employee benefit plans				11,284						11,284
Net losses on equity securities designated at FVOCI				(11,878)						(11,878)
Comprehensive income				170,339	(698)	(10,584)	11,093	(189)		170,150
Net purchase of treasury limited recourse capital notes		(2,069)								(2,069)
Issuance of common shares			2,135							2,135
Repurchase of common shares for cancellation			(10,795)	(6,419)						(17,214)
Share-based compensation									1,081	1,081
Dividends and other										
Preferred shares and limited recourse capital notes				(10,490)						(10,490)
Common shares				(57,640)						(57,640)
Balance as at July 31, 2022	$ 122,071	$ 121,543	$ 1,164,062	$ 1,291,054	$ (420)	$ 31,511	$ (7,746)	$ 23,345	$ 4,748	$ 2,726,823

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 July 31, 2023	April 30, 2023	July 31, 2022	For the nine months ended July 31, 2023	July 31, 2022
Cash flows relating to operating activities						
Net income		**$ 49,263**	$ 49,291	$ 55,866	**$ 150,464**	$ 170,933
Adjustments to determine net cash flows relating to operating activities:						
Provision for credit losses	5	**13,337**	16,169	16,629	**44,938**	39,029
Deferred income taxes		**(2,162)**	(8,269)	(4,168)	**(19,039)**	3,822
Impairment of software, intangible assets and premises and equipment		**6**	59	6	**89**	937
Depreciation of premises and equipment		**4,633**	4,648	4,340	**13,789**	12,808
Amortization of software and other intangible assets		**9,783**	9,864	8,926	**29,483**	26,184
Change in operating assets and liabilities:						
Loans		**935,847**	(261,662)	(837,093)	**596,286**	(3,282,436)
Acceptances		**—**	(2,585)	(51,000)	**(99,800)**	58,000
Securities at FVTPL		**(164,078)**	83,905	(261,243)	**(213,762)**	(317,961)
Securities purchased under reverse repurchase agreements		**273,824**	(441,298)	(419,232)	**(381,233)**	(907,445)
Accrued interest receivable		**(1,158)**	(12,419)	(13,139)	**(30,131)**	(30,402)
Derivative assets		**(140,644)**	46,913	3,963	**(58,970)**	3,819
Deposits		**(203,977)**	(1,034,343)	1,432,942	**(817,645)**	3,686,516
Obligations related to securities sold short		**200,112**	(200,935)	1,047,669	**324,300**	875,114
Obligations related to securities sold under repurchase agreements		**(8,517)**	886,149	(391,784)	**276,089**	(221,973)
Accrued interest payable		**1,424**	32,704	5,637	**66,817**	(31,688)
Derivative liabilities		**141,442**	(22,477)	(32,631)	**(210,063)**	255,362
Debt related to securitization activities		**(57,915)**	524,873	(177,191)	**394,131**	339,418
Other, net		**(159,367)**	22,685	(51,899)	**(159,452)**	(88,248)
		891,853	(306,728)	336,598	**(93,709)**	591,789
Cash flows relating to financing activities						
Payment of lease liabilities		**(4,098)**	(4,244)	(4,110)	**(12,472)**	(13,221)
Net proceeds from issuance of subordinated debt		**—**	—	—	**—**	347,876
Repurchase and redemption of subordinated debt		**—**	—	(350,000)	**—**	(350,000)
Net sale (purchase) of subordinated debt		**807**	2,497	3,707	**2,686**	(9,110)
Net sale (purchase) of treasury limited recourse capital notes	8	**(34)**	209	(38)	**1,038**	(2,069)
Net proceeds from issuance of common shares	8	**641**	24	(7)	**659**	137
Repurchase of common shares for cancellation	8	**—**	—	—	**—**	(17,214)
Dividends and other distributions		**(22,390)**	(18,988)	(23,457)	**(63,479)**	(80,293)
		(25,074)	(20,502)	(373,905)	**(71,568)**	(123,894)
Cash flows relating to investing activities						
Change in securities at amortized cost						
Acquisitions		**(635,887)**	(664,074)	(816,925)	**(2,224,491)**	(2,688,289)
Proceeds on sale and at maturity		**519,385**	592,483	1,106,770	**2,229,502**	2,833,366
Change in securities at FVOCI						
Acquisitions		**(63,317)**	(180,690)	(372,653)	**(362,969)**	(841,911)
Proceeds on sale and at maturity		**101,714**	227,458	394,424	**509,205**	854,348
Proceeds on sale of loan portfolios		**—**	—	74,721	**—**	291,729
Additions to premises and equipment and software and other intangible assets		**(8,527)**	(8,716)	(15,864)	**(27,318)**	(33,031)
Change in interest-bearing deposits with banks		**(762,257)**	347,378	(318,842)	**30,320**	(872,641)
		(848,889)	313,839	51,631	**154,249**	(456,429)
Effect of exchange rate changes on cash and non-interest-bearing deposits with banks		**(3,127)**	1,672	(645)	**(1,984)**	3,018
Net change in cash and non-interest bearing deposits with banks		**14,763**	(11,719)	13,679	**(13,012)**	14,484
Cash and non-interest bearing deposits with banks at beginning of period		**51,927**	63,646	69,807	**79,702**	69,002
Cash and non-interest bearing deposits with banks at end of period		**$ 66,690**	$ 51,927	$ 83,486	**$ 66,690**	$ 83,486
Supplemental disclosure about cash flows relating to operating activities:						
Interest paid during the period		**$ 399,232**	$ 322,562	$ 175,273	**$ 1,026,751**	$ 495,192
Interest received during the period		**$ 574,841**	$ 541,798	$ 358,891	**$ 1,631,902**	$ 980,046
Dividends received during the period		**$ 1,561**	$ 1,277	$ 2,787	**$ 5,013**	$ 9,420
Income taxes paid during the period		**$ (2,733)**	$ 23,768	$ 6,658	**$ 53,129**	$ 59,046

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

(in millions of dollars)	**As at July 31, 2023**		As at October 31, 2022	
	USD LIBOR[1]	**CDOR[2]**	USD LIBOR[1]	CDOR[2]
Non-derivative financial assets[3]	**$ 27**	**$ 593**	$ 229	$ 600
Non-derivative financial liabilities[4]	**—**	**585**	—	628
Derivative financial instruments[5]	**—**	**6,883**	—	9,015
Off-balance sheet commitments[6]	**—**	**918**	—	1,028

(1) Includes non-derivative financial assets indexed at USD LIBOR that will mature after July 31, 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 July 31, 2023, the notional amount of derivatives indexed to CDOR 1-month and 3-month tenors in qualifying hedge accounting relationships that are maturing after June 28, 2024 and have yet to transition to a RFR was $6.5 billion ($8.2 billion as at October 31, 2022) for those hedging interest rate risk and $5.0 million ($22.6 million as at October 31, 2022) for those hedging equity price risk. As at July 31, 2023, the notional amount of derivatives indexed to USD LIBOR in qualifying hedge accounting relationships that are maturing after July 31, 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, except as detailed below.

International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12)

In May 2023, the IASB issued *International Tax Reform— Pillar Two Model Rules*, which amended IAS 12 *Income taxes*, for fiscal years beginning as of December 31, 2023. The amendments include a mandatory temporary exception from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. This exception will allow entities time to assess the implications of the new rules and to avoid diverse interpretations of IAS 12 which could result in inconsistent applications until the IASB can complete further work. The Amendments to IAS 12 will be effective November 1, 2024 for the Bank. To date, the Pillar Two Model Rules have not yet been substantively enacted in any of the jurisdictions in which the Bank operates.

4. SECURITIES

Credit quality

As at July 31, 2023, debt securities at amortized cost and at FVOCI are classified in Stage 1, with their credit rating falling mainly in the "Low risk" category according to the Bank's internal risk-rating categories. As at July 31, 2023, allowances for credit losses amounted to $0.2 million ($0.2 million as at October 31, 2022) for debt securities at amortized cost and $0.2 million reported in accumulated other comprehensive income for debt securities at FVOCI ($0.2 million as at October 31, 2022).

Securities at amortized cost[1]

		As at July 31, 2023		As at October 31, 2022
Securities issued or guaranteed				
by Canada[2]	**$**	**1,063,643**	$	1,338,249
by provinces		**1,553,202**		1,483,855
by municipalities		**63,377**		110,510
Other debt securities		**318,908**		71,791
	$	**2,999,130**	$	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 July 31, 2023
		Amortized cost		**Unrealized gains**		**Unrealized losses**		**Fair value**
Securities issued or guaranteed								
by Canada[1]	**$**	**2,607**	**$**	**—**	**$**	**14**	**$**	**2,593**
by provinces		**4,776**		**—**		**126**		**4,650**
by municipalities		**1,675**		**—**		**48**		**1,627**
Other debt securities		**4,300**		**—**		**128**		**4,172**
Common shares and other securities		**16,117**		**9,022**		**—**		**25,139**
	$	**29,475**	**$**	**9,022**	**$**	**316**	**$**	**38,181**

								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 nil for the three months ended July 31, 2023 ($0.6 million for the three months ended April 30, 2023 and $1.9 million for three months ended July 31, 2022) and $2.2 million for the nine months ended July 31, 2023 ($6.8 million for the nine months ended July 31, 2022), including a negligible amount for investments that were sold during all such periods.

	For the nine months ended	
	July 31, 2023	July 31, 2022
Fair value at beginning of period	**$ 156,000**	$ 198,436
Change in fair value	**16,480**	(19,023)
Designated at FVOCI	**1,427**	9,764
Sales or redemptions	**(148,768)**	(14,653)
Fair value at end of period	**$ 25,139**	$ 174,524

5. LOANS AND ALLOWANCES FOR CREDIT LOSSES

As at July 31, 2023 and October 31, 2022, loans are recognized on the Consolidated Balance Sheet at amortized cost as outlined in Note 3 to the Annual Consolidated Financial Statements for the year ended October 31, 2022.

Determining and measuring expected credit losses (ECL)

For additional information on the measurement of expected credit losses, see Note 6 to the Annual Consolidated Financial Statements for the year ended October 31, 2022.

Credit risk exposure

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

	As at July 31, 2023				As at October 31, 2022			
	Performing		**Impaired**		Performing		Impaired	
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Personal loans								
Very low risk	**$ 1,973,588**	**$ 264**	**$ —**	**$ 1,973,852**	$ 2,313,984	$ 307	$ —	$ 2,314,291
Low risk	**281,935**	**46,670**	**—**	**328,605**	352,966	61,515	—	414,481
Medium risk	**209,048**	**194,568**	**—**	**403,616**	243,561	271,247	—	514,808
High risk	**—**	**8,774**	**—**	**8,774**	—	10,229	—	10,229
Default	**—**	**—**	**20,219**	**20,219**	—	—	12,826	12,826
Gross carrying amount	**2,464,571**	**250,276**	**20,219**	**2,735,066**	2,910,511	343,298	12,826	3,266,635
Allowances for loan losses	**7,388**	**30,338**	**7,820**	**45,546**	12,078	35,710	3,476	51,264
Net carrying amount	**$ 2,457,183**	**$ 219,938**	**$ 12,399**	**$ 2,689,520**	$ 2,898,433	$ 307,588	$ 9,350	$ 3,215,371
Residential mortgage loans								
Very low risk	**$11,894,593**	**$ 129**	**$ —**	**$11,894,722**	$11,436,281	$ —	$ —	$11,436,281
Low risk	**2,465,180**	**14,553**	**—**	**2,479,733**	2,634,189	15,690	—	2,649,879
Medium risk	**1,630,940**	**314,468**	**—**	**1,945,408**	1,641,105	310,396	—	1,951,501
High risk	**—**	**87,363**	**—**	**87,363**	—	72,259	—	72,259
Default	**—**	**—**	**40,358**	**40,358**	—	—	47,560	47,560
Gross carrying amount	**15,990,713**	**416,513**	**40,358**	**16,447,584**	15,711,575	398,345	47,560	16,157,480
Allowances for loan losses	**5,319**	**6,866**	**2,005**	**14,190**	6,811	6,592	2,591	15,994
Net carrying amount	**$15,985,394**	**$ 409,647**	**$ 38,353**	**$16,433,394**	$15,704,764	$ 391,753	$ 44,969	$16,141,486
Commercial loans[1]								
Very low risk	**$ 3,690,385**	**$ 16,039**	**$ —**	**$ 3,706,424**	$ 3,842,829	$ 11,333	$ —	$ 3,854,162
Low risk	**10,275,363**	**140,525**	**—**	**10,415,888**	10,798,691	132,248	—	10,930,939
Medium risk	**2,456,321**	**582,774**	**—**	**3,039,095**	2,516,822	334,460	—	2,851,282
High risk	**—**	**473,757**	**—**	**473,757**	—	423,260	—	423,260
Default	**—**	**—**	**141,498**	**141,498**	—	—	97,303	97,303
Gross carrying amount	**16,422,069**	**1,213,095**	**141,498**	**17,776,662**	17,158,342	901,301	97,303	18,156,946
Allowances for loan losses	**60,334**	**38,624**	**50,845**	**149,803**	51,094	28,887	46,237	126,218
Net carrying amount	**$16,361,735**	**$ 1,174,471**	**$ 90,653**	**$17,626,859**	$17,107,248	$ 872,414	$ 51,066	$18,030,728
Total loans								
Gross carrying amount	**$34,877,353**	**$ 1,879,884**	**$ 202,075**	**$36,959,312**	$35,780,428	$ 1,642,944	$ 157,689	$37,581,061
Allowances for loan losses	**73,041**	**75,828**	**60,670**	**209,539**	69,983	71,189	52,304	193,476
Net carrying amount	**$34,804,312**	**$ 1,804,056**	**$ 141,405**	**$36,749,773**	$35,710,445	$ 1,571,755	$ 105,385	$37,387,585
Off-balance sheet exposures[2]								
Very low risk	**$ 1,146,300**	**$ 239**	**$ —**	**$ 1,146,539**	$ 1,124,620	$ 335	$ —	$ 1,124,955
Low risk	**899,586**	**23,027**	**—**	**922,613**	1,292,992	23,680	—	1,316,672
Medium risk	**349,698**	**51,422**	**—**	**401,120**	457,896	39,900	—	497,796
High risk	**—**	**10,157**	**—**	**10,157**	—	38,660	—	38,660
Default	**—**	**—**	**—**	**—**	—	—	—	—
Total exposure	**2,395,584**	**84,845**	**—**	**2,480,429**	2,875,508	102,575	—	2,978,083
Allowances for off-balance sheet exposures losses	**5,621**	**1,927**	**—**	**7,548**	5,864	1,811	—	7,675
Total exposure, net	**$ 2,389,963**	**$ 82,918**	**$ —**	**$ 2,472,881**	$ 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 July 31, 2023				For the three months ended July 31, 2022			
	Performing		Impaired		Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Personal loans								
Balance at beginning of period	$ 9,452	$ 32,655	$ 5,630	$ 47,737	$ 13,014	$ 39,121	$ 3,062	$ 55,197
Transfers:								
to Stage 1	2,984	(2,739)	(245)	—	3,462	(3,224)	(238)	—
to Stage 2	(949)	1,309	(360)	—	(1,056)	1,456	(400)	—
to Stage 3	(30)	(4,092)	4,122	—	(118)	(4,925)	5,043	—
Originations	234	—	—	234	169	—	—	169
Derecognitions	(356)	(2,851)	(1,724)	(4,931)	(460)	(3,005)	(935)	(4,400)
Net remeasurement of allowances	(2,860)	7,034	4,790	8,964	(85)	8,389	1,104	9,408
Provision for (reversal of) credit losses	(977)	(1,339)	6,583	4,267	1,912	(1,309)	4,574	5,177
Write-offs	—	—	(6,055)	(6,055)	—	—	(4,805)	(4,805)
Recoveries	—	—	1,882	1,882	—	—	1,678	1,678
Foreign exchange and other	—	—	(220)	(220)	—	—	(221)	(221)
Balance at end of period	$ 8,475	$ 31,316	$ 7,820	$ 47,611	$ 14,926	$ 37,812	$ 4,288	$ 57,026
Total allowances for loan losses	$ 7,388	$ 30,338	$ 7,820	$ 45,546	$ 13,730	$ 36,616	$ 4,288	$ 54,634
Total allowances for off-balance sheet exposures	1,087	978	—	2,065	1,196	1,196	—	2,392
Total allowances for credit losses	$ 8,475	$ 31,316	$ 7,820	$ 47,611	$ 14,926	$ 37,812	$ 4,288	$ 57,026
Residential mortgage loans								
Balance at beginning of period	$ 6,217	$ 7,195	$ 1,710	$ 15,122	$ 6,803	$ 6,099	$ 2,177	$ 15,079
Transfers:								
to Stage 1	1,652	(1,576)	(76)	—	1,646	(1,411)	(235)	—
to Stage 2	(312)	652	(340)	—	(333)	654	(321)	—
to Stage 3	(7)	(530)	537	—	(19)	(500)	519	—
Originations	281	—	—	281	642	—	—	642
Derecognitions	(303)	(484)	(204)	(991)	(397)	(407)	(159)	(963)
Net remeasurement of allowances	(2,020)	1,819	1,086	885	(1,173)	1,594	1,318	1,739
Provision for (reversal of) credit losses	(709)	(119)	1,003	175	366	(70)	1,122	1,418
Write-offs	—	—	(414)	(414)	—	—	(478)	(478)
Recoveries	—	—	88	88	—	—	442	442
Foreign exchange and other	—	—	(382)	(382)	—	—	(382)	(382)
Balance at end of period	$ 5,508	$ 7,076	$ 2,005	$ 14,589	$ 7,169	$ 6,029	$ 2,881	$ 16,079
Total allowances for loan losses	$ 5,319	$ 6,866	$ 2,005	$ 14,190	$ 7,123	$ 6,018	$ 2,881	$ 16,022
Total allowances for off-balance sheet exposures	189	210	—	399	46	11	—	57
Total allowances for credit losses	$ 5,508	$ 7,076	$ 2,005	$ 14,589	$ 7,169	$ 6,029	$ 2,881	$ 16,079
Commercial loans								
Balance at beginning of period	$ 67,552	$ 34,034	$ 47,162	$ 148,748	$ 47,420	$ 15,817	$ 63,349	$ 126,586
Transfers:								
to Stage 1	4,559	(4,174)	(385)	—	2,546	(2,264)	(282)	—
to Stage 2	(968)	2,273	(1,305)	—	(745)	825	(80)	—
to Stage 3	(144)	(1,986)	2,130	—	(10)	(126)	136	—
Originations	1,537	—	—	1,537	4,066	—	—	4,066
Derecognitions	(5,660)	(5,574)	(3,206)	(14,440)	(4,913)	(3,031)	(1,072)	(9,016)
Net remeasurement of allowances	(1,812)	15,002	8,608	21,798	8,034	5,697	1,253	14,984
Provision for (reversal of) credit losses	(2,488)	5,541	5,842	8,895	8,978	1,101	(45)	10,034
Write-offs	—	—	(1,620)	(1,620)	—	—	(16,863)	(16,863)
Recoveries	—	—	95	95	—	—	240	240
Foreign exchange and other	(385)	(212)	(634)	(1,231)	479	98	(496)	81
Balance at end of period	$ 64,679	$ 39,363	$ 50,845	$ 154,887	$ 56,877	$ 17,016	$ 46,185	$ 120,078
Total allowances for loan losses	$ 60,334	$ 38,624	$ 50,845	$ 149,803	$ 52,012	$ 16,568	$ 46,185	$ 114,765
Total allowances for off-balance sheet exposures	4,345	739	—	5,084	4,865	448	—	5,313
Total allowances for credit losses	$ 64,679	$ 39,363	$ 50,845	$ 154,887	$ 56,877	$ 17,016	$ 46,185	$ 120,078
Total exposure								
Total allowances for loan losses	$ 73,041	$ 75,828	$ 60,670	$ 209,539	$ 72,865	$ 59,202	$ 53,354	$ 185,421
Total allowances for off-balance sheet exposures	5,621	1,927	—	7,548	6,107	1,655	—	7,762
Total allowances for credit losses	$ 78,662	$ 77,755	$ 60,670	$ 217,087	$ 78,972	$ 60,857	$ 53,354	$ 193,183

Year-to-date reconciliation of allowances for credit losses

	For the nine months ended July 31, 2023				For the nine months ended July 31, 2022			
	Performing		**Impaired**		Performing		Impaired	
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Personal loans								
Balance at beginning of period	**$ 13,173**	**$ 36,862**	**$ 3,476**	**$ 53,511**	$ 9,561	$ 36,551	$ 9,471	$ 55,583
Transfers:								
to Stage 1	**4,681**	**(4,461)**	**(220)**	**—**	5,304	(4,623)	(681)	—
to Stage 2	**(2,193)**	**2,496**	**(303)**	**—**	(1,438)	2,947	(1,509)	—
to Stage 3	**(372)**	**(3,666)**	**4,038**	**—**	(199)	(1,228)	1,427	—
Originations	**776**	**—**	**—**	**776**	1,083	—	—	1,083
Derecognitions	**(1,823)**	**(10,100)**	**(1,485)**	**(13,408)**	(1,071)	(5,532)	(9,232)	(15,835)
Net remeasurement of allowances	**(5,767)**	**10,185**	**19,415**	**23,833**	1,686	9,697	13,572	24,955
Provision for (reversal of) credit losses	**(4,698)**	**(5,546)**	**21,445**	**11,201**	5,365	1,261	3,577	10,203
Write-offs	**—**	**—**	**(22,607)**	**(22,607)**	—	—	(13,434)	(13,434)
Recoveries	**—**	**—**	**6,169**	**6,169**	—	—	5,338	5,338
Foreign exchange and other	**—**	**—**	**(663)**	**(663)**	—	—	(664)	(664)
Balance at end of period	**$ 8,475**	**$ 31,316**	**$ 7,820**	**$ 47,611**	$ 14,926	$ 37,812	$ 4,288	$ 57,026
Total allowances for loan losses	**$ 7,388**	**$ 30,338**	**$ 7,820**	**$ 45,546**	$ 13,730	$ 36,616	$ 4,288	$ 54,634
Total allowances for off-balance sheet exposures	**1,087**	**978**	**—**	**2,065**	1,196	1,196	—	2,392
Total allowances for credit losses	**$ 8,475**	**$ 31,316**	**$ 7,820**	**$ 47,611**	$ 14,926	$ 37,812	$ 4,288	$ 57,026
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	**3,661**	**(2,991)**	**(670)**	**—**	2,736	(2,282)	(454)	—
to Stage 2	**(704)**	**1,054**	**(350)**	**—**	(950)	1,321	(371)	—
to Stage 3	**(99)**	**(264)**	**363**	**—**	(36)	(220)	256	—
Originations	**1,109**	**—**	**—**	**1,109**	2,004	—	—	2,004
Derecognitions	**(875)**	**(724)**	**(624)**	**(2,223)**	(1,353)	(816)	(1,991)	(4,160)
Net remeasurement of allowances	**(4,423)**	**3,402**	**2,567**	**1,546**	(1,809)	3,319	2,914	4,424
Provision for (reversal of) credit losses	**(1,331)**	**477**	**1,286**	**432**	592	1,322	354	2,268
Write-offs	**—**	**—**	**(1,129)**	**(1,129)**	—	—	(1,610)	(1,610)
Recoveries	**—**	**—**	**403**	**403**	—	—	1,073	1,073
Foreign exchange and other	**—**	**—**	**(1,146)**	**(1,146)**	—	—	(1,145)	(1,145)
Balance at end of period	**$ 5,508**	**$ 7,076**	**$ 2,005**	**$ 14,589**	$ 7,169	$ 6,029	$ 2,881	$ 16,079
Total allowances for loan losses	**$ 5,319**	**$ 6,866**	**$ 2,005**	**$ 14,190**	$ 7,123	$ 6,018	$ 2,881	$ 16,022
Total allowances for off-balance sheet exposures	**189**	**210**	**—**	**399**	46	11	—	57
Total allowances for credit losses	**$ 5,508**	**$ 7,076**	**$ 2,005**	**$ 14,589**	$ 7,169	$ 6,029	$ 2,881	$ 16,079
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	**7,856**	**(7,440)**	**(416)**	**—**	4,692	(3,325)	(1,367)	—
to Stage 2	**(2,589)**	**2,902**	**(313)**	**—**	(3,875)	3,961	(86)	—
to Stage 3	**(535)**	**(1,807)**	**2,342**	**—**	(25)	(311)	336	—
Originations	**4,428**	**—**	**—**	**4,428**	10,692	—	—	10,692
Derecognitions	**(8,310)**	**(10,899)**	**(4,971)**	**(24,180)**	(9,128)	(5,790)	(8,431)	(23,349)
Net remeasurement of allowances	**9,450**	**27,953**	**15,654**	**53,057**	9,390	9,184	20,641	39,215
Provision for (reversal of) credit losses	**10,300**	**10,709**	**12,296**	**33,305**	11,746	3,719	11,093	26,558
Write-offs	**—**	**—**	**(6,337)**	**(6,337)**	—	—	(37,517)	(37,517)
Recoveries	**—**	**—**	**371**	**371**	—	—	905	905
Foreign exchange and other	**(1,456)**	**(885)**	**(1,722)**	**(4,063)**	198	40	(1,608)	(1,370)
Balance at end of period	**$ 64,679**	**$ 39,363**	**$ 50,845**	**$ 154,887**	$ 56,877	$ 17,016	$ 46,185	$ 120,078
Total allowances for loan losses	**$ 60,334**	**$ 38,624**	**$ 50,845**	**$ 149,803**	$ 52,012	$ 16,568	$ 46,185	$ 114,765
Total allowances for off-balance sheet exposures	**4,345**	**739**	**—**	**5,084**	4,865	448	—	5,313
Total allowances for credit losses	**$ 64,679**	**$ 39,363**	**$ 50,845**	**$ 154,887**	$ 56,877	$ 17,016	$ 46,185	$ 120,078
Total exposure								
Total allowances for loan losses	**$ 73,041**	**$ 75,828**	**$ 60,670**	**$ 209,539**	$ 72,865	$ 59,202	$ 53,354	$ 185,421
Total allowances for off-balance sheet exposures	**5,621**	**1,927**	**—**	**7,548**	6,107	1,655	—	7,762
Total allowances for credit losses	**$ 78,662**	**$ 77,755**	**$ 60,670**	**$ 217,087**	$ 78,972	$ 60,857	$ 53,354	$ 193,183

Main macroeconomic factors

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

As at July 31, 2023

	Base scenario		Upside scenario		Downside scenario	
	Next 12 months[1]	Remaining forecast period[2]	Next 12 months[1]	Remaining forecast period[2]	Next 12 months[1]	Remaining forecast period[2]
Main macroeconomic factors						
GDP growth (decrease)	**0.1%**	**4.2%**	**1.9%**	**4.5%**	**(2.7)%**	**3.9%**
Average unemployment rate (percentage points)	**5.9**	**6.0**	**5.0**	**4.6**	**7.5**	**7.6**
Housing price index growth (decrease)	**6.4%**	**9.4%**	**10.8%**	**13.0%**	**(2.5)%**	**9.2%**
S&P/TSX index growth (decrease)[3]	**0.9%**	**9.0%**	**11.2%**	**9.4%**	**(8.1)%**	**11.3%**

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 July 31, 2023
In the base scenario, the adjustment of households and businesses to tighter financial conditions leads to a shallow recession in North America lasting two quarters, in late 2023 and early 2024. High interest rates dampen consumer spending and restrain business investment. Unemployment rises only modestly. Home prices appreciate at a mild pace, resulting from a deteriorating supply-demand imbalance. Equity returns are subdued. Central banks successfully restore price stability in 2024, allowing them to implement mild policy rate cuts during that year. The recovery is characterized by modest positive economic momentum.

In the downside scenario, financial conditions tighten to a greater extent than expected by financial markets. Central banks increase policy interest rates further as Consumer Price Index (CPI) inflation does not cool down sufficiently. Higher interest rates during a longer period leads to a deep and longer recession in North America in late 2023 and the first half of 2024, leading to 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 before the latter part of 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. CPI inflation cools down further and rapidly. Compelling evidence of price stability allows central banks to bring down policy rates during the first half of 2024, facilitating the adjustment phase for consumers and businesses. Resilient labour market conditions are preserved. Home prices appreciate meaningfully in response to the severe supply-demand imbalance. Improving sentiment and acceleration in economic momentum contribute to solid equity returns.

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 $28.7 million lower than the recognized allowances for credit losses as at July 31, 2023 ($33.5 million lower as at October 31, 2022). If the Bank was to only use the downside scenario for the measurement of allowances for credit losses on performing loans, it would be $62.6 million higher than the recognized allowances for credit losses as at July 31, 2023 ($46.0 million higher as at October 31, 2022).

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

Under the current probability-weighted scenarios, if all performing loans were in stage 1, reflecting a 12-month expected loss period, the allowances for credit losses on performing loans would be $145.0 million as at July 31, 2023 ($136.0 million as at October 31, 2022)

Loans past due but not impaired

The following table shows personal and residential mortgage loans that are past due but not classified as impaired. The Commercial loans past due but not impaired are not significant.

		As at July 31, 2023			As at October 31, 2022	
	1 day- 31 days	**32 days- 90 days**	**Total**	1 day- 31 days	32 days- 90 days	Total
Personal loans	**$ 67,571**	**$ 22,940**	**$ 90,511**	$ 70,173	$ 23,726	$ 93,899
Residential mortgage loans	**123,419**	**33,116**	**156,535**	115,028	27,496	142,524
	$ 190,990	**$ 56,056**	**$ 247,046**	$ 185,201	$ 51,222	$ 236,423

Finance lease receivables

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

6. SECURITIZATION AND STRUCTURED ENTITIES

6.1 TRANSFER OF FINANCIAL ASSETS

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

Financial assets not qualifying for derecognition and associated financial liabilities

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

	As at July 31, 2023	As at October 31, 2022
Residential mortgage loans	**$ 11,289,330**	$ 10,298,524
Replacement Assets[1]	**562,964**	799,619
Debt related to securitization activities	**(11,529,993)**	(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 July 31, 2023, the Bank has also securitized other residential mortgage loans for a total amount of $55.3 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 July 31, 2023	As at October 31, 2022
Personal loans	**$ 1,138,059**	$ 1,475,526
Commercial loans[1]	**538,475**	783,781
Debt related to securitization activities	**(1,056,560)**	(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 July 31, 2023 the total amount of mortgages outstanding was $ 740.5 million ($732.9 million as at October 31, 2022).

7. DEPOSITS

				As at July 31, 2023
	Demand(1)	**Notice(2)**	**Term(3)**	**Total**
Personal	**$ 122,904**	**$ 7,706,776**	**$ 14,606,978**	**$ 22,436,658**
Business, banks and other(4)	**969,735**	**245,577**	**2,662,191**	**3,877,503**
	$ 1,092,639	**$ 7,952,353**	**$ 17,269,169**	**$ 26,314,161**

				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 July 31, 2023 (nil as at October 31, 2022). On August 29, 2023, the credit facility agreement was renewed for an amount of up to $200 million secured by insured residential mortgage loans and maturing in August 2025.

8. SHARE CAPITAL

Preferred shares

Issued and outstanding

				For the nine months ended
		July 31, 2023		July 31, 2022
	Number of shares	**Amount(1)**	Number of shares	Amount(1)
Non-Cumulative Class A Preferred Shares (NVCC)(2)				
Series 13				
Outstanding at beginning and end of period	**5,000,000**	**$ 122,071**	5,000,000	$ 122,071

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

Limited Recourse Capital Notes (LRCN)

Issued and outstanding

	For the nine months ended			
		July 31, 2023		July 31, 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]		**1,155**	$	(2,069)
Outstanding at the end of period	**$**	**123,487**	$	121,543

(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 nine months ended					
			July 31, 2023			July 31, 2022
	Number of shares		**Amount**	Number of shares		Amount
Common shares						
Outstanding at beginning of period	**43,334,388**	**$**	**1,167,549**	43,586,656	$	1,172,722
Issuance under the Shareholder Dividend Reinvestment and Share Purchase Plan	**208,961**		**7,400**	48,875		2,016
Issuance under the employee share purchase option plan	**16,543**		**749**	3,074		140
Repurchase of shares for cancellation	**—**		**—**	(401,200)		(10,795)
Net issuance costs	**n/a**		**(38)**	n/a		(21)
Outstanding at the end of period	**43,559,892**	**$**	**1,175,660**	43,237,405	$	1,164,062

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 August 30, 2023, reinvestment related to the dividend declared would be made in common shares issued from Corporate Treasury with a 2% discount.

Dividends

On August 15, 2023, the Board of Directors declared regular dividends on the Preferred Shares Series 13 to shareholders of record on September 7, 2023. On August 30, 2023, the Board of Directors declared a dividend of $0.47 per common share, payable on November 1, 2023, to shareholders of record on October 2, 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 nine-month periods ended July 31, 2023. Regulatory capital is detailed below.

	As at July 31, 2023	As at October 31, 2022
Regulatory capital		
Common Equity Tier 1 capital	**$ 2,213,575**	$ 2,167,313
Tier 1 capital	**$ 2,459,133**	$ 2,411,716
Total capital	**$ 2,955,494**	$ 2,881,927
Total risk-weighted assets[1]	**$ 22,650,530**	$ 23,909,169
Regulatory capital ratios		
Common Equity Tier 1 capital ratio	**9.8 %**	9.1 %
Tier 1 capital ratio	**10.9 %**	10.1 %
Total capital ratio	**13.0 %**	12.1 %

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

9. SHARE-BASED COMPENSATION

Share purchase option plan

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

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

	For the nine months ended	
	July 31, 2023	July 31, 2022
Risk free interest rate	**2.93 %**	1.24 %
Expected life of options	**8 years**	8 years
Expected volatility[1]	**23 %**	23 %
Expected dividend yield	**5.70 %**	5.00 %

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

For the nine months ended July 31, 2023, the Bank recognized a compensation expense for stock option awards of $1.4 million ($1.0 million for the nine months ended July 31, 2022).

10. POST-EMPLOYMENT BENEFITS

Expense for post-employment benefits

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

	For the three months ended			For the nine months ended	
	July 31, 2023	April 30, 2023	July 31, 2022	**July 31, 2023**	July 31, 2022
Defined benefit pension plans	**$ 1,064**	$ 1,030	$ 2,013	**$ 3,158**	$ 5,974
Defined contribution pension plans	**2,580**	2,819	2,381	**7,836**	6,786
Other plans	**197**	189	153	**583**	453
	$ 3,841	$ 4,038	$ 4,547	**$ 11,577**	$ 13,213

11. EARNINGS PER SHARE

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

	For the three months ended			For the nine months ended	
	July 31, 2023	April 30, 2023	July 31, 2022	**July 31, 2023**	July 31, 2022
Earnings per share – basic					
Net income	**$ 49,263**	$ 49,291	$ 55,866	**$ 150,464**	$ 170,933
Preferred share dividends and limited recourse capital note interest	**4,601**	1,288	4,601	**10,490**	10,490
Net income attributable to common shareholders	**$ 44,662**	$ 48,003	$ 51,265	**$ 139,974**	$ 160,443
Weighted-average number of outstanding common shares (in thousands)	**43,503**	43,431	43,228	**43,431**	43,343
Earnings per share – basic	**$ 1.03**	$ 1.11	$ 1.19	**$ 3.22**	$ 3.70
Earnings per share – diluted					
Net income attributable to common shareholders	**$ 44,662**	$ 48,003	$ 51,265	**$ 139,974**	$ 160,443
Weighted-average number of outstanding common shares (in thousands)	**43,503**	43,431	43,228	**43,431**	43,343
Dilutive share purchase options (in thousands)	**33**	1	74	**12**	103
Diluted weighted-average number of outstanding common shares (in thousands)	**43,536**	43,432	43,302	**43,443**	43,446
Earnings per share – diluted	**$ 1.03**	$ 1.11	$ 1.18	**$ 3.22**	$ 3.69

(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 $57.4 million which are classified in Level 1 as at July 31, 2023 ($241.2 million as at October 31, 2022). Financial instruments recorded at fair value classified in Level 3 are not significant. There were no significant transfers between Level 1 and Level 2 of the hierarchy in the period.

13. INCOME RELATED TO FINANCIAL INSTRUMENTS

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

Net interest income

	For the three months ended			For the nine months ended	
	July 31, 2023	April 30, 2023	July 31, 2022	**July 31, 2023**	July 31, 2022
Interest and dividend income					
Interest income calculated using the effective interest method					
Financial instruments measured at amortized cost	**$ 578,097**	$ 549,847	$ 363,760	**$ 1,658,038**	$ 946,241
Financial instruments measured at FVOCI	**254**	263	204	**643**	633
Interest and dividend income on financial instruments not measured at amortized cost[1]	**6,198**	5,503	16,208	**21,113**	64,304
	584,549	555,613	380,172	**1,679,794**	1,011,178
Interest expense					
Interest expense calculated using the effective interest method					
Financial instruments measured at amortized cost	**340,794**	315,037	187,175	**953,294**	455,505
Interest expense on financial instruments not measured at amortized cost[1]	**51,629**	56,391	4,493	**163,073**	6,161
	392,423	371,428	191,668	**1,116,367**	461,666
Net interest income	**$ 192,126**	$ 184,185	$ 188,504	**$ 563,427**	$ 549,512

(1) Including interest income and expense on derivatives, as well as dividend income on securities not held for-trading. Dividend income was $1.3 million for the three months ended July 31, 2023 ($1.5 million three months ended April 30, 2023 and $2.8 million for the three months ended July 31, 2022) and $5.2 million for the nine months ended July 31, 2023 ($9.6 million for the nine months ended July 31, 2022).

14. CONTINGENT LIABILITIES

Contingent liabilities and legal provisions

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

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

15. IMPAIRMENT AND RESTRUCTURING CHARGES

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

	For the three months ended			For the nine months ended	
	July 31, 2023	April 30, 2023	July 31, 2022	**July 31, 2023**	July 31, 2022
Restructuring charges[1]					
Severance charges	**$ 5,029**	$ —	$ —	**$ 5,029**	$ —
Charges related to contracts	**451**	—	—	**451**	—
	5,480	—	—	**5,480**	—
Strategic review-related charges[2]					
Charges related to lease and other contracts	**2,713**	—	—	**2,713**	1,223
Impairment of premises and equipment	**—**	—	—	**—**	842
	2,713	—	—	**2,713**	2,065
Total	**$ 8,193**	$ —	$ —	**$ 8,193**	$ 2,065

(1 In the third quarter of 2023, restructuring charges resulted from the right-sizing of the Bank's Capital Markets franchise and were mainly comprised of severance charges. Restructuring charges were included in the Impairment and restructuring charges line-item.

(2) In the third quarter of 2023, strategic review-related charges resulted from the Bank's review of strategic options to maximize shareholder and stakeholder value and mainly included professional fees. In 2022, strategic review-related charges 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. Strategic review-related charges were included in the Impairment and restructuring charges line-item

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SHAREHOLDER INFORMATION

Corporate offices

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

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

www.laurentianbank.ca

Head of Complaints Resolution

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

Corporate Governance

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

Transfer agent and registrar

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

Change of address and inquiries

Shareholders must notify the Bank's transfer agent and registrar of any change of address. Inquiries or requests may be directed to the Bank's Corporate Secretariat's Office at corporate_secretariat@lbcfg.ca

Direct deposit service

Shareholders of the Bank may, by advising the transfer agent in writing, have their dividends deposited directly into an account held at any financial institution member of the Payments Canada.

Investors and analysts

Investors and analysts may contact the Bank's Investor Relations Department at investor.relations@lbcfg.ca

Media

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

Social media

Dividend reinvestment and share purchase plan

The Bank has a dividend reinvestment and share purchase plan for Canadian holders of its common and preferred shares under which they can acquire common shares of the Bank without paying commissions or administration fees. Participants acquire shares through the reinvestment of cash dividends paid on the shares they hold or through optional cash payments of a minimum amount of $500 per payment, up to an aggregate amount of $20,000 in each 12 month period ending October 31.

For more information, shareholders may contact the Bank's transfer agent, Computershare Trust Company of Canada, at service@computershare.com or by calling 1-800-564-6253.
To participate in the plan, the Bank's non-registered shareholders must contact their financial institution or broker.

STOCK SYMBOL AND DIVIDEND RECORD AND PAYMENT DATES

The common and preferred shares indicated below are listed on the Toronto Stock Exchange.	CUSIP CODE / STOCK SYMBOL	RECORD DATE*	DIVIDEND PAYMENT DATE*
Common shares	51925D 10 6 / LB	First business day of:	
		January	February 1
		April	May 1
		July	August 1
		October	November 1
Preferred shares			
Series 13	51925D 82 5 / LB.PR.H	**	March 15
		**	June 15
		**	September 15
		**	December 15

* Subject to the approval of the Board of Directors.

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

LAURENTIAN BANK