



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED OCTOBER 31, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT OCTOBER 31, 2024 AND 2023

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition of Laurentian Bank of Canada (the Bank and/or Laurentian Bank) as at October 31, 2024 and its operating results for the year then ended, compared with the corresponding year shown. This MD&A should be read in conjunction with the Audited Consolidated Financial Statements and related notes. This MD&A is dated as of December 5, 2024.

Additional information about the Bank, including the 2024 Annual Information Form, is available on the Bank's website at www.laurentianbank.ca and on the Canadian Securities Administrators' national system SEDAR+ at www.sedarplus.ca.

BASIS OF PRESENTATION

The financial information reported herein is based on the Audited Consolidated Financial Statements and related notes as at and for the year ended October 31, 2024, and, unless otherwise indicated, has been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). All amounts are presented in Canadian dollars.

Financial reporting change

Effective November 1, 2023, the Bank retrospectively adopted IFRS 17, *Insurance contracts*, which required restatement of the Bank's 2023 comparative information and financial measures. The adoption of IFRS 17 had no material impact on the Bank's 2023 Consolidated Financial Statements. Refer to the Current and Future Changes to Accounting Policies section of this MD&A and to Note 2 in the Consolidated Financial Statements for further information.

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ABOUT LAURENTIAN BANK OF CANADA

Founded in Montréal in 1846, Laurentian Bank wants to foster prosperity for all customers through specialized commercial banking and low-cost banking services to grow savings for middle-class Canadians.

With a workforce of approximately 2,800 employees, the Bank offers a wide range of financial services and advice-based solutions to customers across Canada and the United States. Laurentian Bank manages \$47.4 billion in balance sheet assets and \$24.7 billion in assets under administration.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, Laurentian Bank of Canada and, as applicable its subsidiaries (collectively referred to as the Bank) will make written or oral forward-looking statements within the meaning of applicable Canadian and United States (U.S.) securities legislation, including, forward-looking statements contained in this document (and in the documents incorporated by reference herein), as well as in other documents filed with Canadian and U.S. regulatory authorities, in reports to shareholders, and in other written or oral communications. These forward-looking statements are made in accordance with the “safe harbor” provisions of, and are intended to be forward-looking statements in accordance with, applicable Canadian and U.S. securities legislation. They include, but are not limited to, statements regarding the Bank’s vision, strategic goals, business plans and strategies, priorities and financial performance objectives; the economic, market, and regulatory review and outlook for Canadian, U.S. 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 heading “Risk Appetite and Risk Management Framework” contained in the 2024 Annual Report, including, the MD&A for the fiscal year ended October 31, 2024, and other statements that are not historical facts.

Forward-looking statements typically are identified with words or phrases such as “believe”, “assume”, “estimate”, “forecast”, “outlook”, “project”, “vision”, “expect”, “foresee”, “anticipate”, “intend”, “plan”, “goal”, “aim”, “target”, and expressions of future or conditional verbs such as “may”, “should”, “could”, “would”, “will”, “intend” or the negative of any of these terms, variations thereof or similar terminology.

By their very nature, forward-looking statements require the Bank to make assumptions and are subject to inherent risks and uncertainties, both general and specific in nature, which give rise to the possibility that the Bank’s predictions, forecasts, projections, expectations, or conclusions may prove to be inaccurate; that the Bank’s assumptions may be incorrect (in whole or in part); and that the Bank’s financial performance objectives, visions, and strategic goals may not be achieved. Forward-looking statements should not be read as guarantees of future performance or results, or indications of whether or not actual results will be achieved. Material economic assumptions underlying such forward-looking statements are set out in the 2024 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 general and market economic conditions; inflationary pressures; the dynamic nature of the financial services industry in Canada, the U.S., and globally; risks relating to credit, market, liquidity, funding, insurance, operational and 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); reputational risks; legal and regulatory risks; competitive and systemic risks; supply chain disruptions; geopolitical events and uncertainties; government sanctions; conflict, war, or terrorism; and various other significant risks discussed in the risk-related portions of the Bank’s 2024 Annual Report, such as those related to: Canadian and global economic conditions; Canadian housing and household indebtedness; technology, information systems and cybersecurity; technological disruption, privacy, data and third party related risks; competition; the Bank’s ability to execute on its strategic objectives; digital disruption and innovation (including, emerging fintech competitors); changes in government fiscal, monetary and other policies; tax risk and transparency; fraud and criminal activity; human capital; business continuity; emergence of widespread health emergencies or public health crises; environmental and social risks including, climate change; and various other significant risks, as described in the relevant pages of the 2024 Annual Report, including the MD&A, 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, financial analysts, and others should carefully consider the foregoing factors, uncertainties, and current and potential events.

Any forward-looking statements contained herein or incorporated by reference represent the views of management 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 legislation. Additional information relating to the Bank can be located on SEDAR+ at www.sedarplus.ca.

HIGHLIGHTS

TABLE 1
FINANCIAL HIGHLIGHTS

In thousands of dollars, except when noted	2024	2023	2022
Operating results			
Total revenue	\$ 1,018,209	\$ 1,025,510	\$ 1,034,235
Net income (loss)	\$ (5,499)	\$ 181,087	\$ 226,583
Adjusted net income ⁽¹⁾	\$ 168,662	\$ 208,345	\$ 237,078
Operating performance			
Diluted earnings (loss) per share ⁽²⁾	\$ (0.41)	\$ 3.89	\$ 4.95
Adjusted diluted earnings per share ⁽²⁾⁽³⁾	\$ 3.57	\$ 4.52	\$ 5.19
Return on common shareholders' equity ⁽³⁾⁽⁴⁾	(0.7)%	6.6 %	8.9 %
Adjusted return on common shareholders' equity ⁽³⁾⁽⁴⁾	6.1 %	7.7 %	9.3 %
Net interest margin ⁽⁵⁾	1.79 %	1.79 %	1.84 %
Efficiency ratio ⁽⁵⁾	96.1 %	73.5 %	67.8 %
Adjusted efficiency ratio ⁽³⁾	73.8 %	69.9 %	66.5 %
Operating leverage ⁽⁵⁾	(30.6)%	(8.2)%	23.5 %
Adjusted operating leverage ⁽³⁾	(5.4)%	(5.1)%	2.6 %
Financial position (\$ millions)			
Loans and acceptances	\$ 35,259	\$ 37,074	\$ 37,581
Total assets ⁽⁴⁾	\$ 47,401	\$ 49,893	\$ 50,717
Deposits	\$ 23,164	\$ 26,027	\$ 27,132
Average earning assets ⁽⁵⁾	\$ 40,211	\$ 41,598	\$ 39,929
Average loans and acceptances ⁽⁵⁾	\$ 35,770	\$ 37,318	\$ 35,423
Basel III regulatory capital ratios			
CET1 capital ratio ⁽⁶⁾	10.9 %	9.9 %	9.1 %
Total risk-weighted assets (\$ millions) ⁽⁶⁾	\$ 20,862	\$ 22,575	\$ 23,909
Credit quality			
Gross impaired loans as a % of loans and acceptances ⁽⁵⁾	1.07 %	0.62 %	0.42 %
Net impaired loans as a % of loans and acceptances ⁽⁵⁾	0.88 %	0.46 %	0.28 %
Provision for credit losses as a % of average loans and acceptances ⁽⁵⁾	0.17 %	0.17 %	0.16 %
Common share information			
Closing share price ⁽⁷⁾	\$ 26.08	\$ 25.40	\$ 30.40
Price / earnings ratio ⁽⁵⁾	(63.6) x	6.5 x	6.1 x
Adjusted price / earnings ratio ⁽³⁾	7.3 x	5.6 x	5.8 x
Book value per share ⁽³⁾⁽⁴⁾	\$ 57.36	\$ 59.96	\$ 58.02
Dividends declared per share	\$ 1.88	\$ 1.86	\$ 1.78
Dividend yield ⁽⁵⁾	7.2 %	7.3 %	5.9 %
Dividend payout ratio ⁽⁵⁾	n.m.	47.7 %	35.9 %
Adjusted dividend payout ratio ⁽³⁾	52.7 %	41.1 %	34.2 %

(1) This is a non-GAAP financial measure. Refer to the Non-GAAP Financial and Other Measures section beginning on page 20 for more information.

(2) The sum of the quarterly earnings per share may not equal to the cumulative earnings per share due to rounding.

(3) This is a non-GAAP ratio. Refer to the Non-GAAP Financial and Other Measures section beginning on page 20 for more information.

(4) Effective November 1, 2023, the Bank retrospectively adopted IFRS 17, *Insurance contracts*, which required restatement of the Bank's 2023 comparative information and financial measures. Refer to Note 2 in the Consolidated Financial Statements for further information.

(5) This is a supplementary financial measure. Refer to the Non-GAAP Financial and Other Measures section beginning on page 20 for more information.

(6) In accordance with OSFI's "Capital Adequacy Requirements" guideline. Refer to the Capital Management section beginning on page 35 for more information.

(7) Toronto Stock Exchange (TSX) closing market price.

NON-GAAP FINANCIAL AND OTHER MEASURES

NON-GAAP FINANCIAL MEASURES

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

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

TABLE 2
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES — CONSOLIDATED STATEMENT OF INCOME

In thousands of dollars	2024	2023	2022
Total revenue	\$ 1,018,209	\$ 1,025,510	\$ 1,034,235
Less: Adjusting items, before income taxes (detailed above)			
Profit on sale of assets under administration ⁽¹⁾	13,959	—	—
Adjusted total revenue	\$ 1,004,250	\$ 1,025,510	\$ 1,034,235
Non-interest expenses	\$ 978,872	\$ 753,490	\$ 701,661
Less: Adjusting items, before income taxes			
P&C Banking segment impairment charges ⁽²⁾	155,933	—	—
Restructuring and other impairment charges ⁽³⁾	72,483	18,170	—
Strategic review-related charges ⁽⁴⁾	—	5,929	1,828
Amortization of acquisition-related intangible assets ⁽⁵⁾	9,786	12,839	12,304
	238,202	36,938	14,132
Adjusted non-interest expenses	\$ 740,670	\$ 716,552	\$ 687,529
Income (loss) before income taxes	\$ (22,215)	\$ 210,413	\$ 275,696
Adjusting items, before income taxes (detailed above)	224,243	36,938	14,132
Adjusted income before income taxes	\$ 202,028	\$ 247,351	\$ 289,828
Reported net income (loss)	\$ (5,499)	\$ 181,087	\$ 226,583
Adjusting items, net of income taxes			
Profit on sale of assets under administration ⁽¹⁾	(12,110)	—	—
P&C Banking segment impairment charges ⁽²⁾	125,629	—	—
Restructuring and other impairment charges ⁽³⁾	53,333	13,358	—
Strategic review-related charges ⁽⁴⁾	—	4,359	1,343
Amortization of acquisition-related intangible assets ⁽⁵⁾	7,309	9,541	9,152
	174,161	27,258	10,495
Adjusted net income	\$ 168,662	\$ 208,345	\$ 237,078
Net income (loss) available to common shareholders	\$ (17,925)	\$ 169,308	\$ 214,804
Adjusting items, net of income taxes (detailed above)	174,161	27,258	10,495
Adjusted net income available to common shareholders	\$ 156,236	\$ 196,566	\$ 225,299

(1) The profit on sale of assets under administration resulted from the sale of assets under administration of Laurentian Bank Securities' (LBS) retail full-service investment broker division to iA Private Wealth Inc, as detailed in the Business Highlights section beginning on page 22 of this MD&A, and is included in the Other income line item.

(2) The Personal and Commercial (P&C) Banking segment impairment charges related to the impairment of the P&C Banking segment as part of the goodwill impairment test performed as at April 30, 2024, as detailed in the Business Highlights section beginning on page 22 of this MD&A. Impairment charges related to the goodwill impairment test are included in the Impairment and restructuring charges line item.

(3) Restructuring and other impairment charges mainly resulted from the Bank's decision to suspend the Advanced Internal-Ratings Based (AIRB) approach to credit risk project and to reduce its leased corporate office premises in Toronto, as well as from the simplification of the Bank's technology infrastructure, organizational structure and headcount reduction, as detailed in the Business Highlights section beginning on page 22 of this MD&A. Restructuring and other impairment charges mainly comprised of impairment charges, severance charges and professional fees and are included in the Impairment and restructuring charges line item.

(4) In 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. Strategic review-related charges were included in the Impairment and restructuring charges line item.

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

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

In thousands of dollars	2024	2023	2022
Shareholders' equity⁽¹⁾	\$ 2,828,484	\$ 2,858,105	\$ 2,781,103
Less:			
Preferred shares	(122,071)	(122,071)	(122,071)
Limited recourse capital notes	(123,483)	(123,487)	(122,332)
Cash flow hedge reserve ⁽²⁾	(58,750)	3,680	(22,607)
Common shareholders' equity⁽¹⁾	\$ 2,524,180	\$ 2,616,227	\$ 2,514,093
Impact of averaging month-end balances⁽³⁾	22,861	(60,518)	(94,219)
Average common shareholders' equity⁽¹⁾	\$ 2,547,041	\$ 2,556,424	\$ 2,419,874

(1) Effective November 1, 2023, the Bank retrospectively adopted IFRS 17, *Insurance contracts*, which required restatement of the Bank's 2023 comparative information and financial measures. Refer to Note 2 in the Consolidated Financial Statements for further information.

(2) The cash flow hedge reserve is presented in the Accumulated other comprehensive income line item.

(3) Based on the month-end balances for the year.

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	2024	2023	2022
Diluted earnings (loss) per share	\$ (0.41)	\$ 3.89	\$ 4.95
Adjusting items, net of income taxes, on a per share basis ⁽¹⁾	3.98	0.63	0.24
Adjusted diluted earnings per share⁽²⁾	\$ 3.57	\$ 4.52	\$ 5.19

(1) Refer to Table 2 on page 20 for the detailed description of adjusting items.

(2) The impact of adjusting items on a per share basis may not add due to rounding, and the sum of the quarterly earnings per share may not equal to the cumulative earnings per share 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 69 of this MD&A for more information about the composition of supplementary financial measures disclosed in this document.

BUSINESS HIGHLIGHTS

REVAMPED STRATEGIC PLAN

On May 31, 2024, the Bank launched its revamped strategic plan called “Our Path Forward”, which charts the path to a stronger, sustainable, and more profitable future. It defines the Bank’s approach in the financial services sector and outlines what sets it apart from its competition, including its specialized approach to Commercial Banking and a simple everyday banking experience with enhanced digital self-serve capabilities.

The Bank also unveiled its new ambition: *foster prosperity for all customers through specialized commercial banking and low-cost banking services to grow savings for middle-class Canadians.*

Commercial Banking will remain the Bank’s growth engine, and Personal Banking will grow its market share by introducing new, low-cost, value-add products to attract new customers and increase deposits, while simultaneously simplifying its offering. The Bank will also simplify its Capital Markets franchise to focus on areas where it has the strongest expertise. The Bank’s success will be driven by its focus on execution, by competing in areas where it has a competitive advantage, and by harnessing the power of partnerships. The Bank has also established updated medium-term financial targets in connection with its new strategic plan, as detailed in the Outlook section below.

BRAND MERGER OF LBC CAPITAL AND NORTHPOINT COMMERCIAL FINANCE

On October 29, 2024, the Bank announced that its LBC Capital and Northpoint Commercial Finance subsidiaries are uniting under one brand, Northpoint Commercial Finance (Northpoint), as of November 1, 2024. The merging of these two brands will allow for streamlined efficiencies and offerings for its customers throughout North America.

SALE OF ASSETS UNDER ADMINISTRATION OF LAURENTIAN BANK SECURITIES (LBS)

The two transactions described below underscore the Bank’s strategic focus on simplification, in line with its strategic plan to concentrate on areas of business where it can win and be more competitive.

Sale of assets under administration of LBS’ retail full-service investment broker division to iA Private Wealth Inc (iAPW)

On August 2, 2024, after close of markets, the Bank completed the sale of assets under administration of LBS’ retail full-service investment broker division to iAPW, a wholly owned subsidiary of Industrial Alliance Insurance and Financial Services Inc. (“iA Financial Group”), as initially announced on April 4, 2024. This transaction includes the transfer of more than \$2 billion in assets under administration from LBS to iAPW. The Bank recorded a profit from the transaction of \$14.0 million (\$12.1 million after income taxes) in fiscal 2024.

Sale of assets under administration of LBS’ discount brokerage division to CI Investment Services Inc (CIIS)

On November 29, 2024, after close of markets, the Bank completed the sale of assets under administration of LBS’ discount brokerage division to CIIS, a wholly owned subsidiary of CI Financial Corp, as initially announced on August 12, 2024. The transaction includes the transfer of approximately \$250 million in assets under administration from LBS to CI Direct Trading, an online investment platform for self-directed investors and a division of CIIS. The net proceeds from this transaction are not anticipated to have a material impact on the Bank’s financial results and position.

IMPAIRMENT AND RESTRUCTURING CHARGES

In 2024, the Bank recorded impairment and restructuring charges of \$228.4 million (\$179.0 million after income taxes), or \$4.09 diluted per share.

Personal and Commercial Banking segment impairment

As at April 30, 2024, indicators of potential impairment were identified for the Bank’s assets, which led management to perform a goodwill impairment test as at April 30, 2024 for the P&C Banking segment. As a result of this test, the Bank recorded an impairment charge on the value of its P&C Banking segment of \$155.9 million detailed as follows: 1) goodwill for an amount of \$83.9 million, 2) software and intangible assets for \$66.2 million and, 3) premises and equipment for \$5.8 million. Refer to the Critical accounting and estimates section beginning on page 64 of this MD&A and to Notes 9 and 27 to the Consolidated Financial Statements for additional information.

Suspension of the advanced-internal ratings-based (AIRB) approach to credit risk project

In the context of its revamped strategic plan and priorities, the Bank made the decision in April 2024 to suspend the AIRB project and to focus on the priorities of its revamped strategic plan to generate additional revenue, or efficiency gains. As a result, the Bank recorded an impairment charge of \$23.3 million related to AIRB intangible assets that were still under development.

Reduction of leased corporate office premises

Since 2021, the Bank has adopted a hybrid work model. With an objective of maximizing shareholder value, increasing efficiency and simplifying our organization, the Bank has made the decision in April 2024 to reduce by two-thirds its leased corporate office premises in Toronto. As a result of this planned reduction, the Bank recorded charges of \$13.8 million related to the impairment of its premises. This decision did not impact the Bank's headquarters in Montreal, our Burlington corporate offices, or our branch footprint. In the fourth quarter of 2024, the Bank also reviewed the utilization of its premises and equipment and recorded \$1.4 million of additional impairment charges. The Bank also incurred \$2.6 million of charges related to leases and other in 2024, of which \$1.5 million was incurred in the fourth quarter of 2024.

Organizational changes and simplification

In line with the Bank's priorities of becoming a simpler and more customer-centric organization, the Bank continued the simplification of its organizational structure. As a result, the Bank recorded severance charges of \$25.6 million in 2024, including \$7.8 million in the fourth quarter of 2024.

Over the course of the year, the Bank built a roadmap to modernize its Information Technology (IT) ecosystem, on which it is already delivering. As part of its strategy to simplify its technology infrastructure and improve resiliency, the Bank reviewed the utilization of its software and other intangible assets and recorded \$5.7 million of additional impairment charges related to software and licenses being decommissioned in the fourth quarter of 2024.

OUTLOOK

ECONOMIC OUTLOOK

Global economic growth remains modestly positive and face various structural and geopolitical challenges. The cooling of the global Consumer Price Index (CPI) inflation continues, and most central banks are re-calibrating monetary policy by reducing their policy rates to ensure the continuity of a soft landing.

In the United States, real gross domestic product (GDP) growth remains solid. Strong income growth and improving wealth underpins consumer spending, and labour market conditions have normalized. Federal government incentives support both private and public non-residential investment. Looking ahead, the U.S. outlook is highly subject to alterations in economic, trade and fiscal policies.

In Canada, the economy has soft landed and CPI inflation is low and broadly in line with the Bank of Canada's 2% target. Consumers continue to adjust to the elevated consumer price level and to the mortgage renewal period, and business sentiment is modestly positive. The uncertain impact of the federal government's shift in respect to its immigration policy on demand, supply and inflationary pressures poses a new risk to the Canadian outlook.

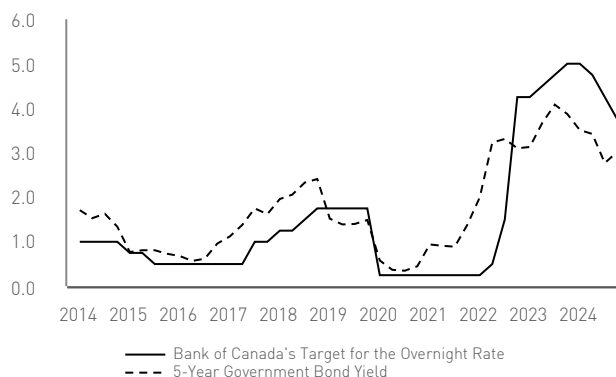
Labour market conditions in Canada have been softening further. Unemployment reached 6.5% last October and most of the recent rise relates to youth and recent immigrants having a more challenging time to find a job. Homebuilding activity across the country is modestly up year-to-date, driven by rentals. However, housing starts remain below household formation. Targeted housing measures announced by the federal government to promote home buying will become effective mid-December. Resale housing activity has been mixed across the country, notably soft in Ontario and relatively more solid in Quebec.

The recalibration of monetary policy in Canada began last June. The Bank of Canada (BoC) has reduced its policy rate by a cumulative 125 basis points to 3.75% so far, including a 50 basis points reduction at the last October meeting. The BoC intends to reduce its policy rate further. Market participants expect the return of the overnight rate target to a neutral level instead of restrictive by mid-2025.

Market expectations indicate a retrenchment of the number of upcoming U.S. Federal Reserve policy rate cuts due to solid economic momentum, contributing to increase long-term government of Canada bond yields since their September lows. Along with enhanced market volatility across asset classes, and the different pace of easing anticipated by markets between the BoC and US Federal Reserve, the Canadian dollar depreciated in recent months. The Canadian dollar stood near 0.71 USD as of early November, the top of the range observed since 2022.

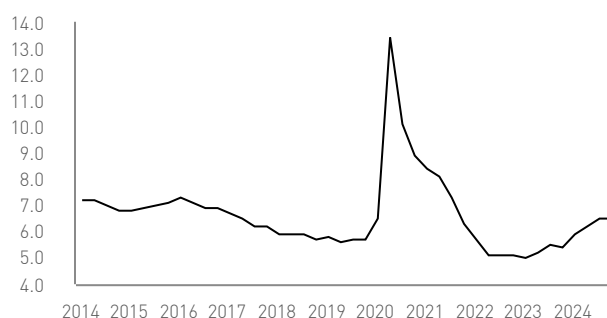
INTEREST RATES IN CANADA

(Quarterly data, end of period, in percentage)
(Source: Bank of Canada)



UNEMPLOYMENT RATES IN CANADA

(Average quarterly data, in percentage)
(Source: Statistics Canada)



MEDIUM-TERM FINANCIAL TARGETS

On May 31, 2024, the Bank unveiled its revamped strategic plan, as described above. Table 5 below shows the Bank's updated medium-term financial targets.

TABLE 5
MEDIUM-TERM FINANCIAL TARGETS

Percentage amounts	Medium-term financial targets
Adjusted diluted earnings per share growth ⁽¹⁾	Double-digit
Adjusted return on common shareholders' equity ⁽¹⁾	Double-digit
Adjusted efficiency ratio ⁽¹⁾	≤60%
Adjusted operating leverage ⁽¹⁾	Positive

(1) The financial objectives are non-GAAP ratios based on non-GAAP financial measures. Refer to the Non-GAAP Financial and Other Measures section beginning on page 20 for more information.

Key assumptions supporting the Bank's medium-term objectives

The following assumptions are the most significant items considered in setting the Bank's strategic and financial objectives, taking into account prudent capital management, a diversified funding strategy, and sound underwriting standards. The Bank's objectives do not constitute guidance and are based on certain key planning assumptions. Other factors such as those detailed in the Caution Regarding Forward-Looking Statements section on page 18 and in the "Risk Appetite and Risk Management Framework" section beginning on page 38 of the 2024 Annual Report could also cause future results to differ materially from these objectives.

Considering the economic environment described above, management expects that the following factors will underpin its financial outlook for the medium term:

- Commercial Banking to remain the growth engine of the Bank;
- Interest rate environment to ease;
- Continued progress on optimization of the Bank's operations to create efficiencies in the medium-term;
- Loan loss provisions as a percentage of average loans and acceptances in the high-teens due to changes in the Bank's loan portfolio mix; and
- Continued investments in strategic priorities to improve customer experience through specialization and digital innovation.

ANALYSIS OF CONSOLIDATED RESULTS

OVERVIEW OF FISCAL 2024

Laurentian Bank of Canada reported a net loss of \$5.5 million and a diluted loss per share of \$0.41 for the year ended October 31, 2024, compared with net income of \$181.1 million and diluted earnings per share of \$3.89 for the year ended October 31, 2023. Return on common shareholders' equity was a negative 0.7% for the year ended October 31, 2024, compared with 6.6% for the year ended October 31, 2023. Of note, reported results for the year ended October 31, 2024 included impairment and restructuring charges of \$228.4 million (\$179.0 million after income taxes), or \$4.09 per share, related to the restructuring of the Bank's operations and to the impairment of the P&C Banking segment. Adjusted net income was \$168.7 million and adjusted diluted earnings per share were \$3.57 for the year ended October 31, 2024, compared with adjusted net income of \$208.3 million and adjusted diluted earnings per share of \$4.52 for the year ended October 31, 2023. Adjusted return on common shareholders' equity was 6.1% for the year ended October 31, 2024, compared with 7.7% for the year ended October 31, 2023. The CET1 capital ratio was 10.9% as at October 31, 2024, in excess of the minimum regulatory requirement and the Bank's target management levels.

In 2024, the Bank introduced a new strategic plan and has remained focused on its implementation and execution in order to achieve its targets. Uncertain and challenging macro-economic conditions and higher rate environment continued to negatively impact the Bank's loan volumes and net interest income during the year, mainly in the inventory financing and real estate activities. Constructive financial markets contributed to higher other income in 2024, which was partly offset by lower lending fees due to tempered commercial real estate activity. Provision for credit losses were stable compared to the prior year as the loan portfolio remained robust. Non-interest expenses remained elevated in 2024 due to investments in technology and other strategic priorities to support a stronger foundation and the Bank's path to improved digital capabilities. Refer to the Analysis of Consolidated Results section for further details on the Bank's financial performance for 2024.

TABLE 6
CONDENSED CONSOLIDATED RESULTS

In thousands of dollars, except percentage amounts	2024	2023	Variance 2024/ 2023
Net interest income	\$ 719,507	\$ 746,323	(4)%
Other income	298,702	279,187	7 %
Total revenue	1,018,209	1,025,510	(1)%
Provision for credit losses	61,552	61,607	— %
Non-interest expenses	978,872	753,490	30 %
Income (loss) before income taxes	(22,215)	210,413	(111)%
Income taxes (recovery)	(16,716)	29,326	(157)%
Net income (loss)	(5,499)	181,087	(103)%
Preferred share dividends and limited recourse capital note interest	12,426	11,779	5 %
Net income (loss) available to common shareholders	\$ (17,925)	\$ 169,308	(111)%
Non-GAAP financial measures			
Adjusted total revenue ⁽¹⁾	\$ 1,004,250	\$ 1,025,510	(2)%
Adjusted non-interest expenses ⁽¹⁾	\$ 740,670	\$ 716,552	3 %
Adjusted income before income taxes ⁽¹⁾	\$ 202,028	\$ 247,351	(18)%
Adjusted net income ⁽¹⁾	\$ 168,662	\$ 208,345	(19)%
Adjusted net income available to common shareholders ⁽¹⁾	\$ 156,236	\$ 196,566	(21)%

(1) This is a non-GAAP financial measure. Refer to the Non-GAAP Financial and Other Measures section beginning on page 20 for more information.

TOTAL REVENUE

Total revenue was \$1,018.2 million for the year ended October 31, 2024, a decrease of 1% compared with \$1,025.5 million for the year ended October 31, 2023. Net interest income contributed to 71% of total revenue in 2024, and other income contributed to 29% (73% and 27% respectively in 2023).

NET INTEREST INCOME

Net interest income decreased by \$26.8 million to \$719.5 million for the year ended October 31, 2024, from \$746.3 million for the year ended October 31, 2023. The decrease was mainly due to lower net interest income from lower commercial loan volumes.

As at October 31, 2024, higher yielding commercial loans accounted for 47% of the Bank's total loans, compared with 48% as at October 31, 2023. Further details on the loan portfolio mix are provided on page 43 of this MD&A. Average earning assets amounted to \$40.2 billion in 2024, a \$1.4 billion decrease compared with \$41.6 billion in 2023, mainly due to lower real estate and personal loan volumes as a result of challenging macroeconomic conditions.

The net interest margin as a percentage of average earning assets was 1.79% for the year ended October 31, 2024, unchanged when compared with the year ended October 31, 2023. Tables 7 and 8 provide more information about the Bank's net interest income and net interest margin.

TABLE 7
CHANGES IN NET INTEREST INCOME

In thousands of dollars	2024		
	Increase (decrease) due to change in		
	Average volume	Average rate	Net change
Interest earning assets	\$ (75,756)	\$ 101,453	\$ 25,697
Interest-bearing liabilities	64,244	(116,757)	(52,513)
Net interest income	\$ (11,512)	\$ (15,304)	\$ (26,816)

TABLE 8
NET INTEREST INCOME

In thousands of dollars, except percentage amounts	2024			2023		
	Average volume	Interest	Average rate	Average volume	Interest	Average rate
Assets						
Cash resources and securities	\$ 4,379,371	\$ 172,712	3.94 %	\$ 4,255,273	\$ 162,073	3.81 %
Securities purchased under reverse repurchase agreements	82,083	3,861	4.70	62,575	2,563	4.10
Loans						
Personal	2,270,098	194,558	8.57	2,848,355	231,966	8.14
Residential mortgage	16,690,088	623,847	3.74	16,356,461	535,625	3.27
Commercial and other	16,789,621	1,291,011	7.69	18,074,899	1,318,336	7.29
Total loans	35,749,807	2,109,416	5.90	37,279,715	2,085,927	5.60
Derivatives and other	—	12,861	—	—	22,590	—
Total interest earning assets ⁽¹⁾	40,211,261	2,298,850	5.72	41,597,563	2,273,153	5.46
Non-interest earning assets and assets related to trading activities	7,656,893	—	—	9,318,444	—	—
Total assets	\$ 47,868,154	\$ 2,298,850	4.80 %	\$ 50,916,007	\$ 2,273,153	4.46 %
Liabilities and shareholders' equity						
Demand and notice deposits	\$ 7,497,130	\$ 228,333	3.05 %	\$ 9,477,220	\$ 313,741	3.31 %
Term deposits	16,990,130	795,435	4.68	17,351,024	655,641	3.78
Debt related to securitization activities	13,098,014	375,793	2.87	12,423,387	318,760	2.57
Subordinated debt	348,268	18,220	5.23	348,150	18,212	5.23
Other	—	161,562	—	—	220,476	—
Total interest-bearing liabilities ⁽¹⁾	37,933,542	1,579,343	4.16	39,599,781	1,526,830	3.86
Acceptances	6,334	—	—	14,481	—	—
Non-interest-bearing liabilities and liabilities related to trading activities	7,107,697	—	—	8,485,370	—	—
Total liabilities	45,047,573	1,579,343	3.51	48,099,632	1,526,830	3.17
Shareholders' equity	2,820,581	—	—	2,816,375	—	—
Total liabilities and shareholders' equity	\$ 47,868,154	\$ 1,579,343	3.30 %	\$ 50,916,007	\$ 1,526,830	3.00 %
Net interest income and margin ⁽²⁾ (on average earning assets)		\$ 719,507	1.79 %		\$ 746,323	1.79 %

(1) Interest earning assets and interest-bearing liabilities are supplementary financial measures. Refer to the Non-GAAP Financial and Other Measures section beginning on page 20 for more information.

(2) Net interest margin is a supplementary financial measure. Refer to the Non-GAAP Financial and Other Measures section beginning on page 20 for more information.

OTHER INCOME

Other income amounted to \$298.7 million for the year ended October 31, 2024, an increase of \$19.5 million or 7%, compared with \$279.2 million for the year ended October 31, 2023.

Income from financial instruments increased by \$33.3 million or 119% to \$61.3 million for 2024, compared with \$28.0 million for 2023. The increase was driven by high levels of market activity, in particular in fixed income trading and underwriting.

Lending fees amounted to \$50.0 million for 2024, a decrease of \$16.8 million or 25% compared with \$66.8 million for 2023 due to a reduced level of real estate lending activity.

Income from mutual funds amounted to \$40.7 million for 2024, a decrease of \$2.6 million or 6% compared with \$43.3 million for 2023. This decrease was primarily due to a lower average balance of mutual fund assets under administration.

Fees and securities brokerage commissions amounted to \$35.9 million for 2024, a decrease of \$4.6 million or 11% compared with \$40.5 million for 2023 mainly as a result of the sale of assets under administration of LBS' retail full-service investment broker division in the fourth quarter of 2024, as detailed in the Business Highlights section above.

Card service revenues decreased by \$1.8 million or 6%, mostly as a result of lower transactional volume and owing to the current economic conditions.

Service charges on deposits and payments amounted to \$27.2 million for 2024, an increase of \$1.2 million or 5% compared with \$26.0 million for 2023, as monthly service fees for the months of September and October 2023 totalling \$2.3 million were waived following the mainframe outage that occurred in September 2023.

Profit on sale of assets under administration amounted to \$14.0 million for 2024, as a result of the sale of assets under administration of LBS's retail full-service investment broker division in the fourth quarter of 2024, as detailed in the Business Highlights section above.

Fees on investment accounts decreased by \$1.6 million or 12% to \$11.4 million for 2024, compared with \$13.0 million for 2023, mainly as a result of lower levels of investment accounts under administration.

Insurance income is generated by insurance programs related to the Bank's credit and card product offerings. Insurance revenues are presented net of claims and expenses. Net revenues decreased by \$1.5 million or 18% to \$6.5 million for 2024, compared with \$7.9 million for 2023, mainly as a result of an increase in claims and lower insurance premiums.

Other, which includes revenues from leasing and equipment resale activities, was relatively stable and amounted to \$23.8 million for 2024, compared with \$24.0 million for 2023.

TABLE 9
OTHER INCOME

In thousands of dollars, except percentage amounts	2024	2023	Variance 2024/2023
Income from financial instruments	\$ 61,292	\$ 27,961	119 %
Lending fees	50,019	66,788	(25)
Income from mutual funds	40,691	43,255	(6)
Fees and securities brokerage commissions	35,915	40,529	(11)
Card service revenues	27,958	29,722	(6)
Service charges	27,166	25,963	5
Profit on sale of assets under administration	13,959	—	100
Fees on investment accounts	11,394	13,008	(12)
Insurance income, net	6,477	7,940	(18)
Other	23,831	24,021	(1)
Other income	\$ 298,702	\$ 279,187	7 %

PROVISION FOR CREDIT LOSSES

The provision for credit losses was stable compared to the year ended October 31, 2023 and amounted to \$61.6 million for the year ended October 31, 2024, reflecting a release of provisions on performing loans, offset by higher provisions on impaired loans due to credit migration. The provision for credit losses as a percentage of average loans and acceptances was 17 basis points for the year ended October 31, 2024, compared with 17 basis points for the year ended October 31, 2023. Refer to the "Credit risk management" section on pages 42 to 48 of this MD&A and to Note 6 to the Consolidated Financial Statements for more information on provision for credit losses and allowances for credit losses.

NON-INTEREST EXPENSES

Non-interest expenses increased by \$225.4 million or 30% to \$978.9 million for the year ended October 31, 2024, compared with \$753.5 million for the year ended October 31, 2023. In 2024, reported results included impairment and restructuring charges of \$228.4 million related to the restructuring of the Bank's operations and to the impairment of the P&C Banking segment, compared with impairment and restructuring charges of \$24.1 million for the year ended October 31, 2023. Refer to the Non-GAAP Financial and Other Measures section for further details. Adjusted non-interest expenses increased by \$24.1 million or 3% to \$740.7 million for the year ended October 31, 2024, compared with \$716.6 million for the year ended October 31, 2023.

Salaries and employee benefits decreased by \$2.7 million or 1% to \$388.9 million for the year ended October 31, 2024, compared with the year ended October 31, 2023, mostly due to efficiency gains resulting from the reduced headcount.

Premises and technology costs increased by \$9.0 million to \$205.6 million for the year ended October 31, 2024, compared with the year ended October 31, 2023. The increase year-over-year is mainly due to higher technology costs as the Bank is investing in its infrastructure and strategic priorities.

Other non-interest expenses increased by \$14.8 million to \$156.0 million for 2024, compared with \$141.2 million for 2023. The increase mainly resulted from higher regulatory expenses and other costs related to various compliance projects, as well as higher professional fees to support the Bank's strategic priorities. Other non-interest expenses for 2023 also included \$2.5 million of professional fees and other expenses related to the mainframe outage that occurred in September 2023.

Impairment and restructuring charges were \$228.4 million for 2024, compared with \$24.1 million for 2023. In 2024, the impairment test of the P&C Banking segment resulted in impairment charges of \$155.9 million. Restructuring and other impairment charges of \$72.5 million were also recorded following the Bank's decision to suspend the AIRB project and to reduce its leased corporate office premises in Toronto, as well as from the simplification of the Bank's technology infrastructure, organizational structure and headcount reduction. In 2023, this line-item included restructuring charges of \$18.2 million resulting from the right-sizing of the Bank's Capital Markets franchise, as well as charges of \$5.9 million resulting from the Bank's review of strategic options. Refer to the Non-GAAP Financial and Other Measures and Business Highlights sections of this MD&A for further details.

The efficiency ratio on a reported basis increased to 96.1% for the year ended October 31, 2024, compared with 73.5% for the year ended October 31, 2023. The increase year-over-year is mainly due to the impairment and restructuring charges recorded in 2024, as described

above. The adjusted efficiency ratio increased to 73.8% for the year ended October 31, 2024, compared with 69.9% for the year ended October 31, 2023, mainly as a result of higher adjusted non-interest expenses to support the Bank's investments in its infrastructure and strategic priorities.

TABLE 10
NON-INTEREST EXPENSES

In thousands of dollars, except percentage amounts	2024	2023	Variance 2024/2023
Salaries and employee benefits			
Salaries	\$ 248,294	\$ 256,735	
Performance-based compensation	72,173	71,981	
Employee benefits	68,415	62,828	
	388,882	391,544	(1)%
Premises and technology			
Technology costs	138,108	131,446	
Depreciation and amortization	48,385	47,461	
Rent and property taxes	13,337	12,565	
Other	5,754	5,156	
	205,584	196,628	5 %
Other			
Professional and advisory services	50,129	41,824	
Advertising, business development and travel	28,490	34,284	
Communications	11,946	14,740	
Other	65,425	50,371	
	155,990	141,219	10 %
Impairment and restructuring charges			
P&C Banking segment impairment charges	155,933	—	
Restructuring and other impairment charges	72,483	18,170	
Strategic review-related charges	—	5,929	
	228,416	24,099	848 %
Non-interest expenses	\$ 978,872	\$ 753,490	30 %
Adjusted non-interest expenses ⁽¹⁾	\$ 740,670	\$ 716,552	3 %

(1) This is a non-GAAP financial measure. Refer to the Non-GAAP Financial and Other Measures section beginning on page 20 for more information.

INCOME TAXES

For the year ended October 31, 2024, the income tax recovery was \$16.7 million, and the effective income tax rate was 75.2%. The higher effective income tax rate, compared to the statutory income tax rate, is attributed to a lower taxation level of income from foreign operations, as well as from the favourable effect of the non-taxable portion of capital gains partly offset by the non-deductible goodwill impairment. For the year ended October 31, 2023, the income tax expense was \$29.3 million, and the effective income tax rate was 13.9%. The lower effective tax rate in the prior year, compared to the statutory rate, was essentially attributed to a lower taxation level of income from foreign operations. Year-over-year, the effective tax rate was lower for the same reasons. Note 18 to the Consolidated Financial Statements provides further information on income taxes.

TRANSACTIONS WITH RELATED PARTIES

Related parties of the Bank consist of key management personnel and their close family members, as well as their related companies. Key management personnel consist of members of the Executive Committee or the Bank's Board of Directors (the "Board" or "Board of Directors"). As at October 31, 2024, loans provided to key management personnel totalled \$1.7 million. Loans to key management personnel are granted under market conditions for similar risks and are initially measured at fair value. Loans to key management personnel consist mostly of term residential mortgage loans, as well as personal loans, at market rates less a discount based on the type and amount of the loan.

In the normal course of business, the Bank also provides usual banking services to key management personnel and their related entities, including bank accounts (deposits) under terms similar to those offered to arm's length parties. As at October 31, 2024, these deposits were negligible. See Note 20 to the Consolidated Financial Statements for additional information on related party transactions.

OVERVIEW OF FISCAL 2023

Laurentian Bank of Canada reported net income of \$181.1 million and diluted earnings per share of \$3.89 for the year ended October 31, 2023, compared with \$226.6 million and \$4.95 for the year ended October 31, 2022. Return on common shareholders' equity was 6.6% for the year ended October 31, 2023, compared with 8.9% in 2022. Of note, reported results for the year ended October 31, 2023 included restructuring and strategic-review related charges of \$24.1 million (\$17.7 million after income taxes), or \$0.41 per share, as further detailed in the Non-GAAP Financial and Other Measures section. Adjusted net income was \$208.3 million and adjusted diluted earnings per share were \$4.52 for the year ended October 31, 2023, compared with \$237.1 million and \$5.19 diluted per share in 2022. Adjusted return on common shareholders' equity was 7.7% for the year ended October 31, 2023, compared with 9.3% in 2022.

In 2023, uncertain and challenging macro-economic conditions affected the Bank's ability to progress towards its medium-term financial targets. Net interest margin compression, volatile market conditions unfavourably impacting financial markets revenues and higher provisions for credit losses contributed to the lower financial results compared to fiscal 2022. Non-interest expenses also increased in 2023 due to inflationary pressures and investments in technology infrastructure and strategic priorities. Furthermore, the mainframe outage that occurred in September 2023 had a negative pre-tax impact of \$5.3 million, or \$0.09 per share, due to waived service fees and additional expenses to support remediation. The CET1 capital ratio was 9.9% as at October 31, 2023, in excess of the minimum regulatory requirement and the Bank's target management levels.

ANALYSIS OF QUARTERLY RESULTS

FOURTH QUARTER OF 2024 COMPARED WITH FOURTH QUARTER OF 2023

Net income was \$40.7 million and diluted earnings per share were \$0.88 for the fourth quarter of 2024, compared with net income of \$30.6 million and diluted earnings per share of \$0.67 for the fourth quarter of 2023. Adjusted net income was \$40.9 million and adjusted diluted earnings per share were \$0.89 for the fourth quarter of 2024, compared with \$44.7 million and \$1.00 for the fourth quarter of 2023. Refer to Table 12 below for a reconciliation of quarterly non-GAAP financial measures.

Total revenue

Total revenue increased by \$3.3 million to \$250.8 million for the fourth quarter of 2024, compared with \$247.4 million for the fourth quarter of 2023.

Net interest income decreased by \$9.0 million to \$173.9 million for the fourth quarter of 2024, compared with \$182.9 million for the fourth quarter of 2023. The decrease was mainly due to lower net interest income from lower commercial loan volumes. The net interest margin was 1.77% for the fourth quarter of 2024, an increase of 1 basis point compared with the fourth quarter of 2023 as the Bank has been gradually reducing excess liquidity, partly offset by less favourable business mix.

Other income increased by \$12.3 million or 19% to \$76.9 million for the fourth quarter of 2024, compared with \$64.5 million for the fourth quarter of 2023. Of note, reported other income for the fourth quarter of 2024 included a \$14.0 million gross profit related to the sale of assets under administration of LBS's retail full-service investment broker division. Income from financial instruments also increased by \$9.5 million compared with the fourth quarter of 2023 due to more favourable market conditions. Furthermore, service charges increased by \$1.8 million due to the \$2.3 million service fees that were waived following the mainframe outage that occurred in September 2023. This was partly offset by a decrease of \$4.7 million in fees and securities brokerage commissions mainly as a result of the aforementioned sale of assets under administration. Lending fees also decreased by \$6.1 million due to tempered commercial real estate activity.

Provision for credit losses

The provision for credit losses was \$10.4 million for the fourth quarter of 2024, compared with \$16.7 million for the fourth quarter of 2023, an improvement of \$6.2 million mainly as a result of higher releases of provisions on performing loans. The provision for credit losses as a percentage of average loans and acceptances was 12 basis points for the quarter, compared with 18 basis points for the same quarter a year ago. Refer to the "Credit risk management" section on pages 42 to 48 of this MD&A and to Note 6 to the Consolidated Financial Statements for more information on provision for credit losses and allowances for credit losses.

Non-interest expenses

Non-interest expenses amounted to \$194.5 million for the fourth quarter of 2024, a decrease of \$2.8 million compared with the fourth quarter of 2023. Adjusted non-interest expenses remained stable for the fourth quarter of 2024, compared with the fourth quarter of 2023.

Salaries and employee benefits amounted to \$87.2 million for the fourth quarter of 2024, mostly aligned compared with \$88.3 million for the fourth quarter of 2023.

Premises and technology costs were \$52.1 million for the fourth quarter of 2024, an increase of \$0.3 million compared with the fourth quarter of 2023. The increase year-over-year is mainly due to higher technology costs as the Bank is investing in its infrastructure and strategic priorities, partly offset by lower amortization charges and rent expenses resulting from the impairment effected in 2024.

Other non-interest expenses were \$38.7 million for the fourth quarter of 2024, a decrease of \$2.6 million compared with the fourth quarter of 2023, mainly resulting from the \$2.5 million professional fees and other expenses that were related to the mainframe outage that had occurred in September 2023.

Impairment and restructuring charges were \$16.5 million for the fourth quarter of 2024, compared with \$15.9 million for the fourth quarter of 2023. In the fourth quarter of 2024, impairment and restructuring charges were related to the simplification of the Bank's technology infrastructure, organizational structure and headcount reduction. In the fourth quarter of 2023, this line-item included restructuring charges of \$12.5 million resulting from changes in the Bank's management structure, as well as strategic review-related charges of \$3.4 million resulting from the Bank's review of strategic options aimed at maximizing shareholder and stakeholder value. Refer to the Non-GAAP Financial and Other Measures and Business Highlights sections of this MD&A for further details.

Efficiency ratio

The efficiency ratio on a reported basis decreased to 77.5% for the fourth quarter of 2024, compared with 79.7% for the fourth quarter of 2023, as a result of higher revenues and lower non-interest expenses as described above. The adjusted efficiency ratio increased to 75.0% for the fourth quarter of 2024, compared to 72.0% for the fourth quarter of 2023, mainly as a result of lower adjusted total revenue.

Income taxes

For the fourth quarter of 2024, the income tax expense was \$5.2 million, and the effective income tax rate was 11.4%. 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 non-taxable portion of capital gains. For the fourth quarter of 2023, the income tax expense was \$2.9 million, and the effective income tax rate was 8.6%. The lower effective tax rate in the quarter ended October 31, 2023, compared to the statutory rate, was essentially attributed to a lower taxation level of income from foreign operations. Quarter-over-quarter, the higher effective tax rate mainly resulted from the lower proportion of income from foreign operations.

QUARTERLY RESULTS AND TREND ANALYSIS

The Bank's intermediation business provides a relatively steady source of income stemming from intermediation activities. However, certain activities related to financial markets, such as trading activities, may result in more volatility. In addition, variations in market interest rates or equity markets, as well as in credit conditions can influence the Bank's results. Furthermore, other specific transactions or regulatory developments may significantly impact revenues and expenses. Given that the second quarter usually consists of only 89 days (90 days in 2024) compared with 92 days for the other quarters, overall profitability is generally lower for that quarter, mainly as net interest income is impacted.

TABLE 11

QUARTERLY RESULTS

In thousands of dollars, except per share and percentage amounts	2024				2023			
	Oct. 31	July 31	April 30	Jan. 31	Oct. 31	July 31	April 30	Jan. 31
Net interest income	\$173,878	\$180,764	\$179,611	\$185,254	\$182,896	\$192,126	\$184,185	\$187,116
Other income	76,893	75,739	72,983	73,087	64,549	68,704	72,982	72,952
Total revenue	250,771	256,503	252,594	258,341	247,445	260,830	257,167	260,068
Provision for credit losses	10,440	16,283	17,931	16,898	16,669	13,337	16,169	15,432
Non-interest expenses	194,458	200,239	386,341	197,834	197,281	190,062	182,472	183,675
Income (loss) before income taxes	45,873	39,981	(151,678)	43,609	33,495	57,431	58,526	60,961
Income taxes (recovery)	5,212	5,877	(34,131)	6,326	2,872	8,168	9,235	9,051
Net income (loss)	\$ 40,661	\$ 34,104	\$(117,547)	\$ 37,283	\$ 30,623	\$ 49,263	\$ 49,291	\$ 51,910
Adjusted net income ⁽¹⁾	\$ 40,945	\$ 43,052	\$ 40,512	\$ 44,153	\$ 44,719	\$ 57,646	\$ 51,684	\$ 54,296
Operating performance								
Diluted earnings (loss) per share	\$ 0.88	\$ 0.67	\$ (2.71)	\$ 0.75	\$ 0.67	\$ 1.03	\$ 1.11	\$ 1.09
Adjusted diluted earnings per share ⁽²⁾	\$ 0.89	\$ 0.88	\$ 0.90	\$ 0.91	\$ 1.00	\$ 1.22	\$ 1.16	\$ 1.15
Return on common shareholders' equity ⁽²⁾	6.2 %	4.7 %	(18.6)%	5.0 %	4.5 %	6.9 %	7.7 %	7.5 %
Adjusted return on common shareholders' equity ⁽²⁾	6.2 %	6.2 %	6.1 %	6.0 %	6.6 %	8.2 %	8.1 %	7.8 %
Net interest margin ⁽³⁾	1.77 %	1.79 %	1.80 %	1.80 %	1.76 %	1.84 %	1.80 %	1.77 %
Efficiency ratio ⁽³⁾	77.5 %	78.1 %	152.9 %	76.6 %	79.7 %	72.9 %	71.0 %	70.6 %
Adjusted efficiency ratio ⁽²⁾	75.0 %	73.3 %	73.8 %	73.0 %	72.0 %	68.5 %	69.7 %	69.4 %

(1) Refer to the Non-GAAP Financial and Other Measures section beginning on page 20 for more information.

(2) This is a non-GAAP ratio. Refer to the Non-GAAP Financial and Other Measures section beginning on page 20 for more information.

(3) This is a supplementary financial measure. Refer to the Non-GAAP Financial and Other Measures section beginning on page 20 for more information.

Trend analysis

Net interest income

Net interest income generally decreased over the last two years, mainly due to lower net interest income from lower commercial loan volumes. Net interest income in the third quarter of 2023 also included higher mortgage prepayment penalties due to seasonality.

Other income

Other income generally decreased throughout 2023 as a result of unfavourable market conditions which impacted financial markets related revenue, including fees and securities brokerage commissions, income from financial instruments and income from mutual funds. In addition, other income was lower in the fourth quarter of 2023 as monthly service fees for the months of September and October 2023 were waived following the mainframe outage that occurred in September 2023. In 2024, other income was generally stable throughout the year. Income from financial instruments trended higher as a result of more favourable market conditions, partly offset by decreasing lending fees due to tempered commercial real estate activity. In addition, other income in the fourth quarter of 2024 included a \$14.0 million gross profit related to the sale of assets under administration of LBS's retail full-service investment broker division, partly offset a decrease of \$4.7 million in fees and securities brokerage commissions.

Provision for credit losses

The provision for credit losses was stable in 2024 compared to 2023. In 2023, the provision for credit losses was generally stable except in the third quarter for which the provision for credit losses was lower, mainly due to lower provisions on performing loans. In 2024, the provision for credit losses was generally stable during the first three quarters of the year, reflecting higher provisions on impaired loans due to credit migration, partly offset by a release of provisions on performing loans. The provision for credit losses was lower in the fourth quarter of 2024 mainly due to lower provisions on impaired loans compared to the previous quarter.

Non-interest expenses

Non-interest expenses generally increased throughout 2023 and 2024, as result of inflationary pressures and higher expenses to invest in the Bank's infrastructure and strategic priorities, as well as to continue our focus on improving the customer experience. Impairment and restructuring charges of \$228.4 million in 2024 also impacted the level of non-interest expenses, including \$155.9 million in the second quarter of 2024 related to the impairment of the P&C Banking segment and \$72.5 million of restructuring and other impairment charges incurred throughout the year, as detailed in Table 12 below.

TABLE 12
RECONCILIATION OF QUARTERLY NON-GAAP FINANCIAL MEASURES

In thousands of dollars	2024				2023			
	Oct. 31	July 31	April 30	Jan. 31	Oct. 31	July 31	April 30	Jan. 31
Total revenue	\$ 250,771	\$ 256,503	\$ 252,594	\$ 258,341	\$ 247,445	\$ 260,830	\$ 257,167	\$ 260,068
Adjusting items ⁽¹⁾ , before income taxes								
Profit on sale of assets under administration	13,959	—	—	—	—	—	—	—
Adjusted total revenue	\$ 236,812	\$ 256,503	\$ 252,594	\$ 258,341	\$ 247,445	\$ 260,830	\$ 257,167	\$ 260,068
Non-interest expenses	\$ 194,458	\$ 200,239	\$ 386,341	\$ 197,834	\$ 197,281	\$ 190,062	\$ 182,472	\$ 183,675
Adjusting items ⁽¹⁾ , before income taxes								
P&C Banking segment impairment charges	—	—	155,933	—	—	—	—	—
Restructuring and other impairment charges	16,463	9,112	40,832	6,076	12,544	5,626	—	—
Strategic review-related charges	—	—	—	—	3,362	2,567	—	—
Amortization of acquisition-related intangible assets	333	3,007	3,229	3,217	3,230	3,178	3,221	3,210
	16,796	12,119	199,994	9,293	19,136	11,371	3,221	3,210
Adjusted non-interest expenses	\$ 177,662	\$ 188,120	\$ 186,347	\$ 188,541	\$ 178,145	\$ 178,691	\$ 179,251	\$ 180,465
Reported net income (loss)	\$ 40,661	\$ 34,104	\$(117,547)	\$ 37,283	\$ 30,623	\$ 49,263	\$ 49,291	\$ 51,910
Adjusting items ⁽¹⁾ , net of income taxes								
Profit on sale of assets under administration	(12,110)	—	—	—	—	—	—	—
P&C Banking segment impairment charges	—	—	125,629	—	—	—	—	—
Restructuring and other impairment charges	12,145	6,700	30,020	4,468	9,223	4,135	—	—
Strategic review-related charges	—	—	—	—	2,472	1,887	—	—
Amortization of acquisition-related intangible assets	249	2,248	2,410	2,402	2,401	2,361	2,393	2,386
	284	8,948	158,059	6,870	14,096	8,383	2,393	2,386
Adjusted net income	\$ 40,945	\$ 43,052	\$ 40,512	\$ 44,153	\$ 44,719	\$ 57,646	\$ 51,684	\$ 54,296
Net income (loss) available to common shareholders	\$ 38,725	\$ 29,503	\$(118,835)	\$ 32,682	\$ 29,334	\$ 44,662	\$ 48,003	\$ 47,309
Adjusting items, net of income taxes (detailed above)	284	8,948	158,059	6,870	14,096	8,383	2,393	2,386
Adjusted net income available to common shareholders	\$ 39,009	\$ 38,451	\$ 39,224	\$ 39,552	\$ 43,430	\$ 53,045	\$ 50,396	\$ 49,695

[1] Refer to Table 2 on page 20 for the detailed description of adjusting items.

ANALYSIS OF FINANCIAL CONDITION

TABLE 13
CONDENSED BALANCE SHEET

In thousands of dollars	2024		2023	
Assets				
Cash and deposits with banks	\$	1,437,668	\$	1,320,265
Securities		6,099,634		6,016,427
Securities purchased under reverse repurchase agreements		3,568,490		4,086,170
Liquid assets ⁽¹⁾		11,105,792		11,422,862
Loans and acceptances, net of allowances		35,069,153		36,868,393
Other assets ⁽²⁾		1,226,345		1,601,483
	\$	47,401,290	\$	49,892,738
Liabilities and Shareholders' Equity				
Deposits	\$	23,163,954	\$	26,026,878
Other liabilities		7,585,602		7,816,690
Debt related to securitization activities		13,496,457		12,853,385
Subordinated debt		326,793		337,680
Shareholders' equity ⁽²⁾		2,828,484		2,858,105
	\$	47,401,290	\$	49,892,738

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

(2) Effective November 1, 2023, the Bank retrospectively adopted IFRS 17, *Insurance contracts*, which required restatement of the Bank's 2023 comparative information and financial measures. Refer to Note 2 in the Consolidated Financial Statements for further information.

As at October 31, 2024, total assets amounted to \$47.4 billion, a 5% decrease compared with \$49.9 billion as at October 31, 2023 mostly due to the lower level of loans.

Liquid assets

As at October 31, 2024, liquid assets as presented on the balance sheet amounted to \$11.1 billion, a decrease of \$0.3 billion compared with \$11.4 billion as at October 31, 2023. The Bank continues to prudently manage its level of liquid assets. The Bank's funding sources remain well diversified and sufficient to meet all liquidity requirements. Liquid assets represented 23% of total assets as at October 31, 2024, in line with October 31, 2023.

Loans

Loans and bankers' acceptances, net of allowances, stood at \$35.1 billion as at October 31, 2024, a decrease of \$1.8 billion since October 31, 2023. Commercial loans and acceptances amounted to \$16.6 billion as at October 31, 2024, a decrease of \$1.2 billion or 7% since October 31, 2023 mainly resulting from lower real estate and inventory financing commercial loans. Personal loans of \$2.1 billion as at October 31, 2024 decreased by \$0.5 billion from October 31, 2023, mainly as a result of a decline in the investment loan portfolio driven by volatile market conditions and higher interest rates. Residential mortgage loans of \$16.5 billion as at October 31, 2024 decreased by \$0.2 billion or 1% from October 31, 2023.

Other assets

Other assets stood at \$1.2 billion as at October 31, 2024, a decrease of \$0.4 billion compared with October 31, 2023 mainly due to the \$0.2 billion goodwill, software and other intangible assets and premises and equipment impairment charges recorded in the second quarter of 2024, as well as \$0.1 billion lower derivatives.

Deposits

Deposits decreased by \$2.9 billion to \$23.2 billion as at October 31, 2024 compared with \$26.0 billion as at October 31, 2023. Considering the loan volume reductions and an increase during the year of \$0.6 billion of cost-effective long-term debt related to securitization activities, the Bank gradually reduced its deposit basis and liquidity position. Personal deposits stood at \$19.7 billion as at October 31, 2024, a decrease of \$2.6 billion compared with \$22.3 billion as at October 31, 2023. Of note, personal notice and demand deposits from partnerships decreased by \$1.4 billion since October 31, 2023, and deposits from advisors and brokers decreased by \$0.9 billion. Personal deposits represented 85% of total deposits as at October 31, 2024, in line with October 31, 2023, and contributed to the Bank's sound liquidity position. Business and other deposits decreased by \$0.3 billion over the same period to \$3.5 billion as at October 31, 2024, due to the maturity of wholesale deposits.

Other liabilities

Other liabilities stood at \$7.6 billion as at October 31, 2024, a decrease of \$0.2 billion since October 31, 2023 partly resulting from lower derivatives.

Debt related to securitization activities

Debt related to securitization activities increased by \$0.6 billion or 5% compared with October 31, 2023 and stood at \$13.5 billion as at October 31, 2024. During 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 October 31, 2024, unchanged since October 31, 2023. 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 October 31, 2024 and decreased by \$29.6 million compared with October 31, 2023. Retained earnings decreased by \$98.1 million compared to October 31, 2023, mainly as a result of the sum of the cumulative net loss of \$5.5 million and of dividends and other distributions amounting to \$94.7 million. Accumulated other comprehensive income increased by \$58.4 million compared to October 31, 2023. 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 \$57.36 as at October 31, 2024 compared to \$59.96 as at October 31, 2023.

OFF-BALANCE SHEET ARRANGEMENTS AND STRUCTURED ENTITIES

In the normal course of its operations, the Bank uses structured entities to securitize or transfer financial assets, as detailed below. The Bank also enters into several arrangements that, under IFRS, are either not recorded on the Bank's balance sheet or are recorded in amounts that differ from the notional amounts. In particular, the Bank administers clients' assets that are not reported on the balance sheet. Moreover, off-balance sheet arrangements include derivatives, as well as credit commitments and guarantees, as detailed below.

OFF-BALANCE SHEET ARRANGEMENTS

Assets under administration

Assets under administration mainly include assets of clients to whom the Bank provides various administrative services, such as, retail and institutional investment portfolios. Table 14 below summarizes assets under administration. As at October 31, 2024 these items totalled \$24.7 billion, down \$1.1 billion or 4% compared with October 31, 2023. Fees, commissions and other types of income related to these assets contribute to the Bank's profitability, as detailed in the Analysis of Consolidated Results section above.

TABLE 14
ASSETS UNDER ADMINISTRATION⁽¹⁾

In thousands of dollars	2024	2023
Registered and non-registered investment accounts	\$ 17,705,905	\$ 16,734,943
Clients' brokerage assets	2,262,855	4,355,538
Mutual funds	3,301,072	3,023,425
Loans under administration	1,383,465	1,631,172
Other	41,020	86,777
Assets under administration	\$ 24,694,317	\$ 25,831,855

(1) This is a supplementary financial measure. Refer to the Non-GAAP Financial and Other Measures section beginning on page 20 for more information.

Assets under administration related to registered and non-registered investment accounts were up by \$1.0 billion or 6% year-over-year, mostly reflecting higher market values of underlying investments. Clients' brokerage assets decreased by \$2.1 billion or 48% year-over-year due to the sale in the fourth quarter of 2024 of LBS's retail full-service investment broker division, as detailed in the Business Highlights section.

Mutual fund assets under administration, mainly composed of the preferred series of LBC-Mackenzie mutual funds, increased by \$0.3 billion or 9% year-over-year, mostly as a result of higher market values of underlying investments.

Loans under administration, mainly including syndication activities, loans administered for third parties and derecognized securitized mortgage loans, decreased by \$0.2 billion as a result of decreased commercial activity and volumes.

Derivative contracts

In the normal course of its operations, the Bank enters into various derivative contracts to protect itself against the risk of fluctuations in interest rates, foreign exchange rates, as well as stock prices and indices on which returns of index-linked deposits are based. Derivative contracts are also used to meet clients' requirements and generate revenues from trading activities.

All derivatives are recorded on the balance sheet at fair value. Derivative values are calculated using notional amounts. However, these amounts are not recorded on the balance sheet, as they do not represent the actual amounts exchanged. Likewise, notional amounts do not reflect the credit risk related to derivatives, although they serve as a reference for determining the amount of cash flows to be exchanged. The notional amounts of the Bank's derivatives totalled \$26.1 billion as at October 31, 2024 with a net negative fair value of \$90.6 million.

Notes 21 to 24 to the Consolidated Financial Statements provide further information on the various types of derivative products and their recognition in the Consolidated Financial Statements.

Credit commitments and guarantees

In the normal course of its operations, the Bank enters into various off-balance sheet credit instruments to meet the financing needs of its clients and earn fee income. These instruments may expose the Bank to liquidity and credit risk and are subject to adequate risk management. Table 19 details the maximum amount of additional credit that the Bank could be required to extend if the commitments were fully used. In the normal course of its operations, the Bank also enters into guarantee agreements such as standby letters of credit and performance guarantees to support its clients.

Table 15 below details the Bank's credit commitments and guarantees. Note 26 to the Consolidated Financial Statements also provides additional information.

TABLE 15
CREDIT COMMITMENTS AND GUARANTEES

In thousands of dollars	2024	2023
Undrawn amounts under approved credit facilities ⁽¹⁾	\$ 3,766,370	\$ 4,105,897
Standby letters of credit and performance guarantees	215,884	223,550
Documentary letters of credit	6,303	4,458

(1) Excluding credit facilities revocable at the Bank's option totalling \$9.4 billion as at October 31, 2024 (\$8.2 billion as at October 31, 2023)

STRUCTURED ENTITIES

Securitization

The Bank uses structured entities to securitize residential mortgage loans, finance lease receivables and personal investment loans in order to optimize and diversify sources of funding and to enhance its liquidity position. The Bank consolidates certain of the intermediary structured entities when it has control over the entities and underlying assets, whereas certain structured entities are not consolidated when the Bank does not have control. The Bank sells mortgage loans through the Canada Mortgage Bond (CMB) program and to third-party investors under the National Housing Act (NHA) Mortgage-Backed Securities (MBS) program set-up by the Canada Mortgage and Housing Corporation ("CMHC"), as well as through other third-party multi-seller conduits set up by Canadian banks. Notes 7 and 13 to the Consolidated Financial Statements provide additional information on these transactions. The Bank does not act as an agent for clients engaged in this type of activity and has no other significant involvement, such as liquidity and credit enhancement facilities, with any other securitization conduit.

Covered bonds

In 2021, the Bank received approval from the CMHC to establish a \$2.0 billion legislative covered bond programme ("Programme") pursuant to Canadian Registered Covered Bond Programs Guide. The Bank periodically transfers 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. Note 7 to the Consolidated Financial Statements provides additional information on the covered bond programme.

CAPITAL MANAGEMENT

CAPITAL MANAGEMENT FRAMEWORK

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. A key component of the capital management framework, the Internal Capital Adequacy Assessment Process (ICAAP) evaluates capital adequacy relative to the Bank's risk profile and establishes the appropriate capital level for the year ahead. In setting its capital targets, management considers the ICAAP which takes into account results from the integrated stress tests using severe scenarios, as well as its assessment of the Bank's risk exposures using a building block approach wherein capital is assigned to each risk component. Both approaches rely on the Bank's risk registry to ensure all material risks are considered.

The capital targets established through the ICAAP set the minimum requirements incorporated in the Bank's Capital Plan.

Various bodies within the organization are involved in optimizing the Bank's capital.

- The *Board of Directors* annually approves the Capital Management and Adequacy Policy, the Capital Plan, as well as the Business Plan and Multi-Year Financial Plan.
- The *Risk Management Committee of the Board of Directors* reviews and approves, annually, capital-related documents, including the ICAAP and the integrated stress testing program. It also reviews the overall capital adequacy of the Bank on a quarterly basis.
- The *Corporate Risk Committee*, mandated by the Executive Committee, reviews the Bank's capital adequacy under internal and external measures and approves risk management processes and approaches supporting this objective.
- The *Asset-Liability Management Committee*, mandated by the Corporate Risk Committee, monitors regulatory capital ratios on a monthly basis.
- *Corporate Risk Management* provides oversight of the Bank's capital management framework. This includes monitoring capital limits and adequacy, developing and implementing the Capital Management and Adequacy Policy, the ICAAP and the integrated stress testing exercise, as well as measuring regulatory capital ratios.
- *Corporate Finance* annually develops the Business Plan which includes the Multi-Year Financial Plan and the Capital Plan. It is also responsible for managing capital and updating the Capital Plan on an ongoing basis. In addition, Corporate Finance has responsibility for maintaining compliance with regulatory capital adequacy requirements for each of the subsidiaries.

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 (CET1), 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 the Glossary on page 69 of this MD&A. 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 69 of this MD&A.

Some banks in Canada have been designated by OSFI as Domestic Systemically Important Banks (D-SIBs). Under this designation, these banks must hold a further 1% of Common Equity Tier 1 capital. OSFI also required D-SIBs to hold a Pillar 2 Domestic Stability Buffer (DSB) to protect against risks associated with systemic vulnerabilities. On June 18, 2024, OSFI announced that the Domestic Stability Buffer (DSB) will remain at 3.5% of total risk-weighted assets, a level first announced in June 2023 and in effect since November 1, 2023. As the Bank has not been designated as a D-SIB, these measures do not apply to the Bank.

The Basel III Accord suggests a range of approaches of varying complexity, the choice of which determines the sensitivity of capital to risks. The Bank is using the less complex Standardized Approach, which relies on regulatory weightings, while other larger banks generally use the more complex AIRB approach which uses internal estimates of risk components to establish risk-weighted assets and calculate regulatory capital. In the context of its revamped strategic plan and priorities, the Bank made the decision in April 2024 to suspend the AIRB project and to focus on the priorities of its revamped strategic plan to generate additional revenue, or efficiency gains.

Regulatory capital developments

During the year ended October 31, 2024, there have been no significant updates to regulatory capital developments.

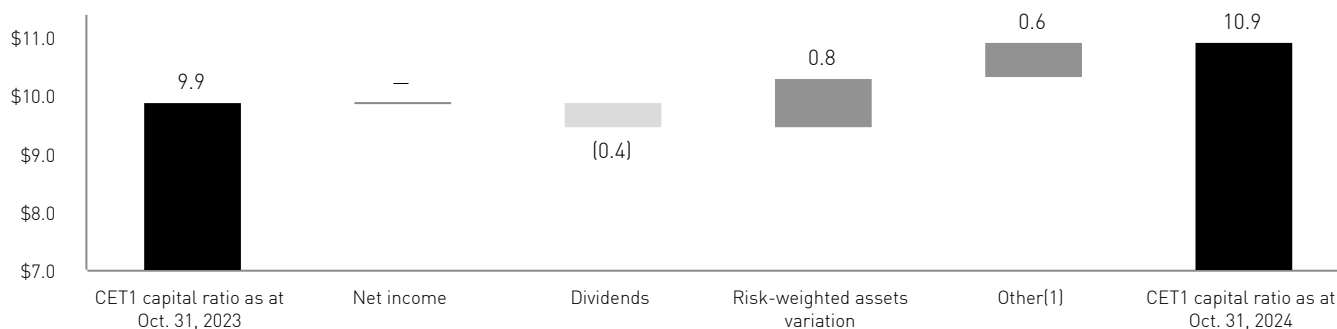
Regulatory capital ratios

The CET1 capital ratio was 10.9% as at October 31, 2024, in excess of the minimum regulatory requirement and the Bank's target management levels. The CET1 capital ratio increased by 100 basis points compared with October 31, 2023, mainly due to the risk-weighted assets reduction. The Bank met OSFI's capital and leverage requirements throughout the year.

The graph below shows the change in Common Equity Tier 1 capital ratio from October 31, 2023 to October 31, 2024.

CHANGE IN COMMON EQUITY TIER 1 CAPITAL RATIO

(In percentage)



(1) Other adjustments are mainly comprised of accumulated other comprehensive income and deductions for cash flow hedge reserve, goodwill, software and other intangible assets and deferred tax assets excluding those arising from temporary differences.

TABLE 16

REGULATORY CAPITAL AND LEVERAGE RATIOS

In thousands of dollars, except percentages

	2024	2023
Regulatory capital		
Common shares	\$ 1,187,107	\$ 1,177,827
Retained earnings	1,307,747	1,405,800
Accumulated other comprehensive income	81,235	22,868
Share-based compensation reserve	6,841	6,052
Deductions from Common Equity Tier 1 capital ⁽¹⁾	(301,044)	(382,506)
Common Equity Tier 1 capital	2,281,886	2,230,756
Qualifying preferred shares and limited recourse capital notes	245,554	245,558
Additional Tier 1 capital	245,554	245,558
Tier 1 capital	2,527,440	2,476,314
Qualifying subordinated debt	326,793	337,680
Collective allowances	134,500	156,410
Tier 2 capital	461,293	494,090
Total capital	\$ 2,988,733	\$ 2,970,404
Total risk-weighted assets	\$ 20,862,290	\$ 22,575,105
Total exposure	\$ 48,652,938	\$ 51,150,699
Capital ratios		
Common Equity Tier 1 capital ratio	10.9 %	9.9 %
Tier 1 capital ratio	12.1 %	11.0 %
Total capital ratio	14.3 %	13.2 %
Leverage ratio	5.2 %	4.8 %

(1) Comprised of deductions for goodwill, software and other intangible assets, net pension plan assets, cash flow hedge reserve and other.

TABLE 17
RISK-WEIGHTED ASSETS⁽¹⁾

In thousands of dollars	2024	2023
Credit risk		
Sovereigns	\$ 119,906	\$ 102,672
Banks	710,794	395,056
Commercial real estate (CRE)	7,735,886	9,265,983
Other corporates	4,027,482	4,583,045
Subordinated debt, equity and other capital	132,426	143,496
Residential real estate (RRE)	2,034,480	2,166,096
Other retail	2,660,289	2,675,050
Defaulted exposures	343,327	186,461
Other assets	665,712	727,844
	18,430,302	20,245,703
Counterparty credit risk		
Derivatives	109,183	121,294
Securities financing transactions (SFT)	228,249	166,563
Central counterparty (CCP)	4,449	6,599
	341,881	294,456
Credit valuation adjustment (CVA)	109,188	56,863
Equity investments in funds	63,096	62,052
Securitisation exposures	610	706
Operational risk	1,917,213	1,915,325
Total	\$ 20,862,290	\$ 22,575,105

(1) To determine the appropriate risk weight, credit assessments by OSFI-recognized external credit rating agencies of Moody's and DBRS are used. Under the Standardized approach, the Bank assigns the risk weight corresponding to OSFI's standard mapping. For most of the Bank's exposures to sovereign and public sector entities, which are predominantly domiciled in Canada, these risk weights are based on Canada's AAA rating. In addition, the Bank relies on external ratings for certain rated exposures, mainly in the bank and corporate class. For unrated exposures, mainly in the retail and corporate classes, the Bank generally applies prescribed risk weights taking into consideration certain exposure specific factors including counterparty type, exposure type and credit risk mitigation techniques employed.

OUTSTANDING CAPITAL INSTRUMENTS

As at December 4, 2024, there were 5,000,000 outstanding Preferred Shares Series 13, 44,005,605 outstanding common shares and 1,486,984 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 October 31, 2024, 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 73.2% based on the number of common shares outstanding as at October 31, 2024.

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

The Board of Directors must approve dividend payments on preferred and common shares on a quarterly basis. The declaration and payment of dividends are subject to certain legal restrictions, as explained in Note 15 to the Consolidated Financial Statements. The level of dividends declared on common shares reflects management and Board views of the Bank's financial outlook and takes into consideration market and regulatory expectations, as well as the Bank's growth objectives in its strategic plan. Table 18 summarizes dividends declared for the last three years.

TABLE 18
SHARE DIVIDENDS AND PAYOUT RATIO

In thousands of dollars, except per share and percentage amounts	2024	2023	2022
Dividends declared on preferred shares	\$ 5,801	\$ 5,154	\$ 5,154
Dividends declared per common share	\$ 1.88	\$ 1.86	\$ 1.78
Dividends declared on common shares	\$ 82,314	\$ 80,810	\$ 77,115
Dividend payout ratio	n.m.	47.7 %	35.9 %
Adjusted dividend payout ratio ⁽¹⁾	52.7 %	41.1 %	34.2 %

(1) Refer to the Non-GAAP Financial and Other Measures section beginning on page 20.

On November 22, 2024, the Board of Directors declared a dividend of \$0.38725 per Preferred Share Series 13, payable on December 15, 2024, to shareholders of record on December 9, 2024. On December 5, 2024, the Board of Directors declared a quarterly dividend of \$0.47 per common share, payable on February 1, 2025, to shareholders of record on January 3, 2025. This quarterly dividend is equal to the dividend declared in the previous quarter and to the dividend declared in the fourth quarter of 2023. On December 5, 2024, 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 APPETITE AND RISK MANAGEMENT FRAMEWORK

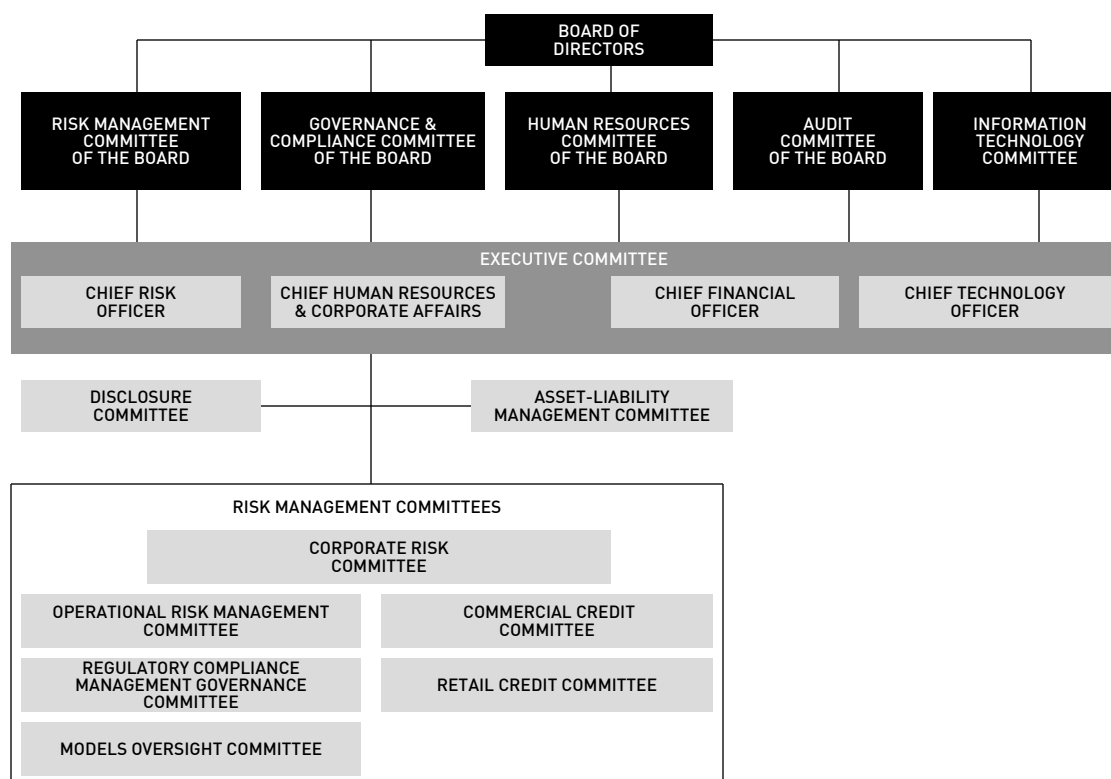
The shaded areas in the following sections of this MD&A represent a discussion on risk management policies and procedures relating to credit, market, and liquidity and funding risks as required under IFRS 7, *Financial Instruments - Disclosures*, which permits these specific disclosures to be included in the MD&A. Therefore, these shaded areas form an integral part of the Consolidated Financial Statements for the years ended October 31, 2024 and 2023.

RISK CULTURE

The Bank's management is dedicated to promoting a risk management culture throughout the Bank. This is achieved by setting a "tone-from-the-top" that focuses on the importance of risk culture and delivering this message through a comprehensive risk governance structure and risk appetite framework. Together, these instill a sense of responsibility for risk management throughout the Bank.

RISK GOVERNANCE STRUCTURE

The Board of Directors has ultimate responsibility for risk management. Each year, the Risk Management Committee of the Board reviews the risk appetite and approves the risk management policies. It thereafter delegates to senior management the responsibility for defining their parameters and communicating and implementing them accordingly. The Executive Committee plays an active role through the Corporate Risk Committee in identifying, assessing and managing risk. Business unit managers are responsible for applying the policies and, in collaboration with Corporate Risk Management, keeping the Corporate Risk Committee informed about any changes in risk profile.



Roles and responsibilities of the Board of Directors' committees

The *Board of Directors* ensures that the Bank maintains an appropriate strategic management process that takes risk into consideration. Moreover, based on the certifications and consolidated reports prepared by management, the Board of Directors assesses annually whether the Bank's operations are carried out in an environment with appropriate and sufficient internal controls.

The *Risk Management Committee of the Board* assures whether the Framework has been properly implemented and periodically reviews its effectiveness. The Committee must also ensure that the Framework provides an appropriate risk management process for identifying, measuring, quantifying and managing risks, as well as implementing appropriate risk management policies.

The *Governance & Compliance Committee of the Board* is responsible for assisting the Board of Directors in overseeing the Bank's corporate governance practices as well as Legal affairs and Regulatory Compliance risk matters.

The *Human Resources Committee of the Board* is constituted by the Board of Directors to support it in exercising its oversight of human resources matters.

The *Audit Committee of the Board* is responsible for supporting the Board of Directors in overseeing the integrity of the Bank's financial statements, the relevance and effectiveness of its internal financial controls, the qualifications and independence of the external auditor and the performance of the internal audit function and of the external auditor.

The *Information Technology Committee of the Board*, established this year, is responsible for supporting the Board of Directors in its oversight of information technology, data quality and cybersecurity matters.

Roles and responsibilities of other risk management committees of the Bank

The *Executive Committee*, chaired by the President and Chief Executive Officer, is the Bank's ultimate risk management committee. It ensures that the Risk Management Framework is properly implemented. Senior management plays an active role in identifying, assessing and managing risk and is responsible for implementing the necessary framework for the management of all material risks. In addition, the Executive Committee is responsible to carry out portfolio management governance functions, including providing recommendations to prioritize and schedule key strategic programs and projects, providing ongoing oversight of the overall health status of the portfolios and discuss underlying issues or risks.

The *Disclosure Committee*, chaired by the Chief Financial Officer, is responsible for reviewing and approving the Bank's financial information subject to public or regulatory disclosure.

The *Asset-Liability Management Committee*, chaired by the Chief Financial Officer, is responsible for evaluating the structural risks associated with the Bank's assets and liabilities. The committee provides oversight of the Bank's balance sheet risks in coordination with the Corporate Risk Committee.

The *Corporate Risk Committee*, chaired by the Chief Risk Officer, is mandated to monitor and oversee the management of all material risks of the Bank. The objective of the committee is to assist the Executive Committee in its ultimate responsibility for risk management. The Corporate Risk Committee ensures that the Bank maintains and adheres to a robust and current suite of risk policies, including a risk appetite framework, and recommends such policies for approval by the Executive Committee.

The *Operational Risk Management Committee*, chaired by the Vice President, Operational Risk, reviews the operational risk management policies and the reports on operational losses incurred. Furthermore, it reviews and approves tools for identifying and assessing the frequency and the impact of operational risks. The Operational Risk Management Committee is responsible for monitoring key operational risks including potential threats. The Operational Risk Management Committee reports into the Corporate Risk Committee.

The *Regulatory Compliance Management Governance Committee*, co-chaired by the Chief Compliance Officer and the Chief Anti-Money Laundering Officer, is responsible for the oversight of the Regulatory Compliance Management program. It is mandated to monitor and review all activities related to the regulatory risks compliance to which the Bank may be exposed. The Regulatory Compliance Management Governance Committee reports into the Corporate Risk Committee.

The *Retail and Commercial Credit Committees*, chaired by the Chief Risk Officer, are responsible for approving loans within set limits. They also review delinquency on all types of loans, supervise the impaired loan resolution process and ensure the adequacy of the provisions for credit losses. The Credit Committees report into the Corporate Risk Committee.

The *Models Oversight Committee*, chaired by the Chief Risk Officer, is responsible for the Bank's model risk management, overseeing all the stages of the model management life cycle.

RISK MANAGEMENT FRAMEWORK

Risk management is essential for the Bank to achieve its financial objectives while keeping the Bank's risk profile within its stated risk appetite. The main objective of the Bank's Risk Management Framework (the "Framework") is to promote and maintain a strong risk management culture enterprise-wide, enabling senior management to ensure the existence of sound practices necessary for the efficient and prudent management of the Bank's operations and major risks.

The Framework defines the risk governance structure, risk management processes and major risks the Bank may encounter. The internal control structure and corporate governance that promotes sound integrated risk management is also presented in the Framework. The Framework is updated regularly to reflect the Bank's changing business environment.

The main objective of the Framework is to promote and maintain a risk management culture in the Bank's business units and subsidiaries. Other objectives of the Framework include:

- Communicate key principles which support the Bank's approach to managing risk across the organization and establish the appropriate tone for desired behaviours;
- Adopt sound and prudent risk management policies;
- Define the committees' roles and responsibilities regarding risk management;
- Ensure risk management processes align with strategic, financial and capital plans;
- Establish processes to continuously identify, understand and assess material risks as well as internal control mechanisms.

The Framework outlines the Bank's process for identification of material risks. This process is achieved using a central risk registry that is applicable to the entire enterprise. By using a common taxonomy, the risk registry facilitates risk-related discussions throughout the Bank. Tolerances are established within the Framework for each identified material risk.

RISK APPETITE

Risk taking is a necessary part of the Bank's business. As such, its business strategies incorporate decisions regarding the risk/reward trade-offs the Bank is willing to make and the means with which it will manage and mitigate those risks. The Bank has determined a risk appetite, which is defined in the Risk Appetite Framework Policy, and continuously attempts to maintain a balance between its risk appetite and risk capacity. Risk Appetite is dynamic and may be influenced by changes in the regulatory and macroeconomic environments. The Board of Directors is responsible for the annual review and approval of the Bank's risk appetite.

Risk appetite is defined as the risk level that the organization is prepared to accept to achieve its financial and strategic objectives. It is defined by business niche, type and level of risk, performance objectives, capital, liquidity, and external ratings. It is achieved through the imposition of limits and thresholds on various key risk indicators to ensure that the Bank's risk profile remains in line with its risk appetite.

Main objectives of the Risk Appetite Framework include:

- Communicate the Bank's expectations regarding acceptable risk levels in the pursuit of its strategic and business objectives;
- Align with the Bank's strategic, financial and capital plans to ensure coherence between the processes.

INTEGRATED STRESS TESTING PROGRAM

Stress testing is a risk management technique that helps the Bank understand and assess its vulnerability and resilience to exceptional but plausible events. As a forward-looking tool, stress testing complements other quantitative risk management techniques and is used by senior management for strategic decision making. Stress testing is a fundamental part of the Bank's risk management and risk appetite framework and is incorporated in the Bank's ICAAP. As such, it helps in setting and achieving internal capital targets that are consistent with the Bank's strategic plan, risk profile and operating environment.

In developing scenarios, the Bank's enterprise-wide stress testing program brings together the views of experts from various departments, including Economic Research, Corporate Finance, Corporate Treasury and Corporate Risk Management. These experts evaluate scenarios that display a range of severities, including scenarios that challenge the viability of the Bank (reverse stress testing).

The Corporate Risk Committee oversees the execution of the stress testing program, including the design of scenarios and contingency planning. The results are reviewed by Corporate Risk Committee and presented to the Board, which is responsible for the overall stress testing program.

CRISIS RECOVERY PLAN

The Bank maintains a Crisis Recovery Plan that describes a range of actions to be taken in the event of a financial stress: capital or liquidity situations. The primary goal of such a Plan is to develop a list of possible actions that would enable the Bank to respond promptly to a wide range of internal and external stresses, to return to normal operating conditions as fast as possible and maintain the confidence of its stakeholders. This Plan is reviewed and approved annually by the Board of Directors.

FUNCTIONS SUPPORTING RISK MANAGEMENT

The following table presents the Bank's corporate control, which includes several governance functions designed to enhance risk management. The corporate functions are designed in respect of the "three lines of defence" model. This corporate control is divided into three distinct areas: operations, control environment and internal audit:

- **Operations** are key to risk management as business unit managers take risks and are accountable for their ongoing management. Business unit managers are on the front lines to identify and actively manage risks by applying the risk policies and implementing controls and risk mitigation measures. They are the first line of defence.
- The **Control Environment** hinges on five functions: risk management, legal and regulatory compliance risk management, financial certification, human resources and strategic planning. Together these groups provide independent oversight, effective challenge, and independent assessment of risk management practices. The risk management, legal and regulatory compliance management, and select corporate functions constitute the second line of defence of the Bank.
- The **Internal Audit** function also plays a key role as a third line of defence. It is responsible for implementing and maintaining a reliable and comprehensive system to adequately monitor the effectiveness of controls exercised within the different Framework functions.

In addition, regulatory and statutory requirements are an integral part of the Bank's Framework.

OPERATIONS (FIRST LINE OF DEFENCE)	CONTROL ENVIRONMENT (SECOND LINE OF DEFENCE)	INTERNAL AUDIT (THIRD LINE OF DEFENCE)
<p>Business activities and corporate functions</p> <ul style="list-style-type: none"> - Policy implementation - Risk identification, detection and management - Disclosure of risks and losses - Control implementation - Business continuity plans - Application of the regulatory risk management framework 	<p>Risk management and oversight functions</p> <ul style="list-style-type: none"> - Designing and developing policies and frameworks - Determining risk management thresholds - Development of risk measurement and self-assessment tools - Risk reporting and disclosure - Assessment of business continuity plans - Independent review of risk management practices. 	<p>Independent assurance function</p> <ul style="list-style-type: none"> - Providing an independent assurance to the Executive Committee and to the Board of Directors on the effectiveness of risk management practices

RISK MANAGEMENT PROCESS

The Bank's risk management processes are closely tied to the strategic planning process from which the Bank's strategic and business plans are derived. These processes converge during the development of the Bank's integrated financial plan. Policies approved by the Board are implemented by the business units and their application is monitored by the appropriate risk management committees.

Risk management is carried out across departments by various business unit managers who actively oversee the management of risks related to their activities, as well as by risk management and internal control professionals.

CREDIT RISK MANAGEMENT

Credit risk

Credit 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 obligations towards the Bank.

Credit risk management

Credit risk management is independent of operations, thus protecting the independence and integrity of risk assessment.

The Credit Committees and the Corporate Risk Committee are responsible for operational oversight of overall credit risk management. The Chief Risk Officer report, presented quarterly to the Executive Committee and to the Risk Management Committee of the Board, provides a summary of key information on credit risks. The credit risk management policies adopted by the Bank provide for appropriate risk assessments. These policies cover approval of credit applications by authority level, assignment of risk ratings, management of impaired loans, establishment of individual and collective allowances, and risk-based pricing. The policies are periodically reviewed and approved by the Risk Management Committee of the Board.

Through its Credit Risk Management Department, the Bank monitors its credit portfolios on a qualitative and quantitative basis through: (i) mechanisms and policies governing the review of the various types of files; (ii) risk rating systems; and (iii) pricing analysis.

The Bank uses expert systems to support the decision-making process for most underwriting of consumer credit, residential mortgage loans and credit cards, as well as for small commercial loans. Regarding commercial loans, applications are also analyzed on a case-by-case basis by specialized teams.

The Bank has various risk management tools at its disposal. For commercial loans, these namely include a 19-level risk rating scale used to evaluate credit risk (probability of default). Above a specific rating, files are under credit watch and are managed per specific procedures. Regarding portfolio quality, a loan or a group of loans are impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and that has an impact on the estimated future cash flows of the loan or a group of loans that can be reliably estimated.

The Bank's risk management framework is applied to the determination of expected credit losses. The Bank has guidelines and procedures that govern impairments arising from credit risk. These guidelines are documented and periodically reviewed by the risk management function. Each month, the Bank's Retail Credit Committee reviews analyses on various credit metrics to identify risks and trends that might affect the retail portfolios. The Bank's Commercial Credit Committee also reviews material impaired loans as well as analyses on other impaired loans where payment is past due by 90 days or more. Collection processes are centralized and are based on specialized expertise. Complex questions on measurement methodologies and assumptions are reviewed by a group of experts from various functions. Furthermore, the inputs and assumptions used to determine expected credit losses are reviewed on a regular basis by the risk management function.

Expected credit losses are measured either on a collective or an individual basis. Allowances for most impaired commercial loans are measured on an individual basis, as part of a continuous process. Allowances for all other loans are measured on a collective basis and assessed using groups of assets with similar risk characteristics. To establish collective allowances, the Bank uses credit risks models based on the internal risk rating of credit facilities. The key parameters driving these models are:

- Probability of default (PD): An estimated percentage that represents the likelihood of default within a given time period of an obligor for a specific rating grade or for a specific pool of exposure.
- Exposure at default (EAD): An amount expected to be owed by an obligor at the time of default.
- Loss given default (LGD): An estimated percentage of EAD that is not expected to be recovered during the collections and recovery process.

Forward-looking macroeconomic factors such as gross domestic product (GDP), unemployment rates, housing price indices and S&P/TSX index forecasts are also considered for these risk parameters.

Each credit facility is assigned an LGD rate that is largely driven by factors that impact the extent of losses anticipated in the event the obligor defaults. These factors mainly include seniority of debt, collateral security, and the industry sector in which the obligor operates. Estimated LGD rates draw primarily on internal loss experience, supplemented by external data. EAD is estimated based on the current exposure to the obligor and the possible future changes in that exposure driven by factors such as the nature of the credit commitment. Estimates of PD, LGD and EAD are validated by an independent validation team within the Bank, on a regular basis.

Diversification is one of the fundamental principles of risk management. To this effect, the Credit Policy establishes a framework to limit concentration of credit by counterparty and sector of activity, and identifies sectors considered too risky and thus outside the Bank's risk appetite. Concentration of credit risk may also exist where several counterparties engaged in similar activities are in the same geographic area or have comparable economic characteristics and where their ability to meet contractual obligations could be compromised by changing economic, political, or other conditions.

Derivative-related credit risk

Most of the Bank's credit concentration in derivatives lies with financial institutions, primarily Canadian banks. Credit risk in derivative transactions arises from a potential counterparty default on contractual obligations when one or more transactions have a positive replacement cost for the Bank. Replacement cost represents what it would cost to replace transactions at prevailing market conditions in the event of a default. The credit equivalent amount arising from a derivative transaction is defined as the sum of the replacement cost plus an estimated amount reflecting the potential change in market value of the transaction through to maturity.

Derivative-related credit risk is generally managed using the same credit approval, limit and monitoring standards as those used for managing other credit transactions. Moreover, the Bank negotiates derivative master netting agreements with all significant counterparties with which it contracts. These agreements reduce credit risk exposure in the event of a default by providing for the simultaneous netting of all transactions with a given counterparty. These contracts also allow the Bank to require the counterparty to pay, collateralize or guarantee the current market value of its positions when the value exceeds a given threshold. For all significant financial counterparties, the Bank actively manages these rights and requires collateral to be posted daily.

Wrong-way risk

Wrong-way risk is the risk that exposure to a counterparty or obligor is adversely correlated with the credit quality of that counterparty. There are two types of wrong-way risk:

- Specific wrong-way risk, which exists when our exposure to a specific counterparty is positively and highly correlated with the probability of default of the counterparty due to the nature of our transactions with them (e.g., loan collateralized by shares or debt issued by the counterparty or a related party); and
- General wrong-way risk, which exists when there is a positive correlation between the probability of default of counterparties and general macroeconomic or market factors. This typically occurs with derivatives (e.g., the size of the exposure increases) or with collateralized transactions (e.g., the value of the collateral declines).

Exposure to credit risk

The amount that best represents the Bank's exposure to credit risk as at October 31, 2024 and 2023 without factoring in any collateral held or other credit enhancements, represents the sum of financial assets in the Bank's consolidated balance sheet, plus credit commitments as set out below.

TABLE 19

EXPOSURE TO CREDIT RISK

In millions of dollars	2024		2023	
Financial assets, as stated in the consolidated balance sheet ⁽¹⁾	\$	46,432	\$	49,801
Credit commitments ⁽²⁾		3,773		4,110
	\$	50,205	\$	53,911

(1) Excluding equity securities.

(2) Excluding credit facilities revocable at the Bank's option totalling \$9.4 billion as at October 31, 2024 (\$8.2 billion as at October 31, 2023).

Loan portfolio mix

The Bank's loan portfolio consists of personal loans, residential mortgage loans and commercial loans, including customers' liabilities under acceptances. Personal loans and residential mortgage loans represented 53% of the Bank's total loan portfolio as at October 31, 2024, compared with 52% in 2023. The personal loan portfolio includes a range of consumer credit products such as investment loans, home-equity lines of credit (HELOCs), credit cards, personal lines of credit and other consumer loans. The residential mortgage loan portfolio includes retail mortgage loans secured by one- to four-unit dwellings. Commercial loans accounted for 47% of total loans as at October 31, 2024, compared with 48% in 2023. The commercial loan portfolio comprises commercial loans in specific markets, such as real estate lending, equipment financing and inventory financing, where the Bank can efficiently compete across Canada, as well as in the U.S.

Industry distribution of commercial loans

The commercial loan portfolio covers a wide range of industries, with no specific industry accounting for more than 17% of total loans and acceptances as at October 31, 2024 (17% as at October 31, 2023), demonstrating good diversification and risk management.

TABLE 20
DISTRIBUTION OF LOANS BY CREDIT PORTFOLIO AND INDUSTRY

In thousands of dollars	2024				
	Gross amount of loans	Gross amount of impaired loans	Allowances on impaired loans (Stage 3)	Net impaired loans ⁽¹⁾	Provision for credit losses ⁽²⁾
Personal	\$ 2,106,426	\$ 9,848	\$ 3,259	\$ 6,589	\$ 2,382
Residential mortgage	16,537,917	50,566	3,211	47,355	4,075
Commercial					
Real estate, renting and lease	6,041,901	122,338	11,321	111,017	(8,952)
Wholesale and retail	4,074,354	114,494	22,121	92,373	13,765
Construction ⁽³⁾	3,577,500	26,556	5,416	21,140	27,144
Transportation and communication	1,189,534	23,685	8,444	15,241	10,764
Other services and government	769,248	3,630	343	3,287	(3,132)
Financial services	432,403	12,723	10,033	2,690	7,956
Manufacturing	185,614	9,219	4,429	4,790	69
Public utilities	151,059	5,196	804	4,392	528
Transformation and natural resources	103,766	304	127	177	52
Agriculture	52,448	263	80	183	7,339
Other	36,360	—	—	—	(438)
	16,614,187	318,408	63,118	255,290	55,095
Total	\$ 35,258,530	\$ 378,822	\$ 69,588	\$ 309,234	\$ 61,552
					2023
	Gross amount of loans	Gross amount of impaired loans	Allowances on impaired loans (Stage 3)	Net impaired loans ⁽¹⁾	Provision for credit losses ⁽²⁾
Personal	\$ 2,571,747	\$ 18,906	\$ 7,063	\$ 11,843	\$ 15,610
Residential mortgage	16,708,809	41,896	2,072	39,824	2,270
Commercial					
Real estate, renting and lease	6,417,128	51,933	8,789	43,144	20,476
Wholesale and retail	4,445,751	80,457	21,754	58,703	13,461
Construction ⁽³⁾	3,900,115	3,590	2,171	1,419	7,878
Transportation and communication	1,099,736	8,383	2,733	5,650	6,340
Other services and government	825,553	14,622	12,319	2,303	(1,829)
Financial services	485,277	74	15	59	(79)
Manufacturing	252,390	1,580	1,320	260	871
Public utilities	164,878	5,608	303	5,305	152
Transformation and natural resources	104,121	472	92	380	43
Agriculture	51,511	127	25	102	108
Other	47,334	383	35	348	(3,694)
	17,793,794	167,229	49,556	117,673	43,727
Total	\$ 37,074,350	\$ 228,031	\$ 58,691	\$ 169,340	\$ 61,607

(1) Net impaired loans are calculated as gross impaired loans less allowances for credit losses on impaired loans.

(2) Recorded in the consolidated statement of income.

(3) Including loans to developers of revenue-generating properties.

Geographic distribution of loans

The Bank operates across Canada and in the U.S. As at October 31, 2024, the geographic distribution of total loans was as follows: 8% in British Columbia and Territories, 10% in Alberta and the Prairies, 32% in Ontario, 36% in Quebec, 3% in the Atlantic provinces and 11% in the United States.

TABLE 21
GEOGRAPHIC DISTRIBUTION OF LOANS BY CREDIT PORTFOLIO

In thousands of dollars, except percentage amounts

	2024				
	Personal loans	Residential mortgage loans	Commercial loans	Gross amount of loans	Gross amount of loans (in %)
British Columbia and Territories	\$ 349,362	\$ 1,717,804	\$ 580,223	\$ 2,647,389	7.5 %
Alberta and Prairies	189,227	2,548,968	943,210	3,681,405	10.4
Ontario	780,392	6,220,964	4,247,502	11,248,858	31.9
Quebec	736,724	5,240,628	6,687,765	12,665,118	35.9
Atlantic provinces	50,721	809,553	218,091	1,078,365	3.1
United States	—	—	3,937,396	3,937,396	11.2
	\$ 2,106,426	\$ 16,537,917	\$ 16,614,187	\$ 35,258,530	100.0 %

	2023				
	Personal loans	Residential mortgage loans	Commercial loans	Gross amount of loans	Gross amount of loans (in %)
British Columbia and Territories	\$ 416,629	\$ 1,747,412	\$ 698,741	\$ 2,862,782	7.7 %
Alberta and Prairies	227,391	2,453,194	965,201	3,645,786	9.8
Ontario	908,168	6,202,972	4,368,795	11,479,935	31.0
Quebec	958,183	5,542,304	7,535,292	14,035,779	37.9
Atlantic provinces	61,377	762,926	456,827	1,281,130	3.4
United States	—	—	3,768,938	3,768,938	10.2
	\$ 2,571,747	\$ 16,708,809	\$ 17,793,794	\$ 37,074,350	100.0 %

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 October 31, 2024 and are further described in Note 6 to the 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

Total provision for credit losses was \$61.6 million for the year ended October 31, 2024, a stable level compared with the year ended October 31, 2023.

The provision for credit losses on performing loans was a release of \$22.4 million for the year ended October 31, 2024, compared with a provision of \$9.0 million for the year ended October 31, 2023. This mainly reflects releases of provisions on personal and commercial loans due credit migration and volume reduction.

The provision for credit losses on impaired loans was \$83.9 million for the year ended October 31, 2024 and increased by \$31.3 million compared with the year ended October 31, 2023, mainly due to higher provisions in the commercial loan portfolio due to credit migration, partly offset by lower provisions in the personal loan portfolio.

TABLE 22
PROVISION FOR CREDIT LOSSES

In thousands of dollars, except percentage amounts	2024	2023
Personal loans		
Performing (Stage 1 and 2)	\$ (11,017)	\$ (8,979)
Impaired (Stage 3)	13,399	24,589
	2,382	15,610
Residential mortgage loans		
Performing (Stage 1 and 2)	912	528
Impaired (Stage 3)	3,163	1,742
	4,075	2,270
Commercial loans⁽¹⁾		
Performing (Stage 1 and 2)	(12,253)	17,462
Impaired (Stage 3)	67,348	26,265
	55,095	43,727
Total loans		
Performing (Stage 1 and 2)	(22,358)	9,011
Impaired (Stage 3)	83,910	52,596
Provision for credit losses	\$ 61,552	\$ 61,607
As a % of average loans and acceptances	0.17 %	0.17 %

(1) Including customers' liabilities under acceptances.

Allowances for credit losses

Allowances for loan losses amounted to \$189.4 million as at October 31, 2024, a decrease of \$16.6 million compared with October 31, 2023. Allowances for loan losses on performing loans amounted to \$119.8 million as at October 31, 2024, down \$27.5 million compared with October 31, 2023, mainly as a result of lower allowances on commercial loans and personal loans due to volume reduction and credit migration. Allowances for loan losses on impaired loans of \$69.6 million increased by \$10.9 million compared with October 31, 2023, mainly due to higher provisions on commercial loans due to credit migration, partly offset by write-offs.

TABLE 23
ALLOWANCES FOR CREDIT LOSSES (ACL)

In thousands of dollars	2024	2023
Allowances for loan losses		
Personal	\$ 31,233	\$ 45,954
Residential mortgages	17,733	15,556
Commercial	140,411	144,447
Total allowances for loan losses	189,377	205,957
Allowances for off-balance sheet exposures losses	14,410	8,844
Total allowances for credit losses	\$ 203,787	\$ 214,801
Allowances for loan losses on performing loans (Stage 1 and 2)	\$ 119,789	\$ 147,266
Allowances for loan losses on impaired loans (Stage 3)	69,588	58,691
Total allowances for loan losses	\$ 189,377	\$ 205,957

Impaired loans

The Bank's definition of impairment follows its definition of debtor default. Debtor default occurs in the context of one or both of the following events:

- The Bank considers the obligor unlikely to pay their credit obligations to the banking group in full, without recourse to actions such as realizing a security (if held);
- The obligor is more than 90 days past due on any credit obligation to the banking group. Overdrafts are considered past due once the client has breached the authorized limit or been advised of a limit lower than current outstanding.

Gross impaired loans amounted to \$378.8 million as at October 31, 2024, up \$150.8 million compared with October 31, 2023, mainly due to an increase in impaired commercial loans due to credit migration. See Note 6 to the Consolidated Financial Statements for additional information.

TABLE 24
IMPAIRED LOANS

In thousands of dollars, except percentage amounts	2024	2023
Gross impaired loans (GIL)		
Personal	\$ 9,848	\$ 18,906
Residential mortgages	50,566	41,896
Commercial	318,408	167,229
	\$ 378,822	\$ 228,031
Allowances for loan losses on impaired loans (Stage 3)		
Personal	\$ (3,259)	\$ (7,063)
Residential mortgages	(3,211)	(2,072)
Commercial	(63,118)	(49,556)
	\$ (69,588)	\$ (58,691)
Net impaired loans		
Personal	\$ 6,589	\$ 11,843
Residential mortgages	47,355	39,824
Commercial	255,290	117,673
	\$ 309,234	\$ 169,340
Impaired loans as a % of loans and acceptances		
Gross	1.07 %	0.62 %
Net	0.88 %	0.46 %

TABLE 25
GEOGRAPHIC DISTRIBUTION OF IMPAIRED LOANS BY CREDIT PORTFOLIO

In thousands of dollars, except percentage amounts	2024				
	Personal loans	Residential mortgage loans	Commercial loans	Gross amount of impaired loans	Gross amount of impaired loans (in %)
British Columbia and Territories	\$ 940	\$ 2,418	\$ —	\$ 3,358	0.9 %
Alberta and Prairies	266	7,233	—	7,499	2.0
Ontario	2,700	17,573	85,680	105,953	28.0
Quebec	5,814	21,199	132,790	159,803	42.2
Atlantic provinces	128	2,143	—	2,271	0.6
United States	—	—	99,938	99,938	26.4
	\$ 9,848	\$ 50,566	\$ 318,408	\$ 378,822	100.0 %
					2023
	Personal loans	Residential mortgage loans	Commercial loans	Gross amount of impaired loans	Gross amount of impaired loans (in %)
British Columbia and Territories	\$ 1,719	\$ 1,122	\$ 10	\$ 2,852	1.3 %
Alberta and Prairies	1,716	4,078	—	5,794	2.5
Ontario	6,777	6,964	9,877	23,618	10.4
Quebec	7,921	29,032	90,454	127,407	55.9
Atlantic provinces	773	699	—	1,472	0.6
United States	—	—	66,888	66,888	29.3
	\$ 18,906	\$ 41,896	\$ 167,229	\$ 228,031	100.0 %

Insurance and guarantees held in respect of loan portfolios

A significant proportion of the Bank's residential mortgage loan portfolio is insured by the CMHC, or by Sagen and Canada Guaranty Mortgage Insurance Company (the Mortgage Insurers). In addition, the Bank's loan portfolios are to a large extent, secured by assets pledged as collateral by borrowers or, for finance lease receivables, directly owned by the Bank.

Mortgage Insurers offer mortgage loan insurance programs which reduce the overall credit risk associated with the residential mortgage loan portfolio. The Bank also insures pools of mortgage loans through a specific CMHC insurance program. Moreover, by maintaining insured residential mortgage loans, the Bank retains its capacity to engage in securitization operations to finance its activities at optimal cost and manage its cash resources. By the end of fiscal 2024, 60% of residential mortgage loans secured by one- to four-unit dwellings were insured, compared to 59% a year ago. The Bank also holds guarantees in respect of the real estate property for the other conventional mortgage loans, including HELOCs. In accordance with legal requirements, the non-amortizing HELOC component of a residential mortgage is limited to a maximum authorized loan-to-value ratio of 65%. Additional mortgage credit (beyond the loan-to-value ratio limit of 65% for HELOCs) can be extended to a borrower. However, the loan portion over the 65% loan-to-value ratio threshold must be amortized. The total loan value of the Bank's conventional mortgage loans never exceeds 80% of the initially estimated value of the property, in accordance with legal requirements.

As at October 31, 2024, the estimated average loan-to-value ratio was 62% for insured residential mortgage loans and 49% for uninsured residential mortgage loans, including the authorized limit for related HELOCs.

In accordance with the Bank's credit risk management policies, the residential mortgage and HELOC portfolios are regularly reviewed to ensure that the level of risk associated with these portfolios remains in line with the Bank's risk appetite and its strategic objectives. As part of this oversight, the portfolios are stressed to reflect the effects of a potential economic downturn creating a decline in property values. Due to the large portion of insured loans and the relatively low loan-to-value ratio of uninsured mortgage loans, the Bank believes that loan losses under such a scenario would remain largely manageable.

Commercial lending is generally collateralized, secured by a range of assets such as real estate, equipment, inventories, receivables and the cash flows they generate. Within Commercial lending, Commercial Real Estate financing comprises construction and term lending on both a conventional (uninsured) loan and insured loan basis (residential property types) and is secured by real property such as residential multi-family (condos, rental), and other asset classes. Recourse to shareholders or other parties is generally on hand. In general, the value of these loans represents 60% to 75% of the initial estimated completed value of the property (depending on asset class) for conventional loans, with higher loan to value for insured loans as permitted under the insurer's undertaking to insure; in the case of construction financing this is represented by the stabilized or "as-completed" value.

The Bank's personal loan portfolio consists mainly of investment loans. The loan underwriting process for those specifically takes into consideration client's credit risk. Authorizations are based on clients' loan servicing ability and overall financial strength, mainly based on credit scoring. In addition, loans are collateralized by a comprehensive list of eligible mutual and segregated funds. Stricter credit criteria must be met as loan-to-value ratios increase. For loans where disbursements are significant, additional personal income and net worth information are usually required.

Loan underwriting for HELOCs allows for the assessment of client credit risk. In addition, real estate assets and other assets collateralize these loans.

Guarantees held on other financial instruments

When entering activities such as reverse repurchase agreements and derivative transactions, the Bank requires counterparties to pledge collateral that will protect the Bank from losses in the event of a counterparty's default. Collateral transactions are conducted under terms that are usual and customary in standard trading activities. The following are examples of general terms and conditions on collateral assets that the Bank may sell, pledge or repledge:

- The risks and rewards of the pledged assets reside with the pledger;
- The pledged asset is returned to the pledger when the necessary conditions have been satisfied;
- The right of the pledgee to sell or repledge the asset is dependent on the specific agreement under which the collateral is pledged; and
- If there is no default, the pledgee must return the comparable asset to the pledger upon satisfaction of the obligation.

As at October 31, 2024, the approximate market value of collateral pledged to the Bank related to assets purchased under reverse repurchase agreements was \$8.2 billion (\$7.3 billion as at October 31, 2023).

As at October 31, 2024, the approximate market value of collateral pledged to the Bank related to derivatives was \$107.9 million (\$421.3 million as at October 31, 2023).

MARKET RISK MANAGEMENT

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.

Interest rate risk is created by the potential adverse impact of interest rate movements. The section covering ALM activities describes the global management of interest rate risk. Structural interest rate risk arises mainly from the differences in maturity dates or repricing dates of balance sheet and off-balance sheet items, as well as from the options embedded in certain banking products, such as loan repayment and deposit redemption clauses.

Foreign exchange risk is the risk of losses from adverse fluctuations in currency exchange rates. Assets, liabilities and off-balance sheet items that are denominated in foreign currencies have foreign exchange risk.

Equity price risk represents financial losses that the Bank may incur subsequent to adverse fluctuations in equity prices or stock market instability in general, as well as from options embedded in certain banking products, such as equity-linked GICs.

Market risk governance: policies and standards

The primary objective of effective market risk management is to measure significant market risks and ensure that these risks stay within the Bank's accepted risk tolerance thresholds. The Bank has thus adopted policies and limits to oversee exposure to market risks arising from its trading, investment and ALM activities and related management practices. The policies and limits establish the Bank's management practices pertaining to various risks associated with its capital markets and treasury activities. These policies and limits are approved by the Executive Committee and the Risk Management Committee of the Board at least annually, to ensure their alignment to principles, objectives and management strategies.

Detailed risk level and limit monitoring reports are produced regularly and are presented as follows:

- Daily for investment portfolios, to Corporate Risk Management and portfolio managers;
- Weekly for structural interest rate risk, to Corporate Risk Management, Corporate Treasury managers and Executive Committee;
- Monthly for structural foreign-exchange risk, to Corporate Risk Management, Corporate Treasury managers and Executive Committee; and,
- Quarterly, to the Executive Committee and the Risk Management Committee of the Board.

Market risk assessment and management

Market risk assessment is based on the key risk drivers in the business and can include, per the complexity and nature of its activities:

- Limits on notional amount;
- Expected shortfall; and
- Stress testing and other sensitivity measures.

Limits on notional amount

The Bank sets limits that are consistent with its business plan and its risk appetite for market risk. In setting limits, the Bank considers market volatility, market liquidity, organizational experience and business strategies. Limits are set at the aggregate Bank level and then are apportioned to the different lines of business and at the portfolio level and are monitored daily.

Expected shortfall

The Bank's reference market risk measure is the expected shortfall. The expected shortfall represents the average trading loss beyond a 97.5% confidence interval. While statistically equivalent to a 99% Value at Risk (VaR) under a normal distribution, the expected shortfall puts more emphasis on tail risk than the VaR measure. For an historical expected shortfall with 300 scenarios, this represents the average of the seven worst days of trading for the Bank. Expected shortfall is calculated daily for all financial market activities. These calculations are conducted for each specific business unit and each risk factor, as well as for the entire trading portfolio. The theoretical change in profits and losses is generated using the daily price movements, and on the assumption, that there is no change in the composition of the trading portfolio.

Stress testing and other sensitivity measures

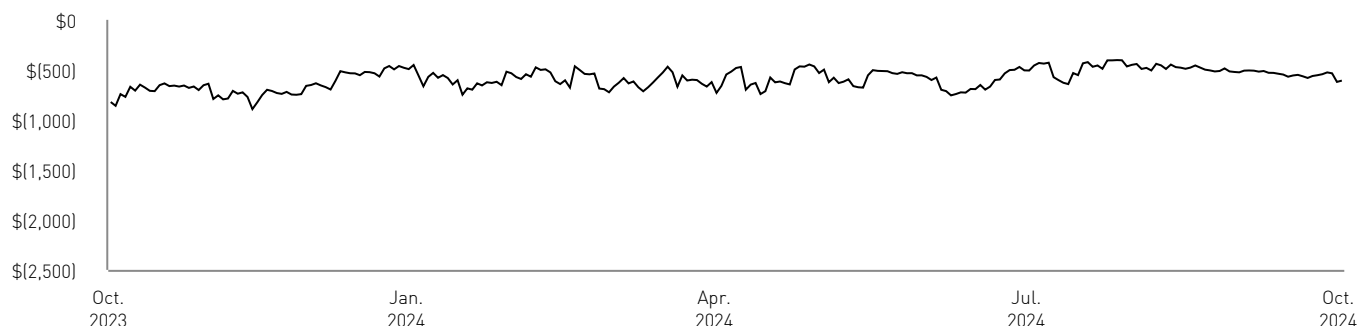
Parallel to expected shortfall calculations, the impact of stress tests on profits and losses is assessed for the trading and investment portfolios and the ensuing results are used to assess the impact of exceptional but plausible market situations. Stress tests constitute a complementary risk measure to expected shortfall and are designed to provide an estimate of the worst losses the Bank could incur under multiple scenarios. The Bank's stress testing program combines historical and hypothetical scenarios to simulate the impact of significant changes in risk factors on the portfolios' market value. The Bank also produces daily sensitivity measurements, including measurements of volatility and parallel yield curve shifts on specific business units and the Capital Markets group.

Trading activities

Trading activities are aligned with the needs of the Bank and its customers. The market risk associated with trading activities ensues from activities for which the Bank acts as the principal or agent for its customers. The graph below presents the daily total expected shortfall of the trading portfolio for the 2024 fiscal year.

DAILY TRADING EXPECTED SHORTFALL

For the year ended October 31, 2024 (in thousands of dollars)



Asset and liability management 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).

IRRBB management requires monitoring of three distinct portfolio groups:

- Banking activities, which are affected by customer choices, product availability and term-dependent pricing strategies;
- Investment activities, comprising marketable securities and institutional funding and ;
- A hedging portfolio that helps the Bank maintain overall interest rate risk within strict internal limits.

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.

To attain this objective, various treasury and derivative instruments, mainly interest rate swaps, are used to modify the interest rate characteristics of the instruments underlying the Bank's balance sheet and specifically manage mismatches between asset and liability repricing dates, expected cash flows and reference rates. The risk inherent in options embedded in loan and deposit products such as loan prepayment rates, term deposit redemption rates, expected funding ratios on mortgage rate commitments and non-maturity product behaviour are also considered. These product behaviours are modelled considering historical observations and product pricing through a formal process.

To ensure sound management of IRRBB, duration and repricing gap reports are produced weekly. Interest rate simulations are also performed to assess the impact of various interest rate variation scenarios on NII and on EVE. Other dynamic simulations are performed on a regular basis to assess the impact of market rate scenarios on NII and EVE. The simulations includes maturities, renewals, and new originations, and various behavioural assumptions, including the prepayment of mortgages.

Governance

IRRBB is globally managed by the Bank's Corporate Treasury. The Asset-Liability Management Committee (ALCO) and the Executive Committee provide ongoing governance of IRRBB measurement and management through risk policies, limits, operating standards and other controls in accordance with the Treasury and Capital Market Risks Policy. This policy, which is approved by the Risk Management Committee of the Board, defines limits relative to the measurement of the economic value of shareholders' equity and net interest income risks.

Risk limits are based on measures calculated by simulating the impact of immediate and sustained parallel movements of 100 bps in rates for all maturities. NII risk measures the impact on NII from interest rate movements over the next 12 months. EVE risk measures the net impact on the present value of balance sheet and off-balance sheet assets and liabilities.

IRRBB exposures are reviewed regularly by the ALCO, which is responsible for monitoring the Bank's positioning regarding anticipated interest rate movements. In addition, risk monitoring reports are presented regularly to the Corporate Risk Committee and the Risk Management Committee of the Board. All behavioural models used to measure IRRBB are updated periodically and are subject to independent oversight and validation by the Integrated Risk Management team and to ALCO's approval.

Sensitivity analysis

The following table shows the potential impact on the Bank's 12-month NII and EVE of a sudden parallel and sustained 100 bps increase and decrease in interest rates, as shown in. The sensitivities shown below represent the Bank's assessment of the change to a hypothetical base case NII, assuming a static balance sheet and no management actions.

TABLE 26

SENSITIVITY ANALYSIS OF THE INTEREST RATE RISK OF THE BANKING BOOK

In thousands of dollars	2024		2023	
	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	\$ 809	\$ (35,519)	\$ (1,373)	\$ (36,617)
Decrease of 100 basis points	\$ 3,873	\$ 34,555	\$ 1,101	\$ 33,070

(1) Over the next 12 months.

(2) Net of income taxes.

Foreign exchange risk

Structural foreign exchange risk

Foreign exchange risk is monitored using notional limits and other sensitivity analysis for trading operations as described above. The Bank is exposed to foreign exchange risk mainly through its investment in a U.S. foreign operation. These exposures can have an impact on earnings, shareholders' equity and capital ratios. The Bank uses derivative financial instruments to minimize this impact. When the Canadian dollar fluctuates against the U.S. dollar, unrealized translation gains or losses on the net investment in foreign operations, net of related hedges, impact accumulated other comprehensive income in shareholders' equity. In addition, the Canadian dollar equivalent of risk-weighted assets denominated in U.S. dollars and capital deductions is impacted.

The Bank is also exposed to foreign exchange risk through foreign exchange positions related to commercial activities in its Canadian operations, as well as through positions held to support the supply of products and services in currencies other than the Canadian dollar and through trading operations. In the normal course of business, the Bank uses foreign exchange derivative financial instruments to hedge its exposure to structural foreign exchange risk.

For non-trading activities, as at October 31, 2024, assets and liabilities carried in Canadian entities and denominated in U.S. dollars amounted to \$653.7 million (\$731.6 million as at October 31, 2023) and \$351.1 million (\$317.4 million as at October 31, 2023) respectively. As at October 31, 2024, regarding these positions, the effect of a sudden 5% change in foreign exchange rates would have no significant impact on net income and shareholder's equity.

Currencies other than U.S. dollars are generally bought and sold solely to meet specific customer needs. Thus, the Bank has very limited exposure to these currencies. Assets and deposit liabilities in other foreign currencies were primarily denominated in British pounds and Euros and amounted to \$8.8 million and \$8.9 million respectively as at October 31, 2024 (\$10.1 million and \$9.6 million respectively as at October 31, 2023).

Trading activities

The Bank is also exposed to foreign exchange risk as a result of trading activities as discussed above, including with foreign exchange derivative financial instruments.

Equity price risk

The Bank's equity positions consist primarily of Canadian and U.S. publicly traded securities and, thus, portfolio sensitivity generally correlates to Canadian and U.S. stock market performance. A portion of the Bank's equity positions is used to hedge index-linked deposits. In addition, the Bank has equity exposures through its pension plans. As at October 31, 2024, a fluctuation in the stock markets of 10% would have had a \$5.8 million impact on the Bank's shareholders' equity (\$6.6 million as at October 31, 2023).

LIQUIDITY AND FUNDING RISK MANAGEMENT

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's overall liquidity risk is managed by Corporate Treasury with oversight by Corporate Risk Management and by the Asset-Liability Management Committee, and ultimately by the Risk Management Committee of the Board in accordance with the policies governing funding and liquidity and collateral management. The main purpose of these policies is to ensure that the Bank has sufficient liquidity resources to meet its current and future financial obligations, under both normal and stressed conditions.

The Bank's balance sheet is well diversified, both in terms of assets and funding sources. To maintain sound diversification, funding sources are subject to concentration limits developed and monitored by Corporate Risk Management. Those limits are established, taking into consideration, among other things, the volatility of the funding sources.

The stability of the funding sources is also taken into consideration when measuring liquidity requirements under the Bank's methodology. Run-off factors used in the liquidity stress tests are derived from the historical stability of the various funding sources. The monitoring process is conducted daily by Corporate Risk Management and is overseen by the Asset-Liability Management Committee and the Risk Committee of the Board of Directors.

As a complement to stress tests, the Bank has developed internal models to forecast potential outflows on non-maturing deposits, which are used in liquidity gap reports and funding plans. Behavioural and modeling assumptions are regularly reviewed by Corporate Treasury according to the model management cycle, validated by Corporate Risk Management and approved by the Asset-Liability Management Committee.

The Bank also conducts additional liquidity stress-test scenarios monthly. Outflows on non-maturing deposits and redeemable term deposits are stressed in different scenarios and over different time horizons to provide management with various views on the Bank's liquidity. Results are reported to the Asset-Liability Management Committee monthly.

The Bank's liquid assets held to satisfy liquidity requirements must be high quality securities that the Bank believes can be monetized quickly in stress conditions with minimum loss in market value. More than 83% of the Bank's high-quality liquid assets are invested in Level 1 assets as at October 31, 2024. These assets are Central Bank eligible and can be easily sold or given as collateral during a time of stress. A liquidity contingency plan is prepared and reviewed on a regular basis. It guides the Bank's actions and responses to potential liquidity crises.

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 year ended October 31, 2024.

Regulatory developments concerning liquidity

In January 2022, OSFI issued the final version of its Guideline for Small and Medium-Sized Banks (SMSB) Capital and Liquidity Requirements and of its Liquidity Adequacy Requirements (LAR) Guideline, as noted in the Regulatory capital developments section beginning on page 35 of this MD&A. These revised rules took effect in the second quarter of 2023 for the Bank and further strengthen liquidity requirements to protect depositors and creditors in case of adverse events.

Liquid assets

The Bank's liquid assets consist of cash and non-interest-bearing deposits with banks, interest-bearing deposits with banks, securities, as well as securities purchased under reverse repurchase agreements. They are mainly composed of high-quality liquid direct investments in or transactions secured by marketable securities issued or guaranteed by the Canadian government, provinces or municipal corporations. As at October 31, 2024, liquid assets as presented on the balance sheet totalled \$11.1 billion, a decrease of \$0.3 billion compared to the level held on October 31, 2023.

The level of liquidity reflects deposit gathering from multiple sources and funding from securitization activities used to finance the Bank's expected loan growth. Overall, the Bank continues to prudently manage the level of liquid assets and to hold sufficient cash resources from various sources to meet its current and future financial obligations, under both normal and stressed conditions. These liquid assets provide the Bank with flexibility to manage its loan and deposit portfolio maturities and commitments and to meet other current operating needs. Management of the liquid assets, both in terms of optimizing levels and mix, contributes significantly to the Bank's results.

Funding

The Bank's lending operations primarily rely on personal and business customers and on an access to wholesale financing from diversified sources. Personal deposits are sourced through multiple channels including the retail channel, 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 Risk Management Committee of the Board of Directors. This funding strategy is well aligned with regulatory requirements in the LAR Guideline, which recognizes that personal deposits are the most stable funding source.

Personal deposits

Personal deposits include notice, demand and term deposits sourced through the Bank's retail channel, through partnerships and through the advisors and brokers channel. A significant proportion of these deposits are insured by the Canada Deposit Insurance Corporation, up to \$100,000 per client, per regulated deposit-taking financial institution, which contributes to their stability. Deposits sourced through the advisors and brokers channel are mainly drawn from brokers affiliated with all major Canadian banks, as well as by a well-established network of independent financial advisors. As at October 31, 2024, 71% of personal deposits were term deposits.

Business, banks and other deposits

Deposits from businesses, banks and other contribute to the diversification of the Bank's funding sources and to the active management of its liquidity levels. They are sourced from an institutional clientele and the Bank's network of account managers serving commercial clients.

TABLE 27
DEPOSITS

In thousands of dollars, except percentage amounts	2024		2023	
Personal				
Notice and demand				
Retail	\$ 2,088,119	9.0 %	\$ 2,336,936	9.0 %
Partnerships	2,545,119	11.0	3,941,980	15.1
Advisors and brokers	1,097,846	4.7	1,113,712	4.3
	5,731,084	24.7	7,392,628	28.4
Term				
Retail	5,228,283	22.6	5,275,815	20.3
Advisors and brokers	8,754,510	37.8	9,625,597	37.0
	13,982,793	60.4	14,901,412	57.3
	19,713,877	85.1	22,294,040	85.7
Business, banks and other				
Notice and demand	1,212,957	5.2	1,188,934	4.6
Term				
Wholesale	1,656,673	7.2	1,916,336	7.4
Other	580,447	2.5	627,568	2.4
	2,237,120	9.7	2,543,904	9.8
	3,450,077	14.9	3,732,838	14.3
Total deposits	\$ 23,163,954	100.0 %	\$ 26,026,878	100.0 %

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 Morningstar DBRS (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 October 31, 2024, additional collateral that would be required in the event of a one-to-three-notch rating downgrade was not significant.

On December 15, 2023, DBRS downgraded the Bank's Long-Term Issuer Rating to BBB (high) from A (low). Concurrently, DBRS confirmed the Bank's Short-Term Issuer Rating at R-1 (low). The trend on all credit ratings was Negative.

On November 1, 2024, DBRS further downgraded the Bank's Long-Term Issuer Rating to BBB, and its Short-Term Issuer Rating to R-2 (High). The rating trend was also revised to Stable. Concurrently, DBRS downgraded the Bank's covered bonds from AAA to AA (High) as a result of the change in the Bank's Long-Term Issuer Rating.

On November 4, 2024, S&P confirmed no changes in both of the Bank's ratings and Outlook.

Table 28 presents the Bank's credit ratings as established by the rating agencies.

TABLE 28
CREDIT RATINGS
 As at November 27, 2024

	DBRS ⁽¹⁾	S&P ⁽²⁾
Long-term deposits and debt	BBB	BBB
Covered bonds	AA (high)	n/a
Short-term instruments	R-2 (high)	A-2
NVCC Subordinated debt	BB	BB+
NVCC Limited recourse capital notes	BB (low)	BB-
NVCC Preferred Shares	Pfd-4 (high)	BB-
Outlook	Stable	Negative

(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 obligations

In the normal course of its activities, the Bank enters into various types of contractual agreements. Its main obligations result from the issuance of debt instruments, including deposits written with individuals, businesses and other institutions. This financing, combined with the issuance of capital, is used primarily to finance loan and investment operations. Note 26 to the Consolidated Financial Statements provides further information on other contractual obligations.

The Bank is also exposed to liquidity risk when it provides credit commitments to clients. As at October 31, 2024, these commitments amounted to approximately \$3.8 billion (\$4.1 billion as at October 31, 2023), excluding credit facilities unconditionally revocable at the Bank's option.

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 October 31, 2024 and October 31, 2023. 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 29
CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

In thousands of dollars	Term								2024
	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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 73,554	\$ 73,554
Interest-bearing deposits with banks	1,170,693	20,000	40,000	—	—	—	—	133,421	1,364,114
Securities	521,410	224,486	346,709	285,723	552,202	1,894,590	2,220,153	54,361	6,099,634
Securities purchased under reverse repurchase agreements	2,614,925	953,565	—	—	—	—	—	—	3,568,490
Loans⁽¹⁾									
Personal loans	2,121	403	456	387	1,671	4,014	409	2,096,965	2,106,426
Residential mortgages	920,367	942,277	1,143,616	1,178,907	4,132,572	8,093,935	27,107	99,136	16,537,917
Commercial loans	2,625,948	1,070,166	1,135,154	889,185	2,649,841	2,904,579	1,097,350	4,241,964	16,614,187
Allowances for loan losses	—	—	—	—	—	—	—	(189,377)	(189,377)
	3,548,436	2,012,846	2,279,226	2,068,479	6,784,084	11,002,528	1,124,866	6,248,688	35,069,153
Others	477	321	354	445	486	753	—	1,223,509	1,226,345
Total assets	\$7,855,941	\$3,211,218	\$2,666,289	\$2,354,647	\$7,336,772	\$12,897,871	\$3,345,019	\$ 7,733,533	\$47,401,290
Liabilities and equity									
Deposits									
Personal deposits ⁽¹⁾	\$2,281,184	\$1,415,245	\$1,881,402	\$1,343,401	\$2,769,717	\$ 3,824,340	\$ 455,680	\$ 5,742,908	19,713,877
Business, banks and other deposits ⁽¹⁾	119,320	45,725	68,896	52,011	200,480	77,754	5,163	1,224,055	1,793,404
Wholesale deposits	375,223	352,377	5,377	390,328	25,000	—	—	—	1,148,305
Covered bonds	—	—	—	—	248,358	260,010	—	—	508,368
	2,775,727	1,813,347	1,955,675	1,785,740	3,243,555	4,162,104	460,843	6,966,963	23,163,954
Obligations related to securities sold short ⁽²⁾	85	94,286	47,986	71,489	151,741	616,720	1,277,230	1,404	2,260,941
Obligations related to securities sold under repurchase agreements	3,659,337	2,184	54	—	—	—	—	—	3,661,575
Other liabilities	3,675	3,655	3,589	3,553	27,118	23,838	48,493	1,549,165	1,663,086
Debt related to securitization activities⁽³⁾									
Subordinated debt	—	—	—	—	—	326,793	—	—	326,793
Shareholders' equity	—	—	—	—	—	—	—	2,828,484	2,828,484
Total liabilities and equity	\$7,068,642	\$2,270,625	\$2,930,616	\$2,482,159	\$6,569,578	\$11,619,912	\$3,113,742	\$11,346,016	\$47,401,290

(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.

In thousands of dollars	Term								Total
	0 to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specific maturity	
Assets									
Cash and non-interest-bearing deposits with banks	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 69,438	\$ 69,438
Interest-bearing deposits with banks	1,136,116	—	—	—	—	—	—	114,711	1,250,827
Securities	488,182	277,940	229,766	341,303	786,012	1,730,586	2,087,348	75,290	6,016,427
Securities purchased under reverse repurchase agreements	3,796,969	289,201	—	—	—	—	—	—	4,086,170
Loans⁽¹⁾									
Personal loans	18,568	15,440	2,778	1,188	1,719	5,821	395	2,525,838	2,571,747
Residential mortgages	535,069	646,605	819,217	834,109	3,777,361	9,943,506	54,156	98,786	16,708,809
Commercial loans	2,485,849	1,367,447	1,176,390	1,106,131	2,938,292	2,758,546	1,371,657	4,574,482	17,778,794
Customers' liabilities under acceptances	15,000	—	—	—	—	—	—	—	15,000
Allowances for loan losses	—	—	—	—	—	—	—	(205,957)	(205,957)
	3,054,486	2,029,492	1,998,385	1,941,428	6,717,372	12,707,873	1,426,208	6,993,149	36,868,393
Others⁽²⁾	4,551	295	459	230	430	373	—	1,595,145	1,601,483
Total assets	\$ 8,480,304	\$ 2,596,928	\$ 2,228,610	\$ 2,282,961	\$ 7,503,814	\$ 14,438,832	\$ 3,513,556	\$ 8,847,733	\$ 49,892,738
Liabilities and equity									
Deposits									
Personal deposits ⁽¹⁾	\$ 1,389,844	\$ 1,729,378	\$ 2,890,301	\$ 1,874,815	\$ 3,375,884	\$ 3,610,708	\$ 98,143	\$ 7,324,967	\$ 22,294,040
Business, banks and other deposits ⁽¹⁾	96,364	125,553	134,807	90,751	84,276	119,368	2,032	1,163,351	1,816,502
Wholesale deposits	267,893	23,000	351,808	46,380	679,036	—	—	—	1,368,117
Covered bonds	—	—	—	—	—	548,219	—	—	548,219
	1,754,101	1,877,931	3,376,916	2,011,946	4,139,196	4,278,295	100,175	8,488,318	26,026,878
Obligations related to securities sold short⁽³⁾	98,822	31,036	6,227	93,361	432,472	819,360	1,097,640	5,153	2,584,071
Obligations related to securities sold under repurchase agreements	3,118,708	—	—	—	—	—	—	—	3,118,708
Other liabilities	18,552	3,613	3,548	3,544	27,476	23,287	58,009	1,975,882	2,113,911
Debt related to securitization activities⁽⁴⁾	200,423	228,606	650,769	528,668	2,727,807	6,956,349	1,560,763	—	12,853,385
Subordinated debt	—	—	—	—	—	337,680	—	—	337,680
Shareholders' equity⁽²⁾	—	—	—	—	—	—	—	2,858,105	2,858,105
Total liabilities and equity	\$ 5,190,606	\$ 2,141,186	\$ 4,037,460	\$ 2,637,519	\$ 7,326,951	\$ 12,414,971	\$ 2,816,587	\$ 13,327,458	\$ 49,892,738

(1) Amounts collectible on demand are considered to have no specific maturity.

(2) Effective November 1, 2023, the Bank retrospectively adopted IFRS 17, *Insurance contracts*, which required restatement of the Bank's 2023 comparative information and financial measures. Refer to Note 2 in the Consolidated Financial Statements for further information.

(3) Amounts are disclosed according to the remaining contractual maturity of the underlying security.

(4) Personal loan securitization cash flows are based on a behavioural prepayment model.

OPERATIONAL RISK MANAGEMENT

Operational risk is defined as the result of an inadequacy or failure attributed to processes, people, systems or external events, excluding legal and regulatory compliance, strategic and reputational risks. Operational risk is inherent in all the Bank's activities and can lead to significant impacts on the business, including financial loss, reputational harm and/or regulatory sanctions. Although operational risk cannot be eliminated entirely, it can be managed in a thorough and transparent manner to keep it at an acceptable level. Given the large volume of transactions processed on a daily basis, and the complexity and speed of business operations, there is a possibility that certain operational or human errors may be repeated or compounded before they are discovered and rectified. The Operational Risk Management Framework determines how that risk is identified, evaluated and the decisions made to accept, mitigate or transfer the risk.

Operational risk is further broken down into the following categories:

- Fraud;
- Cyber Security and Protection;
- Human Resources Management and Workplace Health and Safety;
- Customer Products and Practices;
- Damage to Physical Assets and Business Continuity;
- Technology Operations;
- Execution, Delivery and Process Management;
- Data Management; and
- Third Parties.

The Operational Risk Management Framework and Policy describe the operational risk management program based on the “three lines of defence” model and specify the roles and responsibilities of the various stakeholders. As the first line of defence, the business units own the risks generated by their day-to-day activities and are accountable for their effective management. Operational Risk Management, as part of the second line of defence, establishes the operational risk management framework, provides independent oversight of risk-taking by the first line of defence and conducts an effective objective assessment of their risk profile. Internal Audit, as the third line of defence, examines the approach and effectiveness of the operational risk management program.

The Operational Risk Management Framework outlines how operational risk is managed. Key elements of this framework include:

- The *Operational risk appetite* is aligned to the overall risk appetite of the organization establishing boundaries of permitted risk taking.
- *Risk and control assessment* is performed by the various business units and aims to identify, assess and mitigate the key operational risks related to their sectors and their key processes.
- *Risk and control assessment related to initiative management* is performed to ensure that the key risks related to important initiatives are identified, assessed and effectively mitigated.
- *Internal and external risk events* provide useful information to assess the Bank’s overall operational risk exposure and to reduce the likelihood of future risk events. Business units are required to produce root cause analyses of major events to prevent their re-occurrence.
- *Key risk indicators* provide objective measurements that facilitate the monitoring and management of operational risks.
- *Scenario analysis* provides insight to the potential impact and our preparedness for low probability but severe impact risk events and insight into how they may be potentially mitigated.
- *Sound business continuity management* aims to ensure that key activities are maintained in the event of a disruption to reduce the negative impacts on our customers, counterparties and other stakeholders.
- *Supervision of the third party risk management* implements robust control mechanisms so that the use of a third party proving to be more efficient, competent or less expensive, does not create undue risk for the Bank.
- *Reporting of the operational risk profile* is performed on a quarterly basis incorporating all the operational risk tools into the assessment. These risk profiles are discussed and challenged via the various governance committees and ultimately consolidated to provide an enterprise view of operational risk.
- A *corporate insurance program* protects against unexpected material losses and is used to satisfy requirements under the law, regulations or contractual agreements.

LEGAL AND REGULATORY COMPLIANCE RISK MANAGEMENT

The success of the Bank’s business is dependent on our ability to manage our exposure to legal and regulatory compliance risk. The financial services industry is highly regulated and subject to strict enforcement of legal and regulatory requirements. Under the direction of the Chief Risk Officer, our Regulatory Compliance team maintain enterprise-wide policies that identify, assess, manage, monitor and report on regulatory issues. We identify applicable laws and regulations and potential risks, recommend mitigation strategies and actions.

We define Legal Risk as the potential for loss or harm arising from how requirements or contractual obligations apply to the Bank, including laws, regulations, rules, prescribed practices and fiduciary obligations. It does not include non-conformance with ethical standards. Failing to identify and manage Legal Risk may result in civil or criminal litigation, administrative penalties, supervisory findings, enforcement actions, financial loss, reputational damage, restricted business activities, increased regulatory supervision or intervention or the imprisonment or regulatory examination of employees, officers and directors.

We define Regulatory Compliance Risk as the potential of non-conformance with applicable obligations resulting from laws, statutes, regulations, rules, guidelines, directives of lawful authorities, other regulatory directives or requirements, related self-regulatory organization requirements, public commitments and voluntary codes which apply to the daily activities of the Bank. Failing to manage Regulatory Compliance Risk may result in civil or criminal litigation, administrative penalties, supervisory findings, enforcement actions, financial loss, reputation damage, restricted business activities, increased regulatory supervision or intervention or the imprisonment or regulatory examination of officers and directors. The Regulatory Compliance Management Policy describes the Bank's Regulatory Compliance Management Program (RCM), which includes the following elements:

- Identification of the regulatory requirements applicable to the Bank;
- Definition of key risk indicators to measure and monitor exposure to regulatory compliance risk;
- Regulatory Compliance risk assessments are performed by the various business units to assess compliance with applicable regulatory requirements;
- Development, documentation, application of risk mitigation measures and self-assessment of the effectiveness of controls to ensure compliance with regulatory requirements;
- Independent assessment of the effectiveness of controls performed by the Office of the Chief Compliance Officer;
- Identification and reporting of regulatory issues and situations of non-compliance as appropriate; and
- Reinforcement of controls and correction of regulatory issues and situations of non-compliance.

Regulatory Compliance Risk management includes among other things, regulatory requirements related to Anti-Money Laundering and Terrorist Activity Financing (AML), Sanctions, Anti-bribery/Anti-corruption and personal information protection, which are governed by specific policies. Risk management reports are submitted quarterly to the Corporate Risk Committee and the Governance & Compliance Committee of the Board.

The Regulatory Compliance Management Governance Committee, co-chaired by the Chief Compliance Officer and the Chief Anti-Money Laundering (AML) Officer, is responsible for the oversight and annual assessment of the Regulatory Compliance Management (RCM) Program and the Anti-Money Laundering and Terrorist Financing (AMLTF) Program. The effectiveness of the RCM Program, including the AMLTF Program, is assessed annually.

STRATEGIC RISK MANAGEMENT

We define Strategic Risk as the potential for loss or harm that arise from, or is caused by inadequate business plans, strategies or decision-making processes and the improper allocation and use of the Bank's resources. It also arises from the potential adverse effects of any changes in the economic, competitive, regulatory, tax or accounting environment on the Bank's results and/or the unintentional or negligent failure to respond appropriately to these changes as a result of inaction, ineffective strategies or poor implementation of strategies. Strategies include merger and acquisition activities.

The Executive Committee is responsible for managing the Bank's Strategic Risks. Each year, a strategic planning process is carried out to analyze strengths, weaknesses, opportunities, and threats to determine the profitability and risk profiles of the Bank. Under the leadership of the President and CEO, Éric Provost, the Bank's revamped strategic plan was unveiled on May 31, 2024. The Bank's overall strategy is established by the Executive Committee and submitted to the Board of Directors for approval.

The Executive Committee is responsible for the execution of the Bank's strategic plan and monitoring the Bank's ability to meet its objectives and its strategic vision for growth and modernization, while protecting profitability.

REPUTATIONAL RISK MANAGEMENT

We define Reputational Risk as the risk that perceptions of stakeholders, whether true or not, regarding the Bank's business practices, actions or inactions will negatively impact the Bank's image, value, goodwill, brand, revenues, operations, liquidity, or client base, or require costly litigation or other measures to remediate.

Reputational Risk most often results from, or exists in parallel with the inadequate management of other risks, and may affect almost every activity of undertaken by a financial institution, even when operations are, from a technical point of view, in compliance with legal, accounting and regulatory requirements. The Bank's reputation is a valuable business asset that is essential to its continued growth and shareholder value and therefore, is constantly at monitored for potential risk.

The Corporate Risk Committee controls and supervises reputational risk management through the application of a Reputational Risk Policy. This policy is an integral part of the Risk Management Framework. Throughout the execution of the Bank's strategies, officers, administrators, managers and every employee are responsible for ensuring the Bank's reputation remains adequate. The Code of Conduct and other policies also enable the adequate management of potential threats that could have a direct or indirect impact on the Bank's reputation.

MODEL RISK MANAGEMENT

The Bank employs various models to guide business decisions, manage risk, and allocate capital. A model is a methodology, system and/or approach that applies theoretical and expert judgmental assumptions and statistical techniques to process input data to generate

quantitative estimates. Model risk refers to the potential for loss or adverse outcomes when models or estimation methods fail to perform as expected, fail to capture risk accurately, or are used inappropriately. This risk can result in financial losses, reputational damage, or misguided strategic decisions. The Bank's Model Risk Management Policy provides a structured framework for identifying, assessing, managing, and mitigating the risks associated with model usage. Bank's Models are regularly updated by model developers to reflect current trends. In addition, models undergo validation by an independent group, separate from the model developers and business units, ensuring their accuracy and reliability.

OTHER RISKS THAT MAY AFFECT FUTURE RESULTS

In addition to the major business risks described above, there are other risks, many of which are beyond the Bank's control and the effects of which can be difficult to predict or measure, that could cause the Bank's actual results to differ significantly from its plans, objectives and estimates.

The following section presents a summary of the other risks that may affect results.

General economic and business conditions

The Bank operates and serves customers and clients in Canada and the U.S. The Bank's financial performance is significantly affected by the general economic and business conditions in these countries, and such conditions could have an adverse impact on the Bank's results, business, financial condition, or liquidity, and could result in changes to the way the Bank operates. Economic factors, including, the current stance and future path of monetary and fiscal policies, exchange rates variations, CPI inflation, labour market conditions, real estate market conditions, household indebtedness, corporate and business indebtedness, and government borrowing, savings and spending behaviours may have an effect on overall revenue and earnings. Furthermore, economic downturn, negative or slow growth, recession, and financial market developments, including, market liquidity and fluctuations in interest rates may influence revenue and earnings. An economic downturn can make it more difficult to meet business objectives. Also, non-economic domestic and global factors can have an indirect impact on broad economic and financial conditions, in countries in which the Bank operates. These include the climate transition, natural disasters, geopolitical events, civil unrest, infectious diseases and trade protectionism.

Geopolitical risks

Government policy, international trade, supply chain, war and armed conflict (including, the current wars in Ukraine and Israel), social unrest, terrorism, international and regional hostilities and tensions and responses to such hostilities and tensions, and political uncertainties across the world may, directly and indirectly, impact market and economic stability in the countries where the Bank operates, and the industries and markets in which the Bank conducts business. In addition, protectionist measures adopted by some countries that directly or indirectly affect Canada and the U.S.

Reliance on technology and third parties

The Bank recognizes the added value of using third parties to provide access to leading applications, cloud platforms, innovative products and specialized support to carry our strategy. This has led the Bank to rely on third parties as part of its technological, cloud and operational infrastructures for critical services. An interruption in the availability of any one of these services, regardless of its downtime, can have an adverse impact on the Bank's ability to operate in the normal course of business. Such an interruption can also adversely impact the Bank's service quality and reputation, and our employees and their ability to continue working in-office or remotely.

To mitigate against related risks, the Bank's risk management framework includes, a number of preventive measures, such as requirements to have third parties and their products and services vetted and validated in accordance with the Bank's risk management procedures before agreements are executed and monitored after they are on-boarded. Despite the Bank's efforts to manage and mitigate third party risks, there remains the possibility that certain risks will materialize that may be beyond the Bank's control or ability to manage, effectively, timely, or otherwise.

Technology, information systems and cybersecurity

Technology, which is now omnipresent in daily lives, is at the heart of banking services and has become the main driver of innovation in the financial sector and how banking services are now delivered. As such, the security, networks, systems, and performance of the Bank's information and technology infrastructure are critical to the Bank's operations, ensuring the integrity of its systems and records and for maintaining the confidence of the Bank's clients and other stakeholders.

Due to the nature of the Bank's operations, its reliance on technology to conduct day-to-day activities, and its evolving technological infrastructure, the Bank is and remains subject to increased and evolving threats in the form of cyber-attacks, such as ransomware, data exfiltration, malicious attacks, phishing, compromised assets, malicious insiders and possible denial of service attacks. Threats are not only increasing in volume but in their sophistication as adversaries and threat actors use ever evolving technologies and attack methodologies. The Bank's use of and reliance on third-party service providers, which are also subject to these attacks and compromises, increases the Bank's risk of a potential attack, breach or disruption as it does not have direct control over their systems, control environment, and business continuity plans.

Processes are in place to protect the Bank's network and operations from cyber incidents and emerging cyber threats and oversee key third-party service providers control environment. The Bank continues to make strategic investments to maintain its cyber defences in accordance with industry accepted standards and practices. Nonetheless, the Bank is exposed to risks related to cybersecurity and the increasing sophistication of cyber-attacks. Losses in connection with these evolving risks include those relating to reputational damage, the misappropriation or unauthorized release of confidential, financial or personal information, corporate espionage, loss of business

opportunities, damage to computer systems and those of our customers and counterparties, violations of privacy laws, as well as disruption to operations. Furthermore, such attacks may result in client attrition, regulatory sanctions or penalties, litigation, compliance costs, remediation costs, loss of revenue, additional regulatory scrutiny, litigation and reputational damage

Technological disruption, competition and strategic plan

The increasing pace of technological innovation continues to impact the financial services industry and its customers. Non-financial institutions continue to offer banking products and services in competition with traditional banks in certain segments of banking, including, retail payments, consumer and commercial lending, foreign exchange and investment advisory services using new technologies, artificial intelligence, advanced data and analytical tools. Such non-traditional service providers may operate with less stringent regulatory requirements and oversight and without the costs associated with brick-and-mortar businesses. Failure to keep pace with these competitors and the competition they enable could impact short-term and long-term revenues and earnings over time, if customers choose the products and services they offer. Increased competition from non-traditional service providers, both incumbent and new entrants, requires the Bank to make additional short-term and long-term investment in order to meet clients' changing expectations, acquire and retain customers, streamline operations and to remain competitive, which may increase expenses. In addition, the Bank's pricing of products and services may be impacted and may cause it to lose revenue and/or market share. The capacity of the Bank to manage these risks or to innovate and develop technology or keep pace with evolving technologies can affect prospective results. Furthermore, failure to properly review critical changes within the business before and during the implementation and deployment of key technological systems or failure to align client expectations with the Bank's client commitments and operating capabilities could adversely affect the Bank's operating results or financial position.

The Bank continues to launch various initiatives with the objective of building a stronger foundation and modernizing the Bank in order to improve financial performance. There can be no assurance that these initiatives will succeed in whole or in part. Implementation of these initiatives present various managerial, organizational, administrative, operational and other challenges, and the Bank's organizational, administrative and operational systems may require adjustments. If the Bank is unable to successfully execute on any or all of the initiatives, the Bank's revenues, operating results, and profitability may be adversely affected. Even if the Bank successfully implements its initiatives, there can be no guarantee that it will achieve its intended objectives of improved revenues, operating results and/or profitability. A renewed strategic direction may also be required to achieve such objectives.

The Bank is delivering personalized banking experiences for its customers, through mobile technologies. The Bank is continuously looking at emerging business trends that may further improve banking experiences. In this regard, the Bank is considering various options, including making strategic investments to keep pace with market and emerging trends, exploring partnership opportunities, and experimenting with emerging technologies and processes, internally. However, there can be no guarantee that such initiatives will be successful or will achieve the desired results.

Accounting policies, estimates and developments

The Bank's accounting policies and estimates are important to understanding its Consolidated Financial Statements. Some accounting policies require management to apply judgment to make particularly significant estimates that, by their very nature require complex judgments and estimates and relate to matters that are inherently uncertain. Changes in these estimates could materially affect the Bank's Consolidated Financial Statements. In addition, changes in accounting standards, including their effect on the Bank's accounting policies, estimates and judgments may affect the Bank's Consolidated Financial Statements when a new standard becomes applicable. Procedures have been established to ensure accounting policies are applied consistently and the process for adopting new accounting standards is well controlled. Please refer to the sections "Critical Accounting Policies and Estimates" and "Future Changes to Accounting Policies" for further details.

Legal and Regulatory Compliance

The Bank operates in a complex legal and regulatory environment and the Bank is from time to time subject to a variety of legal proceedings, including civil claims and lawsuits, criminal charges, regulatory examinations, investigations, audits and requests for information by various governmental regulatory agencies and law enforcement authorities in various jurisdictions.

The Bank's Legal Affairs & Regulatory Compliance teams ensure that the Bank complies with applicable laws, regulations, rules and prescribed practices, and its contractual and fiduciary obligations. However, it remains possible that the Bank may receive an adverse judicial, administrative or regulatory judgment or decision that results in fines, administrative monetary penalties, damages, penalties, or other costs or injunctions, criminal convictions, or loss of licenses or registrations that would damage the Bank's reputation, and negatively impact its earnings and ability to conduct some of its businesses. In addition, the Bank is subject to litigation risk arising from the ordinary course of its business and as such the adverse resolution of any litigation could have a significant adverse effect on its results or could give rise to significant reputational damage, which in turn could impact its future business prospects. Although the Bank establishes provisions for the measures it is subject to under accounting requirements, actual losses resulting from such litigation could differ significantly from the recognized amounts. Refer to Note 26 of the Consolidated Financial Statements for more information about the Bank's significant legal proceedings.

The Bank is subject to extensive regulations, regulatory oversight, and regulatory changes. Changes to laws, including tax laws, regulations or regulatory policies, as well as any uncertainty in how they are interpreted, implemented or enforced, could adversely affect the Bank, for example, by lowering barriers to entry in the industries and sectors in which the Bank operates, increasing costs of compliance or limiting the Bank's products and activities, and ability to execute its strategic plan. Capital and liquidity requirements under the Basel Committee on Banking Supervisions global standards (Basel III), will also continue to affect the Bank's activities.

There are a number of government-led initiatives underway in Canada that may impact financial institutions, including regulatory initiatives relating to payments evolution and modernization, open banking, consumer protection, protection of customer data, dealing with vulnerable persons, and anti-money laundering. The Bank has invested in, and will continue to invest in, operational and compliance costs resulting from these initiatives and changes.

Although the Bank devotes substantial legal, regulatory compliance and operational resources toward monitoring applicable regulatory developments, ensuring compliance with regulations and regulatory developments, and ensuring that compliance deadlines are met, the Bank may not be able to predict with certainty the impact of a regulatory development, or how such regulatory development will impact the Bank, or how such regulatory development will be interpreted by governments, regulators, and courts once it becomes effective. These developments require considerable mobilization of technical, human and financial resources in a very short span of time and therefore increase ongoing operational, compliance, and technology costs and therefore impact the complexity of operations and profitability.

Money laundering, terrorist financing, economic sanctions and data privacy violations represent material risks, including regulatory, legal, financial and reputational exposure. The global anti-money laundering and economic sanctions landscape continues to experience regulatory change, with significant, complex new laws and regulations that have, or are anticipated to come into force in the short and medium-term in many of the jurisdictions in which the Bank operates. Changes to AML regulatory reporting requirements continue to challenge the financial reporting industry and add complexity to the implementation schedule. It is widely recognized that financial institutions are uniquely positioned and possess the means to assist in the fight against money laundering, terrorist financing, and criminal activity through prevention, detection, deterrence and the reporting of information. In addition, the global data and privacy landscape continues to undergo significant regulatory change, with new legislation and amendments to existing legislation anticipated in Canada and other jurisdictions in which the Bank does business.

Fraud and criminal activity

As a financial institution, the Bank is inherently exposed to various types of fraud, theft, and other financial crime. The sophistication, complexity, and materiality of these crimes evolves quickly, and these crimes can arise from numerous sources, including potential or existing clients or customers, agents, third parties, including suppliers, service providers and outsourcers, other external parties, contractors or employees. In deciding whether to extend credit or enter into other transactions with customers or counterparties, the Bank may rely on information furnished by or on behalf of such customers, counterparties or other external parties including financial statements and financial information and authentication information. The Bank may also rely on the representations of customers, counterparties, and other external parties as to the accuracy and completeness of such information. In order to authenticate customers, whether through the Bank's phone or digital channels or in its branches, the Bank may also rely on certain authentication methods which could be subject to fraud or be compromised. In addition to the risk of material loss (financial loss, misappropriation of confidential information or other assets of the Bank or its customers and counterparties) that could result in the event of a financial crime, the Bank could face legal action and client and market confidence in the Bank could be impacted.

Human capital

The Bank's future performance is largely dependent on its ability to attract, develop and retain key talent. Within the financial industry, competition for employees and senior executives is intense, and there can be no assurance that the Bank will be able to attract and retain these individuals, which could impact its operations and competitiveness. If the skill sets and diversity of the Bank's workforce, including senior management, do not match the operational requirements of the Bank and foster a winning culture, the Bank will likely not be able to sustain its performance. The ability to retain and motivate the Bank's management team or attract suitable replacements should any members of the management team leave is dependent on, among other things, the competitive nature of the employment market and the career opportunities and compensation that the Bank can offer. The loss of key employees, through attrition or retirement or any deterioration in overall employee morale and engagement resulting from organizational changes could have an adverse impact on the Bank's objectives, operations and financial results. Failure to establish a complete and effective succession plan, including, preparation of internal talent and identification of potential external candidates, where relevant, for key roles, could impair business until qualified replacements are found.

Insurance risk

Insurance risk is the risk of loss that may occur when assumptions related to insurance risks assumed by the Bank, particularly about formulating assumptions used to set premiums or for the valuation of reserves, differ from actual insurance results. The Bank assumes certain insurance risks, mainly regarding creditor insurance products. Insurance risk is managed within an independently managed program overseen by insurance experts and by Bank representatives. Reinsurance coverage is underwritten to reduce the Bank's exposure arising from significant claims and catastrophes, including, terrorist events. In addition, the design and pricing of insurance products distributed by the Bank are reviewed by actuarial consultants based on best practices.

Business continuity

Unexpected external events such as natural disasters, terrorism, social unrest, pandemics, epidemics, health crises and other crises and events capable of causing disruption are factors that can impact the Bank's ability to operate its businesses, including, providing clients access to products and services. Resources, processes and results of the Bank could be affected by the Bank's inability or delayed ability to activate a business continuity plan in a timely manner. Contingency planning for such events has been considered in the Bank's Risk Management Framework and is managed through the Business Continuity Management Policy, which provides the capability to restore, maintain and manage critical operations and processes in the event of a business disruption.

Business infrastructure

The Bank deals with third parties to secure certain components, products and services essential to its business infrastructure, such as internet connections and various communication and database services. Disruption of such services, regardless of its size and nature, could adversely affect the Bank's ability to provide its products and services to its clients, disrupt operations, and cause reputational harm.

Environmental and social risk

Environmental and social (E&S) risk is the potential for an E&S issue associated with the Bank, a client, transaction, product, supplier or activity, to have a negative impact on the Bank's financial position, operations, legal and regulatory compliance, or reputation. Environmental issues include, but are not limited to, climate change, pollution and waste management, land and natural resource use, biodiversity, water quality and availability, and environmental regulation. Climate risk is a component of Environmental risk and refers to physical and transition impacts of climate change. Social issues include, but are not limited to, human rights (including, but not limited to, Indigenous Peoples' rights), equity, diversity and inclusion, and community and employee health, safety and well-being.

The Bank has an Environmental and Social Risk Management group, operating under Operational Risk Management, that has E&S risk oversight accountabilities. This includes developing and implementing an E&S risk management framework, policies, processes, and governance to proactively identify, assess, manage, and report on these risks. We are working on advancing our E&S risk management capabilities and understanding of the potential direct impacts on our own business and operations, as well as indirect impacts on our customers and suppliers.

The Bank recognizes the importance of E&S risk management practices and processes and is committed to regular and transparent disclosure. The Bank supports and has committed to adopting the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and is currently assessing the impact of regulatory developments concerning E&S risk, as detailed below. We have developed and continue to execute against our E&S risk roadmap that defines the Bank's short, medium and long-term climate-related priorities which are aimed at enhancing our understanding and disclosure of the evolving impact of climate-related risks. The risks and opportunities related to climate change were also considered by Laurentian Bank as part of our enterprise strategic review.

Regulatory and standard setter developments concerning E&S risk

OSFI Guideline B-15: Climate Risk Management

On March 7, 2023, OSFI issued Guideline B-15: Climate Risk Management (Guideline B-15), which sets out OSFI's expectations for the management and disclosure of climate-related risks for federally regulated financial institutions (FRFIs) and aims to support FRFIs in developing greater resilience to, and management of, these risks. On March 20, 2024, OSFI published a new version of Guideline B-15, the required disclosures of which more closely align with those of the International Sustainability Standards Board's final version of IFRS S2 Climate-related Disclosures standard. At the same time, OSFI also released new Climate Risk Returns that will collect standardized data on emissions and exposures. The data collected by OSFI will support its climate risk supervisory activities. Most of the B-15 disclosure requirements will take effect for SMSBs for fiscal year-end 2025, while other disclosure requirements will take effect in fiscal 2026 or later. The Bank is currently assessing the impact of adopting Guideline B-15 and has an ongoing project to meet the requirements by the effective date.

ISSB – IFRS S1 and IFRS S2

On June 26, 2023, the International Sustainability Standards Board (ISSB) issued its first two sustainability standards, IFRS S1 General Requirements for Disclosures of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. IFRS S1 sets out the disclosure requirements for financially material information about sustainability-related risks and opportunities to meet investor information needs, and IFRS S2 specifically sets the disclosure requirement for Climate-related risks and opportunities. The applicability of the standards and the effective date for Canadian reporting issuers is subject to adoption by Canadian regulators, and the Bank continues to monitor developments in this area.

TCFD recommendations

The TCFD has structured its recommendations around four pillars that represent an organization's operating fundamentals: governance, strategy, risk management and metrics and targets. These four major classes of recommendations are intended to provide a framework for the publication of climate-financial information.

Governance

The Board and its Committees oversee senior management who is responsible for the execution of the management of E&S risks and opportunities, which include climate change. The Board provides oversight of the Bank's strategic approach to climate change and its E&S risks, which includes how the Bank manages climate-related risks and opportunities. Each of the three Committees of the Board, the Risk Management Committee, the Human Resources and Corporate Governance Committee, and the Audit Committee, have oversight of climate-related risks and opportunities that are specific to their respective oversight responsibilities.

The ESG/Climate Risk Committee is composed of the Chief Financial Officer and the Chief Risk Officer, as well as representatives from the Strategy & Transformation Office, Finance, and Risk Management teams. The Committee's mandate includes oversight of regulatory-related elements of climate governance, risk, strategy and disclosures, in addition to the current voluntary TCFD participation. The Committee is responsible for making decisions on key elements of the E&S risk roadmap and climate-related financial disclosures. The dedicated E&S risk management team develops approaches to identify, assess, monitor and report on climate-related risks, as appropriate.

Strategy

The Bank recognizes that it has a role to play in accelerating the transition to a low carbon economy and mitigating the risks associated with climate change. The Bank is spearheading initiatives to expand and build new environmental policies, putting practices into place to reduce greenhouse gas emissions and improving sustainability efforts in its day-to-day operations.

Risk management

Climate change is an important business issue, and a shift to a low-carbon economy will require detailed planning and competent execution. This presents transition risks, many of which are yet to be determined and what their impact would be on the Bank and its operations and performance.

Climate change presents a number of other risks for the Bank such as those resulting from more frequent and more intense extreme weather events and may be a driver of other types of risks including operational, regulatory compliance, strategic, reputation, credit and market risk. The Bank may also be exposed to climate-related risk through emerging regulatory and legal requirements, disruptions to our operations and services, and the products and services it provides to its clients.

Climate-related risks are currently managed through the Bank's Business Continuity Management Program and through the Bank's Lending Practices and Policies. The Bank has developed a climate risk heatmapping framework and conducted a climate risk identification and assessment on our commercial loan and residential mortgage portfolios at the sector level. This initial risk assessment helped us identify portfolios and industries that are most susceptible to climate-related risks. The framework will continue to evolve and will assist with the integration of climate risks into our overall risk management approach, and guide the Bank's strategy and serve as a basis for the Bank's climate scenario analysis of these industries.

Climate risk is part of the enterprise risk registry, which is used to identify all risks that the Bank could be exposed to and their materiality for Laurentian Bank. As part of our enterprise climate risk identification and assessment process, we've developed an initial climate risk inventory to identify the impacts that climate change may have on the Bank, our assets and clients. Over time, the Bank will be implementing the necessary actions to manage and mitigate these risks.

Legal and regulatory, business or reputational risks could arise from actual or perceived actions, or inaction, in our operations and those of our customers in relation to climate change and other environmental and social risk issues, or our disclosures related to these matters. Risks related to these issues could also affect our customers, third parties or other stakeholders, which could heighten business or reputation risks. Globally, climate-related litigation or enforcement measures could arise from new and more detailed obligations to manage and report climate-related risks.

Metrics and targets

The Bank is committed to identifying metrics and targets as part of its E&S risk roadmap. In 2020, the Bank initiated the calculation of its carbon footprint – scope one and two – based on WRI/ WBCSD Greenhouse Gas (GHG) Protocol. In 2022, leveraging the GHG Protocol approach and tools, the Bank has calculated GHG emissions for Scope 1 and Scope 2 across our footprint, as well as for Scope 3 business travel emissions and Scope 3 financed emissions for the Corporate Real estate (CRE) asset class. In 2023, we calculated Scope 3 financed emissions for residential mortgage loans.

The Bank is also committed to reducing its environmental footprint by implementing, on a voluntary basis, various eco-responsible measures aimed at reducing its GHG emissions. The Bank applies best practices when it comes to energy and waste management in its operations and encourages its employees to also consider the environment in their daily actions. For example, the Bank offsets CO2 emissions in its corporate office locations by way of a partnership with Bullfrog Power, which ensures that electricity put onto the grid on our behalf is from renewable sources. The Bank's corporate offices are located in LEED-certified buildings.

Other factors

Other factors, which are not under the Bank's control, could affect results, as discussed in the Caution Regarding Forward-Looking Statements on page 18 of this MD&A. It should be noted that the foregoing list of factors is not exhaustive.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Bank's disclosure controls and procedures (DC&P) are designed to provide reasonable assurance that all relevant information has been collected and submitted to the Bank's senior management which ensures adequate disclosure of such information. 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.

The President and Chief Executive Officer, and the Executive Vice-President and Chief Financial Officer are responsible for the implementation and maintenance of DC&P and ICFR, as set out in Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings (National Instrument 52-109). They are assisted in this task by the Disclosure Committee, which is comprised of members of the Bank's senior management.

As at October 31, 2024, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer caused to be evaluated under their supervision the effectiveness of DC&P, in accordance with National Instrument 52-109, and based on that evaluation, concluded that they were effective and adequately designed at that date.

Also, as at October 31, 2024, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer caused to be evaluated under their supervision the design and effectiveness of ICFR, in accordance with Regulation 52-109, and based on that evaluation, concluded that it was effective at that date and adequately designed.

The DC&P evaluation was performed using the control framework established in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The evaluation of the design and effectiveness of ICFR was performed in accordance with the COSO control framework for entity level and financial controls, and Control Objectives for Information and related Technologies (COBIT) for general IT controls.

Given the inherent limitations of any control systems, management's evaluation of controls can only provide reasonable, not absolute assurance that all control issues that may result in material misstatement, if any, have been detected.

Changes to Internal Control over Financial Reporting

During the fourth quarter ended October 31, 2024, there have been no changes to ICFR that affected materially or are reasonably likely to materially affect ICFR.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The material accounting policies followed by the Bank are outlined in Notes 2 and 3 of the Consolidated Financial Statements. Some of these accounting policies are deemed critical as they require management to apply judgment or to make particularly significant estimates that, by their very nature, involve uncertainties. Changes in these judgments or estimates could materially affect the Bank's Consolidated Financial Statements. The critical accounting policies and estimates are described below.

Management has established controls and procedures to ensure that accounting policies are applied consistently and that the processes for determining estimates are controlled and reviewed.

In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of the items listed below, it is possible that the outcomes in future reporting periods could materially differ from those reflected in the 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 rising complexity of the geopolitical landscape and macro-economic developments, including the higher interest rate environment and upcoming U.S. political shift, will continue to exert uncertainty on the assumptions used by management in making its judgments and estimates. The comprehensive impact of recent and potential future macro-economic developments on the Canadian and U.S. economies and the Bank's business remains uncertain and difficult to predict.

FAIR VALUE OF FINANCIAL INSTRUMENTS

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 a financial instrument on initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. In certain circumstances, the initial fair value may be based on other observable market transactions for the same instrument or on a valuation technique.

Subsequent to initial recognition, the fair value of financial instruments is best evidenced by quoted prices in active markets when available. This fair value is based on the quoted price within the bid-offer prices that is most representative of fair value in the circumstances. Otherwise, fair value is measured using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Determining which valuation technique and inputs to apply requires judgment. Valuation techniques include cash flow discounting, comparison with current market prices for financial instruments with similar characteristics and risk profiles and option pricing models. The inputs, among other things, include contractual prices of the underlying instruments, yield curves and volatility factors. The valuations may also be adjusted to reflect the uncertainty in these parameters. Valuation adjustments may specifically be made with respect to the liquidity or counterparty credit risk of financial instruments that have no available quoted prices in active markets. Fair value reflects market conditions on a given date and for this reason cannot be representative of future fair values.

Fair value measurements are categorized into levels within a fair value hierarchy based on the valuation inputs used. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Bank's market assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1 — Quoted prices in active markets for identical financial instruments.
- Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar financial instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Establishing fair value is an accounting estimate and has an impact on Securities at fair value through profit or loss, Securities at fair value through other comprehensive income, Derivatives and Obligations related to securities sold short on the Consolidated Balance Sheet. This estimate also has an impact on Income from financial instruments in the Consolidated Statement of Income. Lastly, this estimate has an impact on Other comprehensive income in the Consolidated Statement of Comprehensive Income.

Refer to Note 21 to the Consolidated Financial Statements for additional information.

ALLOWANCES FOR CREDIT LOSSES

At the end of each reporting period, the Bank applies a three-stage impairment approach to measure the expected credit losses (ECL) on all debt instruments measured at amortized cost or at FVOCI, on loan commitments and financial guarantees that are not measured at fair value and on lease receivables. ECLs are a probability-weighted estimate of credit losses over the remaining expected life of the financial instrument. The ECL model is forward looking. Measurement of ECLs at each reporting period reflects reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions. Judgment is required in making assumptions and estimates, determining movements between the three stages, and applying forward-looking information. Any changes in assumptions and estimates, as well as the use of different, but equally reasonable, estimates and assumptions, could have an impact on the allowances for credit losses and the provisions for credit losses for the year. For additional information, see Note 6 to the Consolidated Financial Statements.

Determining the Stage

The ECL three-stage impairment approach is based on the change in the credit quality of financial assets since initial recognition. If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and an allowance for credit losses that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded. When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and an allowance for credit losses that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to Stage 1, i.e. recognition of 12-month expected credit losses. When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the impaired financial asset is migrate to the stage 3, an allowance equal to the lifetime expected losses continues to be recorded or the financial asset is written off. Interest income is calculated on the gross carrying amount of the financial assets in stages 1 and 2 and on the net carrying amount of the financial assets in stage 3.

Assessment of significant increase in credit risk

In determining whether credit risk has increased significantly, the Bank uses an internal credit risk grading system and external risk ratings. To assess whether the credit risk of a financial instrument has increased significantly, the 12-month probability of default (PD) at the reporting date is compared with the 12-month PD at the date of initial recognition, and reasonable and supportable information indicative of significant increases in credit risk since initial recognition is considered. The Bank includes relative and absolute thresholds in the definition of significant increase in credit risk and a backstop of 30 days past due. All financial instruments that are 30 days past due are migrated to Stage 2 even if other metrics do not indicate that a significant increase in credit risk has occurred. The assessment of a significant increase in credit risk requires significant judgment.

Measurement of expected credit losses

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument, and reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions is considered. The estimation and application of forward-looking information requires significant judgment. The cash shortfall is the difference between all contractual cash flows owed to the Bank and all the cash flows that the Bank expects to receive.

The measurement of ECLs is based primarily on the product of the instrument's PD, loss given default (LGD), and exposure at default (EAD) credit risk model parameters. Forward-looking macroeconomic factors such as interest rates, unemployment rates, gross domestic product (GDP) forecasts and housing price indices are incorporated into the risk parameters. The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The Bank incorporates three forward-looking macroeconomic scenarios in its ECL calculation process: a base scenario, an upside scenario, and a downside scenario. Probability-weights are attributed to each scenario. The scenarios and probability weights are reassessed quarterly and subject to management review. The Bank applies experienced credit judgment to adjust the modeled ECL results when it becomes evident that known or expected risk factors and information were not considered in the credit risk rating and modeling process.

ECLs for all financial instruments are recognized in provisions for credit losses in the Consolidated Statement of Income. In the case of debt instruments measured at FVOCI, ECLs are recognized in provisions for credit losses in the Consolidated Statement of Income, and a corresponding amount is recognized in Other comprehensive income with no reduction in the carrying amount of the asset on the Consolidated Balance Sheet. As for debt instruments measured at amortized cost, they are presented net of the related allowance for credit losses on the Consolidated Balance Sheet. Allowances for credit losses for off-balance-sheet credit exposures that are not measured at fair value are included in other liabilities on the Consolidated Balance Sheet.

Purchased or originated credit-impaired financial assets

On initial recognition of a financial asset, the Bank determines whether the asset is credit-impaired. For financial assets that are credit-impaired upon purchase or origination, in subsequent reporting periods the Bank recognizes only the cumulative changes in lifetime expected credit losses since initial recognition as an allowance for credit losses. The Bank recognizes changes in ECLs in provision for credit losses in the Consolidated Statement of Income, even if the lifetime ECLs are less than ECLs that were included in the estimated cash flows on initial recognition.

Default

The definition of default used by the Bank to measure ECLs and transfer financial instruments between stages is consistent with the definition of default used for internal credit risk management purposes. The Bank considers a financial asset as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred or when contractual payments are 90 days past due.

Write-offs

The Bank writes off an impaired financial asset and its related allowance for credit losses in whole or in part when it considers the probability of recovery to be non-existent and when all guarantees and other remedies available to the Bank have been exhausted and balances owing are not likely to be recovered.

Modified loans

In some cases, the original terms of a financial asset may be renegotiated or otherwise modified, affecting the contractual cash flows. In the event of a substantial change in terms from the original financial asset, the financial asset is derecognized, and a new financial asset is recognized. If the modification of contractual terms does not result in derecognition of the financial asset, the carrying amount of the financial asset is recalculated according to the present value of the renegotiated or modified contractual cash flows, discounted at the original effective interest rate and a gain or loss is recognized.

GOODWILL, OTHER INTANGIBLE ASSETS AND OTHER LONG-LIVED ASSETS

As at October 31, 2024, goodwill stood at nil, compared with \$84.8 million as at October 31, 2023. Goodwill is subject to an impairment test at least annually as described in Note 3 to the Consolidated Financial Statements.

For the purpose of impairment testing, goodwill is allocated to the Bank's cash generating units (CGUs), which represent the lowest level within the Bank at which goodwill is monitored for internal management purposes. Goodwill as at October 31, 2023 has been entirely allocated to the previous Commercial Banking CGU. As of November 1, 2023, the CGUs and operating segments of the Bank has been modified to align with the Bank's operating model which was revised shortly after new executive appointments, resulting in the previous Personal Banking and Commercial Banking segments being combined and now forming the Personal and Commercial Banking (P&C) operating segment. This operating segment also represents a CGU for the Bank. Following this modification, goodwill was allocated to the P&C Banking CGU, which provides a broad range of financial services and advice-based solutions for personal and commercial banking customers across Canada and the United States. Refer to Note 28 of the Consolidated Financial Statements for further details.

Goodwill impairment test

The Bank tests goodwill for impairment on an annual basis and whenever there are events or changes in circumstances which indicate that the carrying amount of a CGU may not be recoverable.

In 2024 and 2023, indicators of potential impairment were identified for the Bank's assets, which led management to perform an impairment test for all CGUs. As the estimated recoverable amount of the P&C Banking CGU was below its carrying amount, the Bank recorded an impairment charge totalling \$155.9 million on the Impairment and restructuring charges line item in 2024, which relates to the impairment of goodwill for an amount of \$83.9 million, of software and intangible assets for \$66.2 million and of premises and equipment for \$5.8 million (no impairment charge recorded in 2023). Refer to Note 9 and Note 27 of the Consolidated Financial Statements for further details.

The annual impairment test compares the recoverable amount of the CGU to its carrying amount. If the recoverable amount is less than the carrying value, an impairment loss is charged to income. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other non-financial assets of the CGU pro rata to the carrying amount of each asset considering that the carrying amount of an asset cannot be reduced below its fair value less costs of disposal.

Management uses several significant estimates to determine the recoverable amount of CGUs, including terminal growth rate, future cash flows and the discount rate of future cash flows. For the impairment test, the recoverable amount of the CGUs was estimated using a fair value less costs of disposal approach that was primarily based on the Bank's five-year business plan and projected investments. Forecast cash flows were discounted at an after-tax rate of 10.3% in 2024 (10.0% in 2023). Management considers that these estimates are reasonable and reflect management's best estimates, but include inherent uncertainties that are not under its control. Reasonable changes in estimates and assumptions could significantly impact the impairment test results.

Software, intangible assets and premises and equipment impairment

Management also periodically reviews the utilization of the Bank's assets, such as its software and other intangible assets and premises and equipment.

In the second quarter of 2024, the Bank recorded an impairment charge of intangible assets of \$23.3 million relating to its strategic decision to suspend the AIRB project. In the fourth quarter of 2024, the Bank also reviewed the utilization of its software and other intangible assets and recorded \$5.7 million of additional impairment charges related to software and licenses being decommissioned.

Indicators of impairment were also identified as at April 30, 2024 related to management's plan to reduce the Bank's leased corporate office premises in Toronto, and the Bank recorded an impairment charge of premises and equipment amounting to \$13.8 million in the second quarter of 2024. In the fourth quarter of 2024, the Bank also reviewed the utilization of its premises and equipment and recorded \$1.4 million of additional impairment charges.

Refer to the Business Highlights section and Notes 8, 9 and 27 to the Consolidated Financial Statements for additional information.

POST-EMPLOYMENT BENEFITS

The Bank sponsors several benefit plans to eligible employees, including registered and supplemental pension plans, and post-retirement medical and dental plans (other post-employment benefit plans). The valuation of employee benefits for defined benefit pension plans and other post-employment benefits are calculated by the Bank's actuaries based on several assumptions such as discount rates, future salary levels, retirement age, mortality rate and health-care cost escalation. The discount rate is determined using a high-quality corporate bond yield curve, whose construction requires significant judgment. Other key assumptions are determined by management and also require significant judgment. Considering the importance of defined benefit obligations and due to the long-term nature of these plans, changes in assumptions could have a significant impact on the defined benefit plan assets (liabilities), as well as on pension plan and other post-employment benefit expenses. Discount rates were at 4.74% as at October 31, 2024 and 5.54% as at October 31, 2023. Other key assumptions and related sensitivity analysis as well as further information on the Bank's pension plans and other post-employment benefits are presented in Note 17 to the Consolidated Financial Statements.

INCOME TAXES

The Bank is subject to taxation in numerous jurisdictions. There are many transactions and calculations in the ordinary course of business for which the ultimate tax determination is uncertain. The Bank maintains provisions for uncertain tax positions that it believes appropriately reflect the risk of tax positions under discussion, audit, dispute, or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the Bank's best estimate of the amount expected to be paid based on an assessment of all relevant factors, which are reviewed at the end of each reporting period. However, it is possible that at some future date, an additional liability could result from audits by the relevant taxing authorities.

The Bank uses the liability method of tax allocation and accounts for the deferred income tax assets and liabilities related to loss carry forwards and other temporary differences between the carrying amounts and the tax bases of assets and liabilities, in accordance with tax laws and rates enacted or substantively enacted on the date the differences are expected to reverse. A deferred income tax asset is recognized to the extent it is more likely than not to be realized. All amounts resulting from changes in tax rates are recorded in net income, except to the extent that it relates to items previously recognized in equity, in which case they are recorded in equity.

PROVISIONS AND CONTINGENT LIABILITIES

Management exercises judgment in determining whether a past event or transaction may result in the recognition of a provision or the disclosure of a contingent liability, for instance in the case of legal actions or restructuring plans. Provisions are liabilities of uncertain timing or amount. They are recognized when the Bank has a present legal or constructive obligation as a result of a past event, and it is both probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated, considering all relevant risks and uncertainties. Contingent liabilities are disclosed when it cannot be determined whether an obligation is probable, or the amount of loss cannot reliably be estimated. Management and internal and external experts are involved in assessing the probability and in estimating any amounts involved.

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.

Refer to Note 26 to the Consolidated Financial Statements for additional information.

CURRENT AND FUTURE CHANGES TO ACCOUNTING POLICIES

Current changes to accounting policies

The following accounting standards and amendments to accounting standards have been adopted by the Bank since November 1, 2023.

Adoption of IFRS 17, Insurance Contracts

Effective November 1, 2023, the Bank retrospectively adopted IFRS 17, Insurance contracts (IFRS 17), which replaces the IFRS 4 standard addressing insurance contracts. The adoption of IFRS 17 required a restatement of the Bank's 2023 comparative information and financial measures and resulted in an increase in other assets and a decrease in retained earnings of \$0.7 million as at November 1, 2022 and October 31, 2023 respectively. The adoption of IFRS 17 had no material impact on the consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of cash flows for the fiscal year ended October 31, 2023, as well as on financial measures previously disclosed. For additional details on this accounting policy change, refer to Note 2 to the Consolidated Financial Statements.

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. The amendments provide temporary relief for entities from having to account for deferred taxes arising from the implementation of the Pillar Two model Rules Published by the Organisation for Economic Co-operation and Development (OECD).

The amendments introduce: 1) a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Global Anti-Base Erosion Model (GloBE) rules; and 2) targeted disclosure requirements for affected companies to help users of the financial statements better understand a company's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date. Since 2023, the Bank has applied the exception to recognizing and disclosing information related to Pillar Two income taxes.

In 2024, Pillar Two legislation has been enacted in Canada and in all jurisdictions where the Bank and its entities operate. This legislation will be effective for the Bank's fiscal year beginning on November 1, 2024. The Bank is in scope of the enacted legislation and has performed an assessment of the Bank's potential exposure to Pillar Two income taxes as if the legislation applied for the fiscal year ending on October 31, 2024.

Had the Pillar Two legislation been effective for the current fiscal year ending October 31, 2024, the restated income tax recovery under IFRS would have been approximately \$4 to \$5 million lower than the reported income tax recovery. The Bank expects an increase of the effective tax rate under IFRS in fiscal year 2025 as a result of the Pillar Two legislation. However, the effective tax rate in fiscal 2025 will depend on factors such as mix of earnings or losses taxed at different statutory rates, nature of revenues and foreign currency exchange rates.

Future changes to accounting policies

The International Accounting Standards Board (IASB) has issued new standards on the presentation and disclosure in financial statements which were not yet effective. These future accounting changes will be applicable for the Bank in various annual periods beginning on November 1, 2026.

Additional information on the new standards and amendments to existing standards can be found in Note 3 to the Condensed Interim Consolidated Financial Statements as at and for the period ended July 31, 2024.

Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements*, which sets out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. IFRS 18 replaces the previous presentation standard, IAS 1, Presentation of Financial Statements. This new standard applies to annual reporting periods beginning on or after January 1, 2027, which will be November 1, 2027 for the Bank, and is to be applied retrospectively.

IFRS 18 is a new standard on presentation and disclosure in financial statements, with a focus on updates to the income statement and introduces three new concepts that relate to the structure of the statement of income, the required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. The Bank is currently assessing the impact of the adoption of this standard on its Consolidated Financial Statements.

Amendments to the Classification and Measurement of Financial Instruments (IFRS 7 and IFRS 9)

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7, *Amendments to the Classification and Measurement of Financial Instruments*. The amendments clarify the derecognition of financial liabilities, the assessment of environmental, social and governance (ESG)-linked financial assets, the treatment of non-recourse assets and contractually linked instruments (CLIs), and mandate additional IFRS 7 disclosures for contingent event-linked terms and FVOCI equity instruments. The amendments are effective for annual periods starting on or after January 1, 2026, which will be November 1, 2026 for the Bank. The Bank is currently assessing the impact of these amendments on its Consolidated Financial Statements.

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.

Economic value of equity (EVE) represents the present value of the Bank's net assets.

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 to 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

CONSOLIDATED FINANCIAL STATEMENTS

AS AT OCTOBER 31, 2024 AND 2023

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Laurentian Bank of Canada is responsible for the integrity and fair presentation of the financial information contained in the Annual Report. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Consolidated Financial Statements also comply with the *Bank Act* and the requirements of the Office of the Superintendent of Financial Institutions Canada (OSFI).

The Consolidated Financial Statements include amounts that, where necessary, are based on the best estimates and judgment of management. The financial information presented elsewhere in the Annual Report is consistent with that shown in the Consolidated Financial Statements.

Management is responsible for the implementation of the financial information accounting systems, which support, among others, the preparation of the Consolidated Financial Statements in accordance with IFRS. In discharging its responsibilities, management maintains the necessary internal control systems designed to provide assurance that transactions are properly authorized, assets are safeguarded, and proper accounting records are held. The controls include, among other things, quality standards in hiring and training of employees, written policies, compliance with authorized limits for managers, procedure manuals, a corporate code of conduct, budgetary controls and appropriate management information systems.

The internal control systems are further supported by a regulatory compliance function, which ensures that the Bank and its employees comply with regulatory requirements, as well as by risk management and operational risk management functions that ensure proper risk control including maintaining the related documentation and the measurement of the financial impact of risks. In addition, the internal audit function periodically assesses various aspects of the Bank's operations and make recommendations to management for improvements to the internal control systems.

The OSFI is mandated to protect the rights and interests of depositors of the Bank. Accordingly, the OSFI examines and inquires into the business and affairs of the Bank, as deemed necessary, to ensure that the provisions of the *Bank Act* are being complied with and that the Bank is in sound financial position.

The Board of Directors is responsible for reviewing and approving the Consolidated Financial Statements, as well as the Management's Discussion and Analysis of results of operations and financial condition included in the Annual Report. It oversees the way management discharges its responsibilities for the preparation and presentation of the Consolidated Financial Statements, the maintenance of appropriate internal controls and risk management, as well as the assessment of significant transactions through its Audit Committee and its Risk Management Committee. Both Board committees are composed solely of directors who are not officers or employees of the Bank.

Ernst & Young LLP, the independent auditor appointed by the shareholders on recommendation of the Board, audits the Bank's Consolidated Financial Statements and their report follows. The auditor has full and unrestricted access to the Audit Committee to discuss audit and financial reporting matters.

Éric Provost

President and
Chief Executive Officer

Yvan Deschamps

Executive Vice President
and Chief Financial Officer

Montréal, Canada

December 5, 2024

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Laurentian Bank of Canada**

Opinion

We have audited the consolidated financial statements of **Laurentian Bank of Canada** and its subsidiaries (the "Bank" or the "Group"), which comprise the consolidated balance sheets as at October 31, 2024 and October 31, 2023, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at October 31, 2024 and October 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Allowance for credit losses As more fully described in Note 3 and Note 6 to the consolidated financial statements, the Bank's allowance for credit losses related to loans was \$204 million as at October 31, 2024. The Bank uses an expected credit loss (ECL) model to determine the allowance for credit losses on loans measured on a collective basis. The ECL is an unbiased and probability-weighted amount, which is determined by evaluating a range of possible outcomes and reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions. The Bank applies a three-stage approach to measure the ECL which is based primarily on the product of the loan's probability of default (PD), loss given default (LGD) and exposure at default (EAD). In establishing ECL, the Bank incorporates three forward-looking macroeconomic scenarios, which represent the Bank's view of a range of possible economic outcomes – a base case scenario being the Bank's view of the most probable outcome, as well as an upside scenario and a downside scenario. Where there has been a significant increase in credit risk (SICR) since initial recognition, lifetime ECL is recorded; otherwise 12 months of ECL is recorded. The significant increase in credit risk assessment is based on the change in PD between the origination date and reporting date and is assessed using relative and absolute thresholds. Auditing the allowance for credit losses on loans measured on a collective basis was complex and required the involvement of specialists due to the inherent complexity of the models, the forward-looking nature of key assumptions, and the inherent interrelationship of the critical variables used in measuring the ECL. Key areas of judgement included evaluating: (i) the models and methodologies used for measuring both the 12-month and lifetime expected credit losses; (ii) the determination of when a loan has experienced a SICR; (iii) the assumptions used in the macroeconomic	To test the allowance for credit losses related to loans, our audit procedures included involving our credit risk modelling specialists to assess whether the methodology and assumptions used in significant models that estimate the ECL across various portfolios are consistent with the requirements of IFRS. This also included an assessment of management's SICR triggers. With the assistance of our economic specialists, we compared management's FLI and scenarios' weighting to publicly available information. We independently recalculated the ECL to test the mathematical accuracy of management's models. We tested the completeness and accuracy of data used in the measurement of the ECL by agreeing those to source systems and related documentation. With the assistance of our credit risk modelling specialists, we also evaluated management's methodology and governance over the application of management's experienced credit judgment by evaluating that the amounts recorded were reflective of underlying credit quality and macroeconomic trends. We also reviewed the adequacy of the allowance for credit loss financial statement note disclosures.

Key audit matter	How our audit addressed the key audit matter
<p>scenarios, including forward-looking information (FLI) and assigning probability weighting; and (iv) the application of management's experienced credit judgment to adjust the modeled ECL results when known or expected risk factors were not considered in the credit risk rating and modelling process.</p> <p><i>Impairment of the Personal and Commercial Banking (P&C) cash-generating unit (CGU)</i></p> <p>As more fully described in Note 3 and Note 9 to the consolidated financial statements, the Bank recorded an impairment charge totalling \$155.9 million which relates to the impairment of goodwill for an amount of \$83.9 million, of software and intangible assets for \$66.2 million and of premises and equipment for \$5.8 million.</p> <p>Management conducts an impairment test as of August 1 of each year or whenever indicators of potential impairment are identified. As indicators of potential impairment were identified, management conducted an impairment test as of April 30, 2024, by comparing the carrying value of the P&C CGU to its recoverable amount. Management calculated the recoverable amount using a fair value less cost of disposal approach that was based on the five-year business plan and projected investments, converting future cashflows to a single discounted amount reflecting current market expectations. Cash flows beyond the initial 5-year period are assumed by management to increase at a constant rate using a nominal long-term growth rate. As disclosed by management, the determination of the recoverable amount using a fair value less cost of disposal model requires a number of significant assumptions, including terminal growth rate, future cash flows and the discount rate to determine the recoverable amount of the CGU.</p> <p>Auditing the goodwill, software and intangible assets impairment assessment of the P&C CGU required the involvement of specialists and a high degree of auditor judgement due to the subjectivity of the significant estimates, which are described above, used by management to determine the recoverable amount of the P&C CGU using a fair value less cost of disposal approach.</p>	<p>To test the estimated recoverable amount of the P&C CGU, our audit procedures included assessing methodologies and evaluating the significant assumptions and underlying data used by the Bank in its analysis. With the assistance of our valuation specialists, we evaluated the Bank's model, valuation methodology, and certain significant assumptions, including the discount rate and terminal growth rate. We assessed the selection and application of the discount rate by evaluating the inputs and mathematical accuracy of the calculation. We tested the reasonableness of the future cash flows of the P&C CGU and projected investments by comparing them to management's strategic plan approved by the Board of Directors. We compared the Bank's forecast used by management to the Bank's historical results and performed sensitivity analyses on significant assumptions, including future cash flows, terminal growth rate, and discount rate to evaluate changes in the recoverable amount of the P&C CGU that would result from changes in the assumptions. We assessed the historical accuracy of management's prior year estimates by performing a comparison of management's prior year projections to actual results. We also reviewed the adequacy of the financial statement note disclosures in relation to this matter.</p>

Other information

Management is responsible for the other information. The other information comprises:

- Management's discussion and analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, included in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Michel Bergeron.

The logo for Ernst & Young LLP is written in a black, cursive script. The letters are fluid and connected, with a small superscript '1' at the end of the signature.

¹FCPA auditor, public accountancy permit no A114960

Montréal, Canada

December 5, 2024

CONSOLIDATED BALANCE SHEET⁽¹⁾

As at October 31 (in thousands of Canadian dollars)	Notes	2024	2023
Assets			
Cash and non-interest bearing deposits with banks		\$ 73,554	\$ 69,438
Interest-bearing deposits with banks		1,364,114	1,250,827
Securities	5 and 7		
At amortized cost		2,790,453	2,995,177
At fair value through profit or loss		3,142,035	2,970,860
At fair value through other comprehensive income		167,146	50,390
		6,099,634	6,016,427
Securities purchased under reverse repurchase agreements		3,568,490	4,086,170
Loans	6 and 7		
Personal		2,106,426	2,571,747
Residential mortgage		16,537,917	16,708,809
Commercial		16,614,187	17,778,794
Customers' liabilities under acceptances		—	15,000
		35,258,530	37,074,350
Allowances for loan losses		(189,377)	(205,957)
		35,069,153	36,868,393
Other			
Derivatives	24	243,087	325,219
Premises and equipment	8	82,588	113,340
Goodwill	9	—	84,755
Software and other intangible assets	9	181,277	282,831
Deferred tax assets	18	157,844	119,085
Other assets	10	561,549	676,253
		1,226,345	1,601,483
		\$ 47,401,290	\$ 49,892,738
Liabilities and shareholders' equity			
Deposits	11		
Personal		\$ 19,713,877	\$ 22,294,040
Business, banks and other		3,450,077	3,732,838
		23,163,954	26,026,878
Other			
Obligations related to securities sold short		2,260,941	2,584,071
Obligations related to securities sold under repurchase agreements		3,661,575	3,118,708
Acceptances		—	15,000
Derivatives	24	333,655	738,041
Deferred tax liabilities	18	61,461	72,344
Other liabilities	12	1,267,970	1,288,526
		7,585,602	7,816,690
Debt related to securitization activities	7 and 13	13,496,457	12,853,385
Subordinated debt	14	326,793	337,680
Shareholders' equity			
Preferred shares	15	122,071	122,071
Limited recourse capital notes	15	123,483	123,487
Common shares	15	1,187,107	1,177,827
Retained earnings		1,307,747	1,405,800
Accumulated other comprehensive income		81,235	22,868
Share-based compensation reserve	16	6,841	6,052
		2,828,484	2,858,105
		\$ 47,401,290	\$ 49,892,738

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

(1) Effective November 1, 2023, the Bank retrospectively adopted IFRS 17, *Insurance contracts*, which required restatement of the Bank's 2023 comparative information. Refer to Note 2 for further information.

Michael T. Boychuk, FCPA
Chair of the Board

Éric Provost
President and Chief Executive Officer

CONSOLIDATED STATEMENT OF INCOME

For the years ended October 31 (in thousands of Canadian dollars, except per share amounts)	Notes	2024	2023
Interest and dividend income	25		
Loans		\$ 2,113,277	\$ 2,088,490
Securities		111,119	94,289
Deposits with banks		61,593	67,784
Other		12,861	22,590
		2,298,850	2,273,153
Interest expense	25		
Deposits		1,023,768	969,382
Debt related to securitization activities		375,793	318,760
Subordinated debt		18,220	18,212
Other, including derivatives		161,562	220,476
		1,579,343	1,526,830
Net interest income		719,507	746,323
Other income			
Income from financial instruments	25	61,292	27,961
Lending fees		50,019	66,788
Income from mutual funds		40,691	43,255
Fees and securities brokerage commissions		35,915	40,529
Card service revenues		27,958	29,722
Service charges		27,166	25,963
Profit on sale of assets under administration		13,959	—
Fees on investment accounts		11,394	13,008
Insurance income, net		6,477	7,940
Other		23,831	24,021
		298,702	279,187
Total revenue		1,018,209	1,025,510
Provision for credit losses	6	61,552	61,607
Non-interest expenses			
Salaries and employee benefits	16 and 17	388,882	391,544
Premises and technology		205,584	196,628
Other		155,990	141,219
Impairment and restructuring charges	27	228,416	24,099
		978,872	753,490
Income (loss) before income taxes		(22,215)	210,413
Income taxes (recovery)	18	(16,716)	29,326
Net income (loss)		\$ (5,499)	\$ 181,087
Preferred share dividends and limited recourse capital note interest	15	12,426	11,779
Net income (loss) available to common shareholders		\$ (17,925)	\$ 169,308
Earnings (loss) per share	19		
Basic		\$ (0.41)	\$ 3.89
Diluted		\$ (0.41)	\$ 3.89
Dividends per common share		\$ 1.88	\$ 1.86

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended October 31 (in thousands of Canadian dollars)	2024	2023
Net income (loss)	\$ (5,499)	\$ 181,087
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 fair value through other comprehensive income		
Unrealized net gains on debt securities at fair value through other comprehensive income	817	44
Reclassification of net (gains) losses on debt securities at fair value through other comprehensive income to net income	(28)	313
	789	357
Net change in value of derivatives designated as cash flow hedges	62,430	(26,287)
Net foreign currency translation adjustments		
Net unrealized foreign currency translation gains on investments in foreign operations	5,169	23,589
Net losses on hedges of investments in foreign operations	(10,021)	(16,836)
	(4,852)	6,753
	58,367	(19,177)
Items that may not subsequently be reclassified to the Consolidated Statement of Income		
Remeasurement gains (losses) on employee benefit plans	2,246	(2,414)
Net losses on equity securities designated at fair value through other comprehensive income	(167)	(1,833)
	2,079	(4,247)
Total other comprehensive income (loss), net of income taxes	60,446	(23,424)
Comprehensive income	\$ 54,947	\$ 157,663

INCOME TAXES — OTHER COMPREHENSIVE INCOME

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

For the years ended October 31 (in thousands of Canadian dollars)	2024	2023
Net change in debt securities at fair value through other comprehensive income		
Unrealized net gains on debt securities at fair value through other comprehensive income	\$ 295	\$ 16
Reclassification of net (gains) losses on debt securities at fair value through other comprehensive income to net income	(10)	113
	285	129
Net change in value of derivatives designated as cash flow hedges	22,478	(9,464)
Net foreign currency translation adjustments		
Net gains on hedges of investments in foreign operations	—	4
Remeasurement gains (losses) on employee benefit plans	808	(869)
Net losses on equity securities designated at fair value through other comprehensive income	(60)	(187)
	\$ 23,511	\$ (10,387)

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	For the year ended October 31, 2024									
					Accumulated other comprehensive income					
(in thousands of Canadian dollars)	Preferred shares (Note 15)	Limited recourse capital notes (Note 15)	Common shares (Note 15)	Retained earnings	Debt securities at fair value through other comprehensive income	Cash flow hedges	Translation of foreign operations	Total	Share-based compensation reserve	Total shareholders' equity
Balance as at October 31, 2023 ⁽¹⁾	\$ 122,071	\$ 123,487	\$ 1,177,827	\$ 1,405,800	\$ (265)	\$ (3,680)	\$ 26,813	\$ 22,868	\$ 6,052	\$ 2,858,105
Net income (loss)				(5,499)						(5,499)
Other comprehensive income (loss), net of income taxes										
Unrealized net gains on debt securities at fair value through other comprehensive income					817			817		817
Reclassification of net gains on debt securities at fair value through other comprehensive income to net income					(28)			(28)		(28)
Net change in value of derivatives designated as cash flow hedges						62,430		62,430		62,430
Net unrealized foreign currency translation gains on investments in foreign operations							5,169	5,169		5,169
Net losses on hedges of investments in foreign operations							(10,021)	(10,021)		(10,021)
Remeasurement gains on employee benefit plans				2,246						2,246
Net losses on equity securities designated at fair value through other comprehensive income				(167)						(167)
Comprehensive income				(3,420)	789	62,430	(4,852)	58,367		54,947
Net purchase of treasury limited recourse capital notes		(4)		107						103
Issuance of common shares			9,280							9,280
Share-based compensation									789	789
Dividends and other										
Preferred shares and limited recourse capital notes				(12,426)						(12,426)
Common shares				(82,314)						(82,314)
Balance as at October 31, 2024	\$ 122,071	\$ 123,483	\$ 1,187,107	\$ 1,307,747	\$ 524	\$ 58,750	\$ 21,961	\$ 81,235	\$ 6,841	\$ 2,828,484

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

(1) Effective November 1, 2023, the Bank retrospectively adopted IFRS 17, Insurance contracts, which required restatement of the Bank's 2023 comparative information. Refer to Note 2 for further information.

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

For the year ended October 31, 2023

(in thousands of Canadian dollars)	Accumulated other comprehensive income									
	Preferred shares (Note 15)	Limited recourse capital notes (Note 15)	Common shares (Note 15)	Retained earnings	Debt securities at fair value through other comprehensive income	Cash flow hedges	Translation of foreign operations	Total	Share-based compensation 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
Impact of adoption of IFRS 17 ⁽¹⁾				(715)						(715)
Balance as at November 1, 2022	122,071	122,332	1,167,549	1,321,666	(622)	22,607	20,060	42,045	4,725	2,780,388
Net income				181,087						181,087
Other comprehensive income (loss), net of income taxes										
Unrealized net gains on debt securities at fair value through other comprehensive income					44			44		44
Reclassification of net losses on debt securities at fair value through other comprehensive income to net income					313			313		313
Net change in value of derivatives designated as cash flow hedges						(26,287)		(26,287)		(26,287)
Net unrealized foreign currency translation gains on investments in foreign operations							23,589	23,589		23,589
Net losses on hedges of investments in foreign operations							(16,836)	(16,836)		(16,836)
Remeasurement losses on employee benefit plans				(2,414)						(2,414)
Net losses on equity securities designated at fair value through other comprehensive income				(1,833)						(1,833)
Comprehensive income				176,840	357	(26,287)	6,753	(19,177)		157,663
Net sale of treasury limited recourse capital notes		1,155		(117)						1,038
Issuance of common shares			10,278							10,278
Share-based compensation									1,327	1,327
Dividends and other										
Preferred shares and limited recourse capital notes				(11,779)						(11,779)
Common shares				(80,810)						(80,810)
Balance as at October 31, 2023	\$ 122,071	\$ 123,487	\$ 1,177,827	\$ 1,405,800	\$ (265)	\$ (3,680)	\$ 26,813	\$ 22,868	\$ 6,052	\$ 2,858,105

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

(1) Effective November 1, 2023, the Bank retrospectively adopted IFRS 17, Insurance contracts, which required restatement of the Bank's 2023 comparative information. Refer to Note 2 for further information.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended October 31 (in thousands of Canadian dollars)	2024	2023
Cash flows relating to operating activities		
Net income (loss)	\$ (5,499)	\$ 181,087
Adjustments to determine net cash flows relating to operating activities:		
Provision for credit losses	6	61,552
Deferred income taxes	18	(74,268)
Impairment of goodwill, software, intangible assets and premises and equipment	8 and 9	200,702
Depreciation of premises and equipment	8	18,058
Amortization of software and other intangible assets	9	39,635
Change in operating assets and liabilities:		
Loans	1,742,237	462,134
Acceptances	(15,000)	(84,800)
Securities at fair value through profit or loss	(171,175)	22,574
Securities purchased under reverse repurchase agreements	517,680	(358,418)
Accrued interest receivable and payable	121,662	83,539
Derivatives, net	(322,254)	(83,598)
Deposits	(2,862,924)	(1,104,928)
Obligations related to securities sold short	(323,130)	(637,287)
Obligations related to securities sold under repurchase agreements	542,867	194,413
Debt related to securitization activities	643,072	660,963
Other, net	85,569	(19,987)
	198,784	(577,918)
Cash flows relating to financing activities		
Payment of lease liabilities	(17,858)	(16,585)
Net sale (purchase) of subordinated debt	14	(11,266)
Net sale of treasury limited recourse capital notes	15	103
Net proceeds from issuance of common shares	15	13
Dividends and other distributions	(85,473)	(83,079)
	(114,481)	(97,084)
Cash flows relating to investing activities		
Change in securities at amortized cost		
Acquisitions	(2,421,202)	(3,091,815)
Proceeds on sale and at maturity	2,625,601	3,100,658
Change in securities at fair value through other comprehensive income		
Acquisitions	(592,117)	(485,289)
Proceeds on sale and at maturity	476,578	619,978
Additions to premises and equipment and software and other intangible assets	8 and 9	(37,022)
Change in interest-bearing deposits with banks	(113,287)	560,394
	(61,449)	665,228
Effect of exchange rate changes on cash and non-interest-bearing deposits with banks	2,133	1,770
Net change in cash and cash equivalents	24,987	(8,004)
Cash and cash equivalents at beginning of period ⁽¹⁾	108,490	116,494
Cash and cash equivalents at end of period⁽¹⁾	\$ 133,477	\$ 108,490
Supplemental disclosure about cash flows relating to operating activities:		
Interest paid during the year	\$ 1,533,807	\$ 1,354,266
Interest received during the year	\$ 2,341,978	\$ 2,209,305
Dividends received during the year	\$ 3,867	\$ 6,123
Income taxes paid during the year	\$ 32,926	\$ 60,641

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

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

(1) Cash and cash equivalents include cash and non-interest bearing deposits with banks and cash reserve deposits included in Other assets, as detailed in Note 10.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at October 31, 2024 and 2023

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

1. GENERAL INFORMATION

Laurentian Bank of Canada (the Bank) provides financial services to its personal, commercial and institutional customers. The Bank operates across Canada and in the United States.

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

The Consolidated Financial Statements for the year ended October 31, 2024 were approved for issuance by the Board of Directors on December 5, 2024.

2. BASIS OF PRESENTATION

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These Consolidated Financial Statements also comply with the *Bank Act* and the requirements of the Office of the Superintendent of Financial Institutions Canada (OSFI).

Unless stated otherwise, the accounting policies described in Note 3, Summary of Significant Accounting Policies have been applied consistently to all periods presented.

These Consolidated Financial Statements were prepared under a historical cost basis, except for certain items carried at fair value as discussed in Note 3.

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 CURRENT ACCOUNTING POLICY CHANGES

IFRS 17, Insurance Contracts

Effective November 1, 2023, the Bank retrospectively adopted IFRS 17, *Insurance contracts* (IFRS 17), which replaces the IFRS 4 standard addressing insurance contracts. As a result of the application of IFRS 17, accounting policies related to insurance contracts were modified in Note 3 hereafter, and these new policies were applicable from November 1, 2022.

The adoption of IFRS 17 required a restatement of the Bank's 2023 comparative information and financial measures and resulted in an increase in other assets and a decrease in retained earnings of \$0.7 million as at November 1, 2022 and October 31, 2023 respectively. The adoption of IFRS 17 had no material impact on the consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of cash flows for the fiscal year ended October 31, 2023, as well as on financial measures previously disclosed.

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*. The amendments provide temporary relief for entities from having to account for deferred taxes arising from the implementation of the Pillar Two model Rules Published by the Organisation for Economic Co-operation and Development (OECD).

The amendments introduce: 1) a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Global Anti-Base Erosion Model (GloBE) rules; and 2) targeted disclosure requirements for affected companies to help users of the financial statements better understand a company's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date. Since 2023, the Bank has applied the exception to recognizing and disclosing information related to Pillar Two income taxes.

In 2024, Pillar Two legislation has been enacted in Canada and in all jurisdictions where the Bank and its entities operate. This legislation will be effective for the Bank's fiscal year beginning on November 1, 2024. The Bank is in scope of the enacted legislation and has performed an assessment of the Bank's potential exposure to Pillar Two income taxes as if the legislation applied for the fiscal year ending on October 31, 2024.

Had the Pillar Two legislation been effective for the current fiscal year ending October 31, 2024, the restated income tax recovery under IFRS would have been approximately \$4 to \$5 million lower than the reported income tax recovery. The Bank expects an increase of the effective tax rate under IFRS in fiscal year 2025 as a result of the Pillar Two legislation. However, the effective tax rate in fiscal 2025 will depend on factors such as mix of earnings or losses taxed at different statutory rates, nature of revenues and foreign currency exchange rates.

2.2 IBOR REFORM

The transition from Interbank Offered Rates ("IBORs") to alternative benchmark interest rates is a global initiative that impacted 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 completed its work to amend IFRS in response to the IBOR Reform. The Amendments addressed the accounting issues that arose when financial instruments that reference IBORs transitioned 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 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 would permanently cease immediately following the final publication on June 28, 2024.

In 2024, the Bank has successfully transitioned all of its CDOR contracts to alternative RFRs. As at October 31, 2024, the Bank had no exposure to non-derivative financial assets, non-derivative financial liabilities, derivative financial instruments and off-balance sheet commitments referencing CDOR (\$2,423 million as at October 31, 2023 indexed at CDOR with a maturity date after June 28, 2024).

2.3 BASIS OF CONSOLIDATION

These Consolidated Financial Statements include all the assets, liabilities and operating results of the Bank and all the entities which it controls, after elimination of intercompany balances and transactions. The Bank controls an entity when it has the power to direct the activities of the entity which have the most significant impact on the entity's risks and/or returns, it is exposed to significant risks and/or returns arising from the entity, and it is able to use its power to affect the risks and/or returns to which it is exposed.

Subsidiaries

Subsidiaries are consolidated from the date the Bank obtains control and continue to be consolidated until the date when control ceases to exist. The financial statements of the Bank's subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies. The Bank's significant subsidiaries are listed in Note 29.

Structured entities

Structured entities are consolidated when the substance of the relationship between the Bank and the structured entity indicates that the structured entity is controlled by the Bank. Structured entities may take the form of a corporation, trust or partnership. They are often created with legal arrangements that impose limits on the decision-making powers of their governing board, trustee, or management over the operations of the entity. When assessing whether the Bank has to consolidate a structured entity, three primary criteria are evaluated: whether the Bank has the power to direct the activities of the structured entity that have the most significant impact on the entity's risks and/or returns; whether the Bank is exposed to significant variable returns arising from the entity; and whether the Bank has the ability to use its power to affect the risks and/or returns to which it is exposed. The Bank consolidates three limited partnerships used for securitization and funding purposes.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these Consolidated Financial Statements, management is required to make significant judgments, 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 Consolidated Financial Statements as follows:

Fair value of financial instruments	Notes 3 and 21	Post-employment benefits	Notes 3 and 17
Allowances for credit losses	Notes 3 and 6	Income taxes	Notes 3 and 18
Goodwill and other intangible assets	Notes 3 and 9	Provisions and contingent liabilities	Notes 3 and 26

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 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 rising complexity of the geopolitical landscape and macro-economic developments, including the higher interest rate environment and upcoming U.S. political shift, will continue to exert uncertainty on the assumptions used by management in making its judgments and estimates. The comprehensive impact of recent and potential future macro-economic developments on the Canadian and U.S. economies and the Bank's business remains uncertain and difficult to predict.

3. MATERIAL ACCOUNTING POLICY INFORMATION

3.1 FINANCIAL INSTRUMENTS

Classification and measurement of financial assets

At initial recognition, all financial assets are recorded at fair value on the Consolidated Balance Sheet. After initial recognition, financial assets must be measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

The Bank determines the classification of debt instruments based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets, as described below. Equity instruments are required to be measured at FVTPL, except where the Bank has elected at initial recognition to irrevocably designate an equity investment, held for purposes other than trading, at FVOCI. Derivatives are required to be measured at FVTPL.

Contractual cash flow characteristics

In order to classify debt instruments, the Bank must determine whether the contractual cash flows associated with the debt instrument are solely payments of principal and interest (SPPI) on the principal amount outstanding. The principal is generally the fair value of the debt instrument at initial recognition. The interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period, and for other basic lending risks and costs as well as of a profit margin. If the Bank determines that the contractual cash flows associated with a debt instrument are not solely payments of principal and interest, the debt instrument must be classified as at FVTPL.

Business model assessment

The Bank determines its business models based on the objective under which each portfolio of financial assets is managed. The business model determination requires the use of judgment and consideration of all the relevant evidence available at the date of determination. In determining its business models, the Bank considers the following:

- Management's intent and strategic objectives and the operation of the stated policies in practice;
- The primary risks that affect the performance of the business model and how these risks are managed;
- How the performance of the portfolio is evaluated and reported to management; and
- The frequency and significance of financial asset sales in prior periods, the reasons for such sales and the expected future sales activities.

A financial asset portfolio is within a "hold to collect" business model when the Bank's primary objective is to hold these financial assets in order to collect contractual cash flows from them and not to sell them. When the Bank's objective is achieved both by collecting contractual cash flows and by selling the financial assets, the financial asset portfolio falls within a "hold to collect and sell" business model. In this type of business model, collecting contractual cash flows and selling financial assets are both integral components to achieving the Bank's objective for this financial asset portfolio. Financial assets are measured at FVTPL if they do not fall within either a "hold to collect" business model or a "hold to collect and sell" business model.

Optional designations

Under the fair value option, debt instruments that fall within a "hold to collect" or "hold to collect and sell" business model may be designated on a voluntary and irrevocable basis as at FVTPL provided that such designation:

- Eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the related gains and losses on different bases; or
- Pertains to an asset or liability that is managed and whose performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about such items is provided internally on that basis to the Bank's key management personnel; and
- Allows for reliable measurement of the fair value of the financial instruments designated at FVTPL.

As at October 31, 2024 and October 31, 2023, the Bank had not designated any debt instrument as at FVTPL.

In addition, it is permitted to irrevocably designate at FVOCI, at initial recognition, an equity instrument that is not held for trading.

Securities at amortized cost

Securities at amortized cost include debt securities for which the contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding and that fall within a "hold to collect" business model. Securities at amortized cost are initially recorded at fair value on the settlement date on the Consolidated Balance Sheet, including direct and incremental transaction costs. Subsequently, they are measured at amortized cost using the effective interest rate method, net of allowances for expected credit losses. Interest income is recognized in the Consolidated Statement of Income using the effective interest rate method, including the amortization of transaction costs as well as premium or discounts over the security's expected life.

Securities at FVOCI

Securities at FVOCI include: (i) debt securities for which the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding and that fall within a “hold to collect and sell” business model and (ii) equity securities designated at FVOCI with no subsequent reclassification of gains and losses to net income.

The Bank initially recognizes securities at FVOCI on the Consolidated Balance Sheet at the settlement date, including direct and incremental transaction costs.

For debt securities at FVOCI, unrealized gains and losses are subsequently recognized in other comprehensive income, net of interest income calculated on the instrument’s amortized cost, expected credit losses and income taxes, and if they are not hedged by derivative financial instruments in a fair value hedging relationship. When the securities are sold, realized gains or losses, determined on an average cost basis, are reclassified to Income from financial instruments in the Consolidated Statement of Income. Interest income is recognized in the Consolidated Statement of Income using the effective interest rate method, including the amortization of transaction costs.

For equity securities designated at FVOCI, subsequent unrealized gains and losses are presented, net of income taxes, in other comprehensive income with no subsequent reclassification of realized gains and losses to net income. Dividend income for these instruments is recorded in Interest Income in the Consolidated Statement of Income.

Securities at FVTPL

Securities at FVTPL include (i) debt securities for which the business model is neither to hold to collect nor hold to collect and sell, (ii) debt securities for which the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding, (iii) debt securities designated at FVTPL under the fair value option, (iv) equity securities held for trading, and (v) equity securities other than those designated at FVOCI.

Securities at FVTPL are initially recorded at fair value on the settlement date on the Consolidated Balance Sheet. Transaction costs and other fees associated with financial instruments at FVTPL are expensed as incurred. Subsequently, these securities are measured at fair value and the realized and unrealized gains and losses are recognized in the Consolidated Statement of Income under Income from financial instruments. For debt and equity securities held for trading, interest income and dividend income are recognized in Income from financial instruments in the Consolidated Statement of Income. For other securities at FVTPL, interest income and dividend income are recognized in Interest Income in the Consolidated Statement of Income.

Loans at amortized cost

Loans at amortized cost include loans originated or purchased by the Bank that are not classified as measured at FVTPL or designated at FVTPL under the fair value option. These loans are held within a business model whose objective is to collect cash flows that are solely payments of principal and interest on the principal amount outstanding. Loans originated by the Bank are recognized at the settlement date on the Consolidated Balance Sheet. Loans are initially measured at fair value plus directly attributable costs and are subsequently measured at amortized cost using the effective interest rate method. Loans are presented net of allowances for credit losses on the Consolidated Balance Sheet.

Interest income is recognized on loans using the effective interest rate, calculated over the loan’s expected life. Commissions received, origination fees and costs, as well as other transaction costs are adjustments to the loan yield and are recorded in interest income over the term of the loans. Fees received for loan prepayments are included in interest income upon prepayment.

Classification and measurement of financial liabilities

At initial recognition, all financial liabilities are recorded at fair value at the settlement date on the Consolidated Balance Sheet. After initial recognition, financial liabilities must be measured at amortized cost or at FVTPL.

Financial liabilities at amortized cost

Financial liabilities at amortized cost include deposits, obligations related to securities sold under repurchase agreements, acceptances, subordinated debt, debt related to securitization activities and other liabilities. Financial liabilities at amortized cost are initially recognized at fair value including any transaction costs and subsequently measured at amortized cost. Interest expense on financial liabilities at amortized cost is recognized in the Consolidated Statement of Income, using the effective interest rate method.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are composed of financial instruments held-for-trading including obligations related to securities sold short, derivatives and financial liabilities designated by the Bank as at FVTPL under the fair value option upon initial recognition. Financial liabilities at FVTPL are initially recorded at fair value at the settlement date on the Consolidated Balance Sheet. Subsequently, these financial instruments are remeasured at fair value and the realized and unrealized gains and losses are immediately recognized in the Consolidated Statement of Income under Income from financial instruments. For financial liabilities designated by the Bank as at FVTPL under the fair value option, changes in the fair value which are attributable to changes in own credit risk are presented in other comprehensive income rather than in the Consolidated Statement of Income, unless it creates a mismatch. Interest expense paid is recognized in the Consolidated Statement of Income. Transaction costs and other fees associated with financial instruments at FVTPL are expensed as incurred.

As at October 31, 2024 and October 31, 2023, the Bank had not designated any financial liabilities at FVTPL.

Reclassification of financial assets and financial liabilities

Financial assets and financial liabilities are not reclassified subsequent to their initial recognition, except for financial assets for which the Bank changes its business model for managing financial assets. The reclassification is applied prospectively from the reclassification date.

Impairment of financial assets

At the end of each reporting period, the Bank applies a three-stage impairment approach to measure the expected credit losses (ECL) on all debt instruments measured at amortized cost or at FVOCI, on loan commitments and financial guarantees that are not measured at fair value and on lease receivables. The ECL model is forward looking. Measurement of ECLs at each reporting period reflects reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions.

For accounts receivables, the Bank applies a simplified impairment approach which does not track the changes in credit risk, but instead recognizes an allowance based on lifetime ECL at each reporting date from the date of initial recognition.

Determining the stage

The ECL three-stage impairment approach is based on the change in the credit quality of financial assets since initial recognition. If, at the reporting date, the credit risk of performing financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and an allowance for credit losses that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded. When there is a significant increase in credit risk since initial recognition, these performing financial instruments are migrated to Stage 2, and an allowance for credit losses that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to Stage 1, i.e., recognition of 12-month expected credit losses. When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the impaired financial asset is migrated to stage 3, an allowance equal to the lifetime expected losses continues to be recorded or the financial asset is written off. Interest income is calculated on the gross carrying amount of the financial assets in stages 1 and 2 and on the net carrying amount of the financial assets in stage 3.

Assessment of significant increase in credit risk

In determining whether credit risk has increased significantly, the Bank uses an internal credit risk grading system and external risk ratings. To assess whether the credit risk of a financial instrument has increased significantly, the 12-month probability of default (PD) at the reporting date is compared with the 12-month PD at the date of initial recognition, and reasonable and supportable information indicative of significant increases in credit risk since initial recognition is considered. The Bank includes relative and absolute thresholds in the definition of significant increase in credit risk and a backstop of 30 days past due. All financial instruments that are 30 days past due are migrated to stage 2 even if other metrics do not indicate that a significant increase in credit risk has occurred. The assessment of a significant increase in credit risk requires significant judgment.

Measurement of expected credit losses

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument, and reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions is considered. The estimation and application of forward-looking information requires significant judgment. The cash shortfall is the difference between all contractual cash flows owed to the Bank and all the cash flows that the Bank expects to receive.

The measurement of ECLs is based primarily on the product of the instrument's PD, loss given default (LGD), and exposure at default (EAD). Forward-looking macroeconomic factors such as interest rates, unemployment rates, gross domestic product (GDP) forecasts and housing price indices are incorporated into the risk parameters. The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The Bank incorporates three forward-looking macroeconomic scenarios in its ECL calculation process: a base scenario, an upside scenario, and a downside scenario. Probability-weights are attributed to each scenario. The scenarios and probability weights are reassessed quarterly and subject to management review. The Bank applies experienced credit judgment to adjust the modeled ECL results when it becomes evident that known or expected risk factors and information were not considered in the credit risk rating and modeling process.

ECLs for all financial instruments are recognized in provisions for credit losses in the Consolidated Statement of Income. In the case of debt instruments measured at FVOCI, ECLs are recognized in provisions for credit losses in the Consolidated Statement of Income and a corresponding amount is recognized in other comprehensive income with no reduction in the carrying amount of the asset on the Consolidated Balance Sheet. As for debt instruments measured at amortized cost, they are presented net of the related allowance for credit losses on the Consolidated Balance Sheet. The allowance for credit losses for off-balance-sheet credit exposures that are not measured at fair value is included in other liabilities on the Consolidated Balance Sheet.

Purchased or originated credit-impaired financial assets

On initial recognition of a financial asset, the Bank determines whether the asset is credit-impaired. For financial assets that are credit-impaired upon purchase or origination, in subsequent reporting periods the Bank recognizes only the cumulative changes in lifetime expected credit losses since initial recognition as an allowance for credit losses. The Bank recognizes changes in ECLs in provision for credit losses in the Consolidated Statement of Income, even if the lifetime ECLs are less than ECLs that were included in the estimated cash flows on initial recognition.

Default

The definition of default used by the Bank to measure ECLs and transfer financial instruments between stages is consistent with the definition of default used for internal credit risk management purposes. The Bank considers a financial asset as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred or when contractual payments are 90 days past due.

Write-offs

The Bank writes off an impaired financial asset and its related allowance for credit losses in whole or in part when it considers the probability of recovery to be non-existent and when all guarantees and other remedies available to the Bank have been exhausted or if the borrower is bankrupt or winding up and balances owing are not likely to be recovered. For credit cards, the balances and related allowance for credit losses are generally written off when payment is 180 days past due.

Modified loans

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual terms of the financial asset that affect the contractual cash flows. The treatment of such modifications depends on the nature and extent of changes. Modifications which are performed for credit reasons, primarily related to troubled debt restructurings, are treated as modifications of the original financial asset and do not result in derecognition. Concessions may include payment deferrals, extension of amortization periods, rate reductions, principal forgiveness, debt consolidation, forbearance and other modifications and are intended to minimize the economic loss and to avoid foreclosure or repossession of collateral.

Substantial modifications which are performed for other than credit reasons are generally considered to be an expiry of the original cash flows; accordingly, such renegotiations are treated as a derecognition of the original financial asset and recognition of a new financial asset based on the new contractual terms.

If the Bank determines that a modification does not result in derecognition, the financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment, as described above. Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For loans that were modified while having lifetime ECLs, such loans can revert to having twelve-month ECLs if the borrower's financial condition that led to it being identified as credit-impaired are no longer present and relate objectively to an event occurring after the original credit-impairment was recognized.

If a modification of terms results in derecognition of the original financial asset and recognition of the new financial asset, the new financial asset will generally be recorded in Stage 1, unless it is determined to be credit-impaired at the time of the renegotiation. For the purposes of assessing for significant increases in credit risk, the date of initial recognition for the new financial asset is the date of the modification.

Securities purchased under reverse repurchase agreements and obligations related to securities sold under repurchase agreements

The Bank enters into short-term purchases of securities under agreements to resell (reverse repurchase agreements) as well as short-term sales of securities under agreements to repurchase (repurchase agreements) at predetermined prices and dates. Given the low-risk transfer associated with these purchases and sales, these agreements are treated as collateralized lending and borrowing.

Securities purchased under agreements to resell are not recognized as securities on the Consolidated Balance Sheet. An asset corresponding to the consideration paid for the securities is recognized in securities purchased under reverse repurchase agreements. Subsequently, the agreements are measured at amortized cost using the effective interest method. Interest income is allocated over the expected term of the agreement by applying the effective interest rate to the carrying amount of the asset.

Securities sold under agreements to repurchase at a specified future date are not derecognized from the Consolidated Balance Sheet. The consideration received is recognized in the Consolidated Balance Sheet and a corresponding liability is recognized in obligations related to securities sold under repurchase agreements. Subsequently, the agreements are measured at amortized cost using the effective interest method. Interest expense is allocated over the expected term of the agreement by applying the effective interest rate to the carrying amount of the liability.

Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralized by securities or cash. The transfer of the securities to counterparties is only reflected on the Consolidated Balance Sheet if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities sold short

If securities borrowed or purchased under agreements to resell are subsequently sold to third parties, the obligation to deliver the securities is recorded as a short sale within obligations related to securities sold short. These short sales are classified as held-for-trading liabilities and measured at FVTPL with any gains or losses included, depending on the nature of the transaction, in other income under income from financial instruments.

Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or when the contractual rights to the cash flows from the financial asset and substantially all risks and rewards of ownership of the asset are transferred to a third party. When a financial asset is derecognized, a gain or a loss is recognized in the Consolidated Statement of Income for an amount equal to the difference between the carrying amount of the asset and the value of the consideration received.

When the Bank considers that it has retained substantially all the risks and rewards of ownership of the transferred asset, it continues to recognize the financial asset and, if applicable, recognizes a financial liability on the Consolidated Balance Sheet. If, due to a derivative instrument, the transfer of a financial asset does not result in derecognition, the derivative is not recognized on the Consolidated Balance Sheet.

Securitization

The Bank regularly transfers pools of residential mortgage loans under securitization programs. When the Bank retains substantially all the risks and rewards related to these assets, these transactions do not result in derecognition of the assets from the Bank's Consolidated Balance Sheet. As such, securitized residential mortgages continue to be recognized in the Consolidated Balance Sheet and the liabilities for the consideration received from the transfer are recognized in Debt related to securitization activities on the Consolidated Balance Sheet.

In certain securitization transactions, the Bank does not retain substantially all the risks and rewards related to transferred pools of residential mortgage loans. In such transactions, the Bank has a continuing involvement in the securitized asset that is limited to retained rights in future excess interests and the liability associated with servicing these assets. When a securitized asset is derecognized, the related loans are removed from the Consolidated Balance Sheet and a gain or loss is recognized in the Consolidated Statement of Income under Other income. The securitization retained rights in future excess interests is classified at amortized cost and reported as part of Other assets. The servicing liability is reported as part of Other liabilities. Revenues related to retained interests are recognized in the Consolidated Statement of Income under Income from financial instruments.

The Bank also enters into transactions with other structured entities as part of securitization programs for finance lease receivables and personal loans. Structured entities are consolidated if the Bank controls the entity. In assessing control, the Bank evaluates the substance of the relationship, its right or exposure to variable returns and the ability to exercise power to affect the returns.

Refer to Notes 7 and 13 for further details.

Acceptances and customers' liabilities under acceptances

Acceptances represent an obligation for the Bank with respect to short-term negotiable instruments issued by the Bank's customers to third parties and guaranteed by the Bank. Acceptances are measured at amortized cost using the effective interest method. The recourse against the customer in the event that these obligations give rise to a cash outlay is reported as a corresponding asset measured at amortized cost using the effective interest method. Commissions earned are recorded in other income in the Consolidated Statement of Income.

Derivatives and hedges

Derivatives are primarily used to manage the Bank's exposure to interest rate and currency risks, as well as in trading activities or to serve the needs of customers.

All derivatives are measured at fair value in other assets or liabilities, including derivatives embedded in financial instruments or other contracts that are not closely related to the financial instrument or to the host contract. Changes in fair value of derivatives are immediately recognized in the Consolidated Statement of Income under Income from financial instruments, except for derivatives designated as cash flow hedges and net investment hedges as described below. Interest income and expense related to derivatives is recognized in Net interest income in the Consolidated Statement of Income.

Hedge accounting

The Bank elected not to apply the IFRS 9 hedge accounting requirements as at November 1, 2018 and continues to apply the IAS 39 requirements. Information provided in Note 24 for the years ended October 31, 2024 and 2023 reflects the disclosure requirements of IFRS 7, *Financial Instruments: Disclosures*.

The purpose of a hedging transaction is to modify the Bank's exposure to one or more risks by creating an offset between changes in the fair value of, or the cash flows attributable to, the hedged item and the hedging instrument. Hedge accounting ensures that offsetting gains, losses, revenues and expenses are recognized in the Consolidated Statement of Income in the same period or periods.

Where hedge accounting can be applied, the Bank designates and formally documents each hedging relationship, at its inception, by detailing the risk management objective, the hedging strategy, the item being hedged, the related hedging instrument, and the method for assessing the effectiveness or ineffectiveness of the hedging relationship. Hedge accounting is deemed appropriate where the derivative is highly effective in offsetting changes in the hedged item's fair value attributed to the hedged risk, both at the hedge's inception and on an ongoing basis. Effectiveness is assessed every month using statistical regression models.

Fair value hedges

Fair value hedge transactions predominantly use interest rate swaps to hedge changes in fair value of assets, liabilities or firm commitments.

For these hedging relationships, the changes in the hedged item's fair value attributable to the hedged risk are recognized in Income from financial instruments on the Consolidated Statement of Income. A corresponding adjustment to the carrying amount of the hedged item in the Consolidated Balance Sheet is also recorded, except for hedges of certain equity securities, where the adjustment is recognized in accumulated other comprehensive income. Changes in fair value of the hedged item, to the extent that the hedging relationship is effective, are offset by changes in fair value of the hedging derivative.

When the hedging relationship ceases to be effective or the hedging instrument is sold or terminated early, hedge accounting is discontinued prospectively. The hedged item is no longer adjusted to reflect changes in fair value and the cumulative adjustment with respect to the effective portion of gains and losses attributable to the hedged risk are amortized using the effective interest rate method and recognized in net interest income over the remaining life of the hedged item. Hedge accounting is also discontinued on the sale or early termination of the hedged item, whereupon the cumulative adjustment to the hedged item's carrying amount is immediately recognized in Other income.

Cash flow hedges

Cash flow hedge transactions predominantly use interest rate swaps and total return swaps to hedge the variability in cash flows related to a variable rate asset or liability.

For these hedging relationships, the changes in fair value related to the effective portion of the hedge are recognized in other comprehensive income. Changes in fair value related to the ineffective portion of the hedge are immediately recognized in the Consolidated Statement of Income. Changes in fair value recognized in other comprehensive income are reclassified in the Consolidated Statement of Income under Net interest income or Salaries and employee benefits, depending on the hedged item, in the periods during which the cash flows comprising the hedged item affect income.

When the hedging relationship ceases to be effective or the hedging instrument is sold or terminated early, hedge accounting is discontinued prospectively. Changes in fair value recognized in other comprehensive income in respect of a cash flow hedging relationship that ceases to be effective or for which the hedging instrument is sold or terminated early are reclassified in the Consolidated Statement of Income under Net interest income or Salaries and employee benefits, depending on the hedged item, in the periods during which the cash flows comprising the hedged item affect income. Hedge accounting is also discontinued on the sale or early termination of the hedged item, whereupon the changes in fair value recognized in accumulated other comprehensive income are immediately recognized in other income.

Net investment hedges

Cross currency swaps are used to hedge changes in the fair value of the net investment in foreign operations with a functional currency other than the Canadian dollar.

For these hedging relationships, the changes in fair value related to the effective portion of the hedge are recognized in other comprehensive income. Changes in fair value related to the ineffective portion of the hedge are immediately recognized in the Consolidated Statement of Income under Other income. Upon disposal or partial disposal of the net investment in a foreign operation, the related proportion of accumulated changes in fair value previously recognized in other comprehensive income are reclassified in the Consolidated Statement of Income under Other income.

Deposits

Deposits are initially measured at fair value, net of directly attributable transaction costs incurred. Subsequently, they are measured at amortized cost using the effective interest method. Interest expense is allocated over the expected term of the deposit by applying the effective interest rate to the carrying amount of the liability. Commissions paid and other fees are recorded in interest expense over the term of the deposits. Deposits are presented net of unamortized commissions and other fees on the Consolidated Balance Sheet.

Indexed deposit contracts

Certain personal deposit obligations, such as equity-linked guaranteed investment certificates where the deposit obligation varies according to the performance of certain stock market indexes, may be subject to a guaranteed minimum redemption amount, such as the obligation to return the investor's initial investment at maturity. These obligations include an embedded derivative instrument that is accounted for separately and is presented in the Consolidated Balance Sheet under Derivatives.

Debt related to securitization activities

Debt related to securitization activities is initially measured at fair value net of directly attributable transaction costs incurred. Subsequently, the debt is measured at amortized cost using the effective interest rate method. Interest expense is allocated over the expected term of the borrowing by applying the effective interest rate to the carrying amount of the liability.

Subordinated debt

Subordinated debt is a direct unsecured obligation of the Bank and is subordinated in right of payment to the claims of depositors and certain other creditors of the Bank. Subordinated debt is initially measured at fair value net of directly attributable transaction costs incurred. Subsequently, the debt is measured at amortized cost using the effective interest rate method. Interest expense is allocated over the expected term of the borrowing by applying the effective interest rate to the carrying amount of the liability.

Measuring the fair value of financial instruments

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 a financial instrument on initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. In certain circumstances, the initial fair value may be based on other observable market transactions for the same instrument or on a valuation technique.

Subsequent to initial recognition, the fair value of financial instruments is best evidenced by quoted prices in active markets when available. This fair value is based on the quoted price within the bid-offer prices that is most representative of fair value in the circumstances. Otherwise, fair value is measured using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Determining which valuation technique and inputs to apply requires judgment. Valuation techniques include cash flow discounting, comparison with current market prices for financial instruments with similar characteristics and risk profiles and option pricing models. The inputs, among other things, include contractual prices of the underlying instruments, yield curves and volatility factors. The valuations may also be adjusted to reflect the uncertainty in these parameters. Valuation adjustments may be made with respect to the liquidity or counterparty credit risk of financial instruments that have no available quoted prices in active markets. Fair value reflects market conditions on a given date and for this reason cannot be representative of future fair values.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset, and the net amount is presented in the Consolidated Balance Sheet when the Bank currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously. In all other situations, financial assets and liabilities are presented on a gross basis.

3.2 LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the contract. The contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration, even if that right is not explicitly specified in an arrangement.

The Bank as a lessor

Finance leases

The Bank provides leasing solutions to business customers. Leases in which the Bank transfers substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Assets held under a finance lease are presented as a receivable on the line-item Commercial loans in the Consolidated Balance Sheet.

Finance lease receivables are initially recorded at an amount equal to the net investment in the lease at the inception of the lease. This corresponds to the aggregate minimum lease payments receivable plus any unguaranteed residual value accruing to the Bank, discounted at the interest rate implicit in the lease. Finance lease receivables are subsequently recorded at an amount equal to the net investment in the lease at the reporting date, net of allowances for loan losses. Interest income is recognized based on a pattern reflecting a constant periodic rate of return on the Bank's net investment outstanding in respect of the finance lease. Commissions received, origination fees and costs, as well as other transaction costs in respect of finance leases are adjustments to the yield and are recorded in interest income over the term of the lease. For derecognition and impairment of finance lease receivables, the Bank applies accounting policies applicable to financial instruments described in Section 3.1.

Operating leases

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. The leased assets are classified in the balance sheet in other assets and are carried at cost less accumulated depreciation, which considers their estimated residual value. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental income arising from operating leases is accounted for on a straight-line basis over the lease term and is included in Other income in the Consolidated Statement of Income.

The Bank as a lessee

The Bank enters into lease agreements as a lessee for its premises.

On the lease commencement date, a right-of-use asset and a lease liability are recognized. The right-of-use asset is initially measured at cost, which corresponds to the value of the lease liability adjusted for any lease payment made at or before the commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term.

Management assesses at least annually if indicators of impairment exist for its right-of-use assets that generate cash inflows that are largely independent of those from other assets or groups of assets of the Bank. When impairment indicators exist for such right-of-use assets, management compares their carrying value to their recoverable amount, which is determined using a value in use approach based on the expected sublease terms over the remainder of the head-leases. These terms notably include base rent recovery and variable rent recovery, as well as the expected absorption period.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Bank's incremental borrowing rate for a similar asset. Lease payments included in the measurement of the lease liability comprise fixed payments, reduced by any incentive receivables, and exclude operational costs and variable lease payments. Lease payments related to extension options are also included in the measurement of the lease liability if management has concluded that it is reasonably certain that the option will be exercised. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Short-term leases are leases with a lease term of 12 months or less. For short-term leases and leases of low-value assets, the Bank records the lease payments as an operating expense on a straight-line basis over the lease term.

The Bank presents right-of-use assets in Premises and equipment and lease liabilities in Other liabilities on the Consolidated Balance Sheet. The interest expense is presented under Interest expense, Other and the depreciation is presented under the Premises and technology line item on the Consolidated Statement of Income.

3.3 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Bank provides banking services to its customers. Revenue from contracts with customers is recognized when control of services provided by the Bank is transferred to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services. Revenue associated with the rendering of services is recognized by reference to the satisfaction of performance obligations at the end of the reporting period. The Bank has generally concluded that it is the principal in its revenue arrangements, except for interchange income described below, because it typically controls the services before transferring them to the customer.

The Bank's fee and commission income from services, including those where performance obligations are satisfied over time, are as follow:

Lending fees

Lending fees include commitment fees, stand-by fees and letter of credit fees. These fees are recognized in income over the period in which the service is provided. Lending fees also include fees to guarantee acceptances issued by our customers, which are recognized over the term of the acceptances.

Income from mutual funds

Income from mutual funds mainly include trailer commissions. Trailer commissions are recognized over time and are generally calculated based on the average daily net asset value of the funds during the period.

Fees and securities brokerage commissions

Fees and securities brokerage commissions mainly include commission fees and investment banking fees. Commission fees include sales, trailer and brokerage commissions. Sales and brokerage commissions are generally recognized at a point in time when the transaction is executed. Trailer commissions are recognized over time and are generally calculated based on the average daily net asset value of the fund during the period. Investment banking fees include advisory fees and underwriting fees and are generally recognized at a point in time as income upon successful completion of the engagement.

Card service revenues

Card service revenues include interchange income, as well as card fees such as annual and transactional fees. Interchange income is recognized at a point in time when the transaction is authorized and funded. Card fees are recognized as earned at the transaction date except for annual fees, which are recognized over a twelve-month period. The Bank also offers credit card loyalty points programs which give rise to a separate performance obligation. Revenue allocated to the loyalty points is recognized upon redemption of products or services by the customer.

Service charges

Service charges are earned on personal and commercial deposit accounts and consist of account fees and transaction-based service charges. Account fees relate to account maintenance activities and are recognized in income over the period in which the service is provided. Transaction-based service charges are recognized as earned at a point in time when the transaction is complete.

Fees on investment accounts

Fees from investment accounts are earned on personal investment accounts under administration and consist of account fees and transaction-based service charges. Account fees relate to account maintenance activities and are recognized in income over the period in which the service is provided. Transaction-based service charges are recognized as earned at a point in time when the transaction is complete.

Contract balances

Accounts receivables

A receivable represents the Bank's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). The timing of payment of accounts receivable is short term after the satisfaction of the performance obligation. Accounts receivables are measured at amortized cost and included in the Other assets line item.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Bank has received consideration from the customer. If a customer pays consideration before the Bank transfers services to the customer, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Bank performs under the contract. Contract liabilities are included in the Other liabilities line item.

3.4 GOODWILL

Business combinations are accounted for using the acquisition method. At acquisition date, the consideration transferred is measured at the acquisition-date fair value. Acquisition-related costs are recognized directly in non-interest expenses in the period they are incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed of the acquiree are recognized at their estimated fair value. The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill in the balance sheet, while any excess of the fair value of the net identifiable assets over the purchase price is recorded in net income as a gain on acquisition.

Impairment of goodwill

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to a cash-generating unit (CGU).

Goodwill is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired, by comparing the recoverable amount of the CGU with its carrying amount. The recoverable amount of the CGU is the greater of the value in use and its fair value less cost of disposal. If the recoverable amount of the CGU is less than its carrying value, an impairment loss is charged to income. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU proportionally based on the carrying amount of each asset. The impairment loss allocated to each asset shall not reduce the carrying amount of assets below its fair value less costs of disposal, its value in use or zero. Impairment losses on goodwill are charged to income in the period they are incurred and are not reversed.

To determine the recoverable amount of the CGU, management uses several significant estimates, including terminal growth rate, future cash flows and the discount rate of future cash flows. Management considers that these estimates are reasonable and reflect management's best estimates but include inherent uncertainties that are not under its control. Reasonable possible changes in estimates and assumptions could significantly impact the impairment test results. The key assumptions used to determine the recoverable amount of the tested CGU are disclosed and further explained in Note 9.

3.5 PREMISES AND EQUIPMENT

Premises and equipment are recorded at cost including expenditure that is directly attributable to the acquisition of the items, less accumulated depreciation and impairment losses. Additions and subsequent expenditures are capitalized only to the extent that they enhance the future economic benefits expected to be derived from the assets.

Depreciation

Depreciation begins when the asset is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated using the straight-line method to write down the cost of premises and equipment to their residual values over their estimated useful lives. Depreciation of premises and equipment is recorded in the Consolidated Statement of Income under the Premises and technology line item. Land is not depreciated. The estimated useful lives are as follows:

	Period
Premises	25-40 years
Equipment and furniture	2-10 years
Computer hardware	2-10 years
Leasehold improvements	Minimum of useful life and term of related leases
Right-of-use assets	Minimum of useful life and term of related leases

The residual values underlying the calculation of depreciation of items of property are kept under review to take account of any change in circumstances. Useful lives and method of depreciation are also reviewed regularly, at a minimum at the end of each fiscal year and adjusted if appropriate. These changes are treated as changes in accounting estimates.

Impairment of premises and equipment

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is considered to be impaired, and it is written down to its recoverable amount. Assets are reviewed to determine whether there is any indication of impairment. Assessing whether such indications exist is subject to management's judgment.

3.6 SOFTWARE AND OTHER INTANGIBLE ASSETS

Software and other intangible assets that are not part of a cloud computing arrangement are recorded at cost including expenditure that is directly attributable to the acquisition of the items, less accumulated amortization and impairment losses. Additions and subsequent expenditures are capitalized only to the extent that they enhance the future economic benefits expected to be derived from the assets.

Amortization

Amortization begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Software is amortized on a straight-line basis over its estimated useful life, which ranges from five to twenty years. Amortization of software is recorded in the Consolidated Statement of Income under the Premises and technology line item. Other intangible assets with finite lives, mainly consisting of certain components of the core banking system, are amortized on a straight-line basis over their estimated useful life, which ranges from ten to twenty years. Amortization of other intangible assets is included in other non-interest expenses.

Impairment of software and other intangible assets

Software and intangible assets with finite lives are tested for impairment whenever there is an indication that the asset may be impaired and at least annually for software and other intangible assets under development. When the carrying amount exceeds its estimated recoverable amount, the assets with finite lives are considered impaired and are written down to their recoverable amount. Software and other intangible assets that do not generate cash inflows that are largely independent of those from other assets or group of assets are tested for impairment at the CGU level. Any impairment arising from a decline in value of intangible assets is charged to income in the period in which the losses are incurred.

3.7 EMPLOYEE BENEFITS

The Bank provides short-term benefits such as salary, health and life insurance, annual leave as well as other incentive plans. The Bank also provides post-employment benefits, including pension plans, as well as, for certain retired employees, health and life insurance.

Short-term benefits

The Bank recognizes a compensation expense as services are rendered by employees.

Post-employment benefits

The Bank has a number of benefit plans, including defined benefit and defined contribution pension plans, as well as other post-employment benefits.

Defined benefit pension plans

Typically, defined benefit plans provide benefits based on years of service, age, contribution and average earnings. The defined benefit asset or liability, recognized on the Consolidated Balance Sheet, corresponds to the present value of the plan obligation less the fair value of the plan assets at the balance sheet date. The present value of the defined benefit obligation is measured using the estimated future cash outflows discounted at the rate of high-quality corporate bonds with a maturity approximating the terms of the related defined benefit obligations. The cost of providing benefits under the plans is determined for each plan using the projected unit credit actuarial valuation method, which incorporates various parameters such as discount rates, future salary levels, retirement age, mortality rates and the general inflation rate. Pension plan assets are measured at fair value.

Actuarial gains and losses arise from changes in actuarial assumptions used to determine the plan obligation. Actuarial gains and losses are recognized as they occur in items of other comprehensive income that may not be reclassified subsequently to the Consolidated Statement of Income and are immediately transferred to retained earnings.

The value of any pension plan asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. Any restriction would be recorded as a valuation allowance.

Defined benefit costs recognized in the Consolidated Statement of Income under Salaries and employee benefits consist of a) current year's service cost, b) interest expense on the defined benefit obligation, c) return on plan assets based on the rate used to discount the plan obligation, d) past service cost and e) change in the valuation allowance.

Defined contribution pension plans

As part of the pension plans, the Bank also operates defined contribution pension arrangements. The contribution payable to these defined contribution arrangements is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under Salaries and employee benefits. Unpaid contributions are recorded as a liability.

Other post-employment benefits

The Bank offers other post-employment benefits to its employees such as a salary continuance plan during maternity leave and the payment of group insurance plan premiums during a disability period or maternity leave. In addition, certain retired employees have other retirement benefits, including health and life insurance. The costs related to these benefits are recognized during the employees' service life according to accounting policies like those applied to defined benefit pension plans.

Assumptions

Valuation of employee benefits for defined benefit pension plans and other post-employment benefits are calculated by the Bank's independent actuaries based on a number of assumptions determined by management such as discount rates, future salary levels, retirement age, mortality rates and health-care cost escalation. The discount rate is determined using a high-quality corporate bond yield curve, whose construction requires significant judgment. Other key assumptions also require significant management judgment. Considering the importance of defined benefit obligations and due to the long-term nature of these plans, changes in assumptions could have a significant impact on the defined benefit plan assets (liabilities), as well as on pension plan and other post-employment benefit expenses.

3.8 INCOME TAXES

The Bank uses the liability method of tax allocation and accounts for the deferred income tax assets and liabilities related to loss carry forwards and other temporary differences between the carrying amounts and the tax bases of assets and liabilities, in accordance with tax laws and rates enacted or substantively enacted on the date the differences are expected to reverse. Deferred income tax asset is recognized to the extent that is more likely than not to be realized. All amounts resulting from changes in tax rates are recorded in net income, except to the extent that it relates to items previously recognized in equity, in which case they are recorded in equity.

Deferred income tax assets and liabilities reflect management's estimate of temporary differences. Asset values are determined using assumptions regarding the results of operations of future fiscal years, timing of reversal of temporary differences and tax rates on the date of reversals, which may well change depending on governments' fiscal policies. Management must also assess whether it is more likely than not that deferred income tax assets will be realized and determine to which extent deferred income tax assets may be recognized.

Deferred tax assets in respect of losses and deductible temporary differences have been recognized on the basis that management considers it probable that future taxable profits will be available against which deferred tax assets can be utilized. The utilization of deferred tax assets will depend on whether it is possible to generate sufficient taxable income based on future profit projections in the respective tax type and jurisdiction. Management also considers tax planning opportunities that will create future taxable income against which the unused losses, deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

In addition, the Bank takes part in the normal course of its business in certain transactions for which the tax impacts are uncertain. Management therefore interprets tax legislation in various jurisdictions and accounts for provisions for uncertain tax positions. The provisions are estimated at the end of each reporting period and reflect management's best estimate of the amounts that may have to be paid. In the case where an audit by tax authorities results in an adjustment to the provision, the difference will impact the income taxes of the period in which the assessment was made.

The use of different assumptions or interpretations could translate into significantly different income tax assets and liabilities, as well as income tax expense or recovery.

3.9 PROVISIONS AND CONTINGENT LIABILITIES

Provisions are liabilities of uncertain timing or amount. They are recognized when the Bank has a present legal or constructive obligation as a result of a past event, and it is both probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated, considering all relevant risks and uncertainties. Contingent liabilities are not recognized but are disclosed in the Consolidated Financial Statements when it cannot be determined whether an obligation is probable, or the amount of loss cannot reliably be estimated. The adequacy of provisions is regularly assessed and the necessary adjustments to incorporate new information are made as it becomes available.

Management exercises judgment in determining whether a past event or transaction may result in the recognition of a provision or the disclosure of a contingent liability, for instance in the case of legal actions or restructuring plans. Management and internal and external experts are involved in assessing the probability and in estimating any amounts involved. Furthermore, the actual cost of resolving these obligations may be substantially higher or lower than the amount recognized.

3.10 EARNINGS PER SHARE

The Bank calculates its basic earnings per share by dividing net income for the period, after deduction of preferred share dividends, including applicable income taxes, as well as premiums on redemption of preferred shares, by the weighted-average number of common shares outstanding for the period. Diluted earnings per share are calculated by dividing the basic earnings, adjusted for the effects of potentially dilutive common shares, by the weighted-average number of common shares outstanding adjusted for the period, inclusive of the effect of potentially dilutive common shares.

3.11 INSURANCE

An insurance contract is a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The Bank has issued insurance contracts and holds reinsurance agreements.

On the insurance contract commencement date, a liability for remaining coverage is determined using the premium allocation approach (PAA), which is an optional simplified form of measuring an eligible group of insurance contracts issued, reinsurance contracts issued, or reinsurance contracts held. The Bank qualified for using the PAA for its insurance contracts as one of the following conditions were met:

- The coverage period of each contract in the group is one year or less; or
- The Bank reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the measurement that would be produced applying the requirements for the general model.

After initial recognition, the liability for remaining coverage is recognized over the coverage period on the basis of the passage of time. The Bank presents the insurance liabilities in Other liabilities in the Consolidated Balance Sheet and the insurance revenues and insurance service expenses in Other Income under Insurance income, net.

3.12 SHARE-BASED COMPENSATION

The Bank provides share-based compensation to certain employees and directors.

Compensation expense of share purchase options is accrued based on the best estimate of the number of instruments expected to vest, with revisions made to that estimate if subsequent information indicates that actual forfeitures are likely to differ from initial estimates. Share purchase options are expensed over the applicable vesting period with a corresponding increase in share-based payment reserve in equity. Upon exercise of the instruments, corresponding amounts in the share-based payment reserve are transferred to the common share account within shareholders' equity.

Stock appreciation rights, restricted share units, performance share units (PSUs) and deferred share units are accounted for as cash-settled share-based payment awards. These rights and units are recognized as a compensation expense over the applicable vesting period with a corresponding liability accrued based on the fair value of the Bank's common shares and, for PSUs, specific performance conditions. The change in the value of rights and units resulting from changes in the fair value of the Bank's common shares or changes in the specific performance conditions and credited dividends is recognized in income during the vesting period, partly offset by the effect of total return swaps used to manage the variability in the value of the related rights and units.

The Bank's contributions related to the employee share purchase program are recognized as compensation expense.

3.13 ASSETS UNDER ADMINISTRATION

The Bank administers assets held by customers that are not recognized in the Consolidated Balance Sheet. Revenues derived from the administration of these assets are recorded in other income, as services are provided. A profit on sale of assets under administration equal to the consideration received is recognized in other income when the assets under administration are transferred to the buyer.

3.14 TRANSLATION OF FOREIGN CURRENCIES

The Consolidated Financial Statements are presented 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.

Monetary assets and liabilities denominated in a currency that differs from an entity's functional currency are translated into the functional currency of the entity at the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities that are measured at historical cost are translated at historical exchange rates. Non-monetary assets that are measured at fair value are translated at the exchange rate prevailing at the balance sheet date. Income and expenses are translated at the average monthly exchange rates prevailing throughout the year. Gains and losses resulting from the translation of foreign currencies are included in other income except for available-for-sale equity securities not designated in fair value hedges, where unrealized translation gains and losses are included in other comprehensive income until the asset is sold or becomes impaired.

Assets and liabilities of the foreign operations with a functional currency in U.S. dollars are translated into Canadian dollars at the exchange rates prevailing at the Consolidated Balance Sheet date, and income and expenses of the foreign operations are translated at the average monthly exchange rates prevailing throughout the year. Any goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and are translated at the exchange rate prevailing at the Consolidated Balance Sheet date. Unrealized gains and losses resulting from the translation of foreign operations, along with related hedges and tax effects are included in other comprehensive income. Upon disposal or partial disposal of a foreign operation, an appropriate proportion of the translation differences previously recognized in other comprehensive income is recognized in other income.

3.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and non-interest-bearing deposits with banks and cash reserve deposits included in Other assets. Cash and cash equivalents are measured at amortized cost. Cash comprises bank notes and coins.

3.16 SHARE CAPITAL

Share issuance costs

Incremental costs directly attributable to the issuance of new shares or options are recorded in equity as a deduction from the proceeds, net of applicable income taxes.

Dividend on common shares

Dividends on common shares are recorded in equity in the period in which they are approved by the Bank's Board of Directors.

4. FUTURE ACCOUNTING POLICY CHANGES

This section summarizes new standards and amendments to existing standards which have been issued but are not yet effective.

Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements*, which sets out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. IFRS 18 replaces the previous presentation standard, IAS 1, *Presentation of Financial Statements*. This new standard applies to annual reporting periods beginning on or after January 1, 2027, which will be November 1, 2027 for the Bank, and is to be applied retrospectively.

IFRS 18 is a new standard on presentation and disclosure in financial statements, with a focus on updates to the income statement and introduces three new concepts that relate to the structure of the statement of income, the required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. The Bank is currently assessing the impact of the adoption of this standard on its Consolidated Financial Statements.

Amendments to the Classification and Measurement of Financial Instruments (IFRS 7 and IFRS 9)

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7, *Amendments to the Classification and Measurement of Financial Instruments*. The amendments clarify the derecognition of financial liabilities, the assessment of environmental, social and governance (ESG)-linked financial assets, the treatment of non-recourse assets and contractually linked instruments (CLIs), and mandate additional IFRS 7 disclosures for contingent event-linked terms and FVOCI equity instruments. The amendments are effective for annual periods starting on or after January 1, 2026, which will be November 1, 2026 for the Bank. The Bank is currently assessing the impact of these amendments on its Consolidated Financial Statements.

5. SECURITIES

Credit quality

As at October 31, 2024, 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 October 31, 2024, allowances for credit losses amounted to \$0.3 million (\$0.3 million as at October 31, 2023) for debt securities at amortized cost while no allowances for credit losses were reported in accumulated other comprehensive income for debt securities at FVOCI (nil as at October 31, 2023).

Securities at amortized cost⁽¹⁾

	2024	2023
Securities issued or guaranteed		
by Canada ⁽²⁾	\$ 928,644	\$ 1,098,545
by provinces	1,496,638	1,565,095
by municipalities	69,598	60,460
Other debt securities	295,573	271,077
	\$ 2,790,453	\$ 2,995,177

(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*.

Gains (losses) on disposals of securities at amortized cost

During the years ended 2024 and 2023, the Bank sold certain debt securities measured at amortized cost for liquidity management purposes. The carrying value of these securities, mainly consisting of treasury bills which were at or almost at term, was \$347.4 million upon disposal in 2024 (\$642.1 million in 2023).

Securities at FVOCI

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

	2024				2023			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Securities issued or guaranteed								
by Canada ⁽¹⁾	\$ 132,825	\$ 1,358	\$ 280	\$ 133,903	\$ 14,709	\$ 7	\$ 61	\$ 14,655
by provinces	3,671	93	—	3,764	4,021	—	102	3,919
by municipalities	866	2	—	868	914	—	27	887
Other debt securities	2,275	4	1	2,278	5,060	9	114	4,955
Common shares and other securities	17,282	9,051	—	26,333	16,510	9,464	—	25,974
	\$ 156,919	\$ 10,508	\$ 281	\$ 167,146	\$ 41,214	\$ 9,480	\$ 304	\$ 50,390

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

Equity securities designated at FVOCI

The Bank designated certain equity securities, the business objective of which is mainly to generate dividend income, at FVOCI without subsequent reclassification of gains and losses to net income. Dividend income recognized in earnings on these investments was \$0.8 million for the year ended October 31, 2024 (\$2.2 million for the year ended October 31, 2023).

	2024	2023
Fair value at beginning of year	\$ 25,974	\$ 156,000
Change in fair value	(319)	16,921
Designated at FVOCI	678	1,821
Sales or redemptions ⁽¹⁾	—	(148,768)
Fair value at end of year	\$ 26,333	\$ 25,974

(1) Sales of equity securities designated at FVOCI in 2024 and 2023 were driven by asset allocation decisions and outlook assessments. The cumulative net gain realized as a result of sales of these securities in 2023 was \$18.9 million and was nil in 2024.

6. LOANS AND ALLOWANCES FOR CREDIT LOSSES

As at October 31, 2024 and October 31, 2023, loans are recognized on the Consolidated Balance Sheet at amortized cost as outlined in Note 3.

Determining and measuring expected credit losses (ECL)**Expected Credit Losses**

Expected credit losses are determined using a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1: Financial instruments that are not impaired and for which the credit risk has not increased significantly since initial recognition are classified in Stage 1.
- Stage 2: Financial instruments that have experienced a significant increase in credit risk between initial recognition and the reporting date but are not impaired are migrated to Stage 2.
- Stage 3: Financial instruments for which there is objective evidence of impairment, for which one or more events have had a detrimental impact on estimated future cash flows at the reporting date and are considered credit impaired, are classified in Stage 3.
- POCl: Financial instruments that are credit-impaired when purchased or originated (POCl) are classified in the POCl category.

Governance and controls

The Bank's risk management framework is applied to the determination of expected credit losses. The Bank has policies and procedures that govern impairments arising from credit risk. These policies are documented and periodically reviewed by the risk management function. Each month, the Bank's Retail Credit Committee reviews analyses on various credit metrics to identify risks and trends that might affect the retail portfolios. The Bank's Commercial Credit Committee also reviews material impaired loans as well as analyses on other impaired loans where payment is past due by 90 days or more. Collection processes are centralized and are based on specialized expertise. Complex questions on measurement methodologies and assumptions are reviewed by a group of experts from various functions. Furthermore, the inputs and assumptions used to determine expected credit losses are reviewed on a regular basis by the risk management function.

Measurement of expected credit losses

Expected credit losses are estimated using three main variables: (1) probability of default (PD), (2) loss given default (LGD) and (3) exposure at default (EAD) discounted at the reporting date. For accounting purposes, 12-month expected credit losses are estimated by multiplying 12-month PD by LGD and by EAD. Lifetime expected credit losses are estimated using the lifetime PD.

Expected credit losses are measured either on a collective or an individual basis. Financial instruments that have credit losses measured on a collective basis are allocated to groups that share similar credit risk characteristics.

Inputs, assumptions and estimation techniques used

To calculate ECL under IFRS 9, the Bank primarily leverages its credit risk models based on the internal risk rating of credit facilities while adjusting certain parameters.

PD estimates

PD is an estimate of the likelihood that a loan will not be repaid over a given time horizon. The resulting PD estimates are built based on historical data, current market conditions and are estimated by incorporating reasonable and supportable forward-looking economic conditions at the balance sheet date. Some adjustments are made to Basel parameters to transform them into parameters compliant with IFRS 9 requirements, including the conversion of through-the-cycle parameters to point-in-time inputs that consider supportable and relevant information about future economic conditions.

LGD estimates

LGD represents the amount that may not be recovered in the case where a default occurs. LGD estimates are determined based on historical data, facility-specific characteristics such as collateral, direct costs and relevant information about future economic conditions, where appropriate.

EAD estimates

EAD represents an estimate of the exposure at the time a default may occur. Depending on the type of exposure, EAD includes forward-looking expectations about amounts to be drawn on a committed facility, if applicable, or expectations about repayments of drawn balances.

Expected life

For most financial instruments, the expected life used when measuring expected credit losses is the remaining contractual life. For revolving financial instruments where there is no contractual maturity, such as credit cards or lines of credit, the expected life is based on the behavioral life of the product.

Incorporation of forward-looking information

The Bank's Economy and Strategy group is responsible for developing three macroeconomic scenarios (base scenario, upside scenario and downside scenario) and for recommending probability weights for each scenario. Macroeconomic scenarios are not developed for specific portfolios, as the Economy and Strategy group provides a set of variables for each of the defined scenarios. ECL inputs and models rely on forward-looking macroeconomic factors such as interest rates, unemployment rates, GDP forecasts and housing price indices.

Assessment of significant changes in credit risk

To assess whether the credit risk of a financial instrument has increased significantly, the 12-month PD at the reporting date is compared with the 12-month PD at the date of initial recognition, and reasonable and supportable information indicative of significant increases in credit risk since initial recognition is considered. The Bank has included relative and absolute thresholds in the definition of significant increase in credit risk and a backstop of 30 days past due. All financial instruments that are 30 days past due are migrated to stage 2 even if other metrics do not indicate that a significant increase in credit risk has occurred. The Bank also considers other relevant factors that may not be adequately reflected in the information used for this assessment (including late payments and whether the financial asset is subject to additional monitoring such as the watch list for commercial loan portfolios). Similarly, the Bank determines whether credit risk has decreased significantly for loans that have been migrated to stage 2 or stage 3, using those same factors.

Use of management overlays

Management overlays to ECL allowance estimates are used where it is assessed that existing inputs, assumptions and model techniques do not capture all relevant risk factors. The emergence of new macroeconomic or political events, along with expected changes to parameters, models or data that are not incorporated in current parameters, internal risk rating migrations, or forward-looking information are examples of such circumstances. The use of management overlays requires the application of significant judgment.

Determination of credit impairment

The Bank considers a financial asset to be impaired when one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred or when contractual payments are 90 days past due.

Credit risk rating grades

Personal credit exposures

The Bank uses behavior scoring models to manage and monitor personal credit exposures. The table below shows the PD categories along with the associated credit qualities of the personal credit portfolios.

PD (%)	Description
0.00-0.33	Very low risk
0.34-0.83	Low risk
0.84-14.98	Medium risk
14.99-99.99	High risk
100	Default

Commercial credit exposures

For internal credit risk management, the Bank uses a 19-level risk rating system to evaluate commercial credit exposures. This risk rating system used by the Bank is akin to the systems used by major external rating agencies. The following table presents a grouping of the grades by major risk category and compares them with the ratings of two major rating agencies.

Ratings	PD (%)	Standard & Poor's	DBRS	Description
1-7	0.00-0.53	AAA to BBB-	AAA to BBB (low)	Very low risk
8-10	0.54-2.28	BB+ to B+	BB (high) to B (high)	Low risk
11-13	2.29-9.91	B to B-	B to B (low)	Medium risk
14-16	9.92-99.99	CCC+ to CCC-	CCC (high) to CCC (low)	High risk
17-19	100	CC/C/D	CC/C/D	Default

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.

	2024				2023			
	Performing		Impaired		Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Personal loans								
Very low risk	\$ 1,545,107	\$ 217	\$ —	\$ 1,545,324	\$ 1,820,989	\$ 44,624	\$ —	\$ 1,865,613
Low risk	201,105	33,731	—	234,836	264,729	55,121	—	319,850
Medium risk	146,467	162,727	—	309,194	204,277	153,684	—	357,961
High risk	—	7,224	—	7,224	—	9,417	—	9,417
Default	—	—	9,848	9,848	—	—	18,906	18,906
Gross carrying amount	1,892,679	203,899	9,848	2,106,426	2,289,995	262,846	18,906	2,571,747
Allowances for loan losses	4,872	23,102	3,259	31,233	7,233	31,658	7,063	45,954
Net carrying amount	\$ 1,887,807	\$ 180,797	\$ 6,589	\$ 2,075,193	\$ 2,282,762	\$ 231,188	\$ 11,843	\$ 2,525,793
Residential mortgage loans								
Very low risk	\$12,954,098	\$ 2,291	\$ —	\$ 12,956,389	\$11,972,628	\$ —	\$ —	\$11,972,628
Low risk	1,845,307	9,433	—	1,854,740	2,512,683	15,296	—	2,527,979
Medium risk	876,937	780,450	—	1,657,387	1,727,443	346,927	—	2,074,370
High risk	—	18,835	—	18,835	—	91,936	—	91,936
Default	—	—	50,566	50,566	—	—	41,896	41,896
Gross carrying amount	15,676,342	811,009	50,566	16,537,917	16,212,754	454,159	41,896	16,708,809
Allowances for loan losses	4,221	10,301	3,211	17,733	5,721	7,763	2,072	15,556
Net carrying amount	\$15,672,121	\$ 800,708	\$ 47,355	\$ 16,520,184	\$16,207,033	\$ 446,396	\$ 39,824	\$ 16,693,253
Commercial loans⁽¹⁾								
Very low risk	\$ 3,182,333	\$ 18,863	\$ —	\$ 3,201,196	\$ 3,657,740	\$ 2,106	\$ —	\$ 3,659,846
Low risk	8,416,401	197,796	—	8,614,197	10,114,411	112,295	—	10,226,706
Medium risk	3,021,265	1,066,718	—	4,087,983	2,511,637	796,532	—	3,308,169
High risk	—	392,403	—	392,403	—	431,844	—	431,844
Default	—	—	318,408	318,408	—	—	167,229	167,229
Gross carrying amount	14,619,999	1,675,780	318,408	16,614,187	16,283,788	1,342,777	167,229	17,793,794
Allowances for loan losses	58,212	19,081	63,118	140,411	60,838	34,053	49,556	144,447
Net carrying amount	\$14,561,787	\$ 1,656,699	\$ 255,290	\$ 16,473,776	\$16,222,950	\$ 1,308,724	\$ 117,673	\$17,649,347
Total loans								
Gross carrying amount	\$32,189,020	\$ 2,690,688	\$ 378,822	\$ 35,258,530	\$34,786,537	\$ 2,059,782	\$ 228,031	\$37,074,350
Allowances for loan losses	67,305	52,484	69,588	189,377	73,792	73,474	58,691	205,957
Net carrying amount	\$32,121,715	\$ 2,638,204	\$ 309,234	\$ 35,069,153	\$34,712,745	\$ 1,986,308	\$ 169,340	\$36,868,393
Off-balance sheet exposures⁽²⁾								
Very low risk	\$ 1,587,971	\$ 16,834	\$ —	\$ 1,604,805	\$ 1,686,556	\$ 276	\$ —	\$ 1,686,832
Low risk	765,407	21,412	—	786,819	903,282	26,496	—	929,778
Medium risk	457,971	78,659	—	536,630	399,034	69,647	—	468,681
High risk	—	12,002	—	12,002	—	14,720	—	14,720
Default	—	—	—	—	—	—	—	—
Total exposure	2,811,349	128,907	—	2,940,256	2,988,872	111,139	—	3,100,011
Allowances for off-balance sheet exposures losses	11,983	2,427	—	14,410	6,596	2,248	—	8,844
Total exposure, net	\$ 2,799,366	\$ 126,480	\$ —	\$ 2,925,846	\$ 2,982,276	\$ 108,891	\$ —	\$ 3,091,167

(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.

	2024				2023			
	Performing		Impaired		Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Personal loans								
Balance at beginning of period	\$ 8,298	\$ 32,758	\$ 7,063	\$ 48,119	\$ 13,173	\$ 36,862	\$ 3,476	\$ 53,511
Transfers:								
to Stage 1	4,054	(3,841)	(213)	—	4,034	(3,786)	(248)	—
to Stage 2	(1,222)	1,721	(499)	—	(2,773)	3,052	(279)	—
to Stage 3	(369)	(571)	940	—	(369)	(3,087)	3,456	—
Originations	962	—	—	962	1,169	—	—	1,169
Derecognitions	(1,475)	(12,407)	(5,850)	(19,732)	(2,541)	(12,637)	(1,754)	(16,932)
Net remeasurement of allowances	(4,467)	6,598	19,021	21,152	(4,395)	12,354	23,414	31,373
Provision for (reversal of) credit losses	(2,517)	(8,500)	13,399	2,382	(4,875)	(4,104)	24,589	15,610
Write-offs	—	—	(23,802)	(23,802)	—	—	(27,850)	(27,850)
Recoveries	—	—	7,484	7,484	—	—	7,732	7,732
Foreign exchange and other	—	—	(885)	(885)	—	—	(884)	(884)
Balance at end of period	\$ 5,781	\$ 24,258	\$ 3,259	\$ 33,298	\$ 8,298	\$ 32,758	\$ 7,063	\$ 48,119
Total allowances for loan losses	\$ 4,872	\$ 23,102	\$ 3,259	\$ 31,233	\$ 7,233	\$ 31,658	\$ 7,063	\$ 45,954
Total allowances for off-balance sheet exposures	909	1,156	—	2,065	1,065	1,100	—	2,165
Total allowances for credit losses	\$ 5,781	\$ 24,258	\$ 3,259	\$ 33,298	\$ 8,298	\$ 32,758	\$ 7,063	\$ 48,119
Residential mortgage loans								
Balance at beginning of period	\$ 5,989	\$ 7,977	\$ 2,072	\$ 16,038	\$ 6,839	\$ 6,599	\$ 2,591	\$ 16,029
Transfers:								
to Stage 1	2,493	(2,338)	(155)	—	3,735	(2,932)	(803)	—
to Stage 2	(1,735)	2,111	(376)	—	(1,238)	1,489	(251)	—
to Stage 3	(225)	(706)	931	—	(174)	(310)	484	—
Originations	1,708	—	—	1,708	2,030	—	—	2,030
Derecognitions	(875)	(1,090)	(914)	(2,879)	(1,078)	(1,153)	(689)	(2,920)
Net remeasurement of allowances	(2,899)	4,468	3,677	5,246	(4,125)	4,284	3,001	3,160
Provision for (reversal of) credit losses	(1,533)	2,445	3,163	4,075	(850)	1,378	1,742	2,270
Write-offs	—	—	(1,108)	(1,108)	—	—	(1,315)	(1,315)
Recoveries	—	—	612	612	—	—	582	582
Foreign exchange and other	—	—	(1,528)	(1,528)	—	—	(1,528)	(1,528)
Balance at end of period	\$ 4,456	\$ 10,422	\$ 3,211	\$ 18,089	\$ 5,989	\$ 7,977	\$ 2,072	\$ 16,038
Total allowances for loan losses	\$ 4,221	\$ 10,301	\$ 3,211	\$ 17,733	\$ 5,721	\$ 7,763	\$ 2,072	\$ 15,556
Total allowances for off-balance sheet exposures	235	121	—	356	268	214	—	482
Total allowances for credit losses	\$ 4,456	\$ 10,422	\$ 3,211	\$ 18,089	\$ 5,989	\$ 7,977	\$ 2,072	\$ 16,038
Commercial loans								
Balance at beginning of period	\$ 66,101	\$ 34,987	\$ 49,556	\$ 150,644	\$ 55,835	\$ 29,539	\$ 46,237	\$ 131,611
Transfers:								
to Stage 1	9,624	(7,753)	(1,871)	—	6,410	(5,968)	(442)	—
to Stage 2	(5,216)	9,580	(4,364)	—	(3,407)	3,710	(303)	—
to Stage 3	(764)	(3,215)	3,979	—	(315)	(1,706)	2,021	—
Originations	17,853	—	—	17,853	6,968	—	—	6,968
Derecognitions	(18,665)	(19,892)	(4,945)	(43,502)	(10,328)	(11,185)	(6,013)	(27,526)
Net remeasurement of allowances	(227)	6,422	74,549	80,744	12,059	21,224	31,002	64,285
Provision for (reversal of) credit losses	2,605	(14,858)	67,348	55,095	11,387	6,075	26,265	43,727
Write-offs	—	—	(56,820)	(56,820)	—	—	(21,637)	(21,637)
Recoveries	—	—	4,473	4,473	—	—	643	643
Foreign exchange and other	345	102	(1,439)	(992)	(1,121)	(627)	(1,952)	(3,700)
Balance at end of period	\$ 69,051	\$ 20,231	\$ 63,118	\$ 152,400	\$ 66,101	\$ 34,987	\$ 49,556	\$ 150,644
Total allowances for loan losses	\$ 58,212	\$ 19,081	\$ 63,118	\$ 140,411	\$ 60,838	\$ 34,053	\$ 49,556	\$ 144,447
Total allowances for off-balance sheet exposures	10,839	1,150	—	11,989	5,263	934	—	6,197
Total allowances for credit losses	\$ 69,051	\$ 20,231	\$ 63,118	\$ 152,400	\$ 66,101	\$ 34,987	\$ 49,556	\$ 150,644
Total exposure								
Total allowances for loan losses	\$ 67,305	\$ 52,484	\$ 69,588	\$ 189,377	\$ 73,792	\$ 73,474	\$ 58,691	\$ 205,957
Total allowances for off-balance sheet exposures	11,983	2,427	—	14,410	6,596	2,248	—	8,844
Total allowances for credit losses	\$ 79,288	\$ 54,911	\$ 69,588	\$ 203,787	\$ 80,388	\$ 75,722	\$ 58,691	\$ 214,801

Main macroeconomic factors

The following tables show the main macroeconomic factors used to estimate the collective allowances for credit losses as at October 31, 2024 and as at October 31, 2023.

	2024					
	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)	1.6%	3.1%	2.4%	3.8%	(1.7)%	3.1%
Average unemployment rate (percentage points)	6.8	6.4	6.3	5.4	7.8	7.6
Housing price index growth (decrease)	5.9%	7.5%	9.6%	9.6%	(5.6)%	4.9%
S&P/TSX index growth (decrease) ⁽³⁾	5.4%	9.1%	9.8%	14.6%	(13.6)%	4.2%
	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)	0.6%	3.0%	2.2%	3.5%	(2.3)%	2.8%
Average unemployment rate (percentage points)	6.2	6.1	5.4	4.9	8.1	7.7
Housing price index growth (decrease)	1.5%	7.5%	6.4%	10.6%	(7.2)%	4.9%
S&P/TSX index growth (decrease) ⁽³⁾	0.8%	9.6%	10.9%	10.4%	(9.3)%	13.3%

(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 factor 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 October 31, 2024

In the base scenario, a soft-landing is achieved in both the United States and Canada. The normalization of Consumer Price Index (CPI) inflation has been achieved and stays low and stable going forward. Central banks implement additional policy rate cuts at a measured pace. The United States economy experiences a period of moderate growth. Meanwhile, the Canadian economy continues its phase of mild growth as the mortgage refinancing period at higher interest rates unfolds over time, restraining household and business demand. Unemployment rises modestly before tapering off as slower labour force growth becomes more aligned with employment growth. Home prices appreciate at a moderate pace, resulting from lower short-term interest rates and targeted housing easing measures recently announced from the federal government. Equity markets register mid-single digits returns.

In the downside scenario, the United States and Canada experiences a traditional recession. It turns out central banks were too late in reducing their policy rates relative to the softening business cycle. Also, the CPI inflation falls below central banks' targets, allowing them to cut interest rates significantly in 2025. Consumers' and businesses' balance sheets deteriorate, unemployment increases substantially and pushes down home prices moderately. The correction in equity markets is deep. And the recovery is tepid for the remaining forecast period. At the same time, CPI inflation accelerates rapidly, leading to higher interest rates.

In the upside scenario, United States' economic growth is solid and Canada experiences a period of moderate growth. Still, CPI inflation stays low and stable. Furthermore, central banks bring down policy rates more quickly in late 2024 and the first half of 2025, facilitating the adjustment phase for consumers and businesses. Solid labour market conditions are preserved, and unemployment declines modestly. Home prices appreciate meaningfully in response to the stimulative interest rates and targeted housing easing measures recently announced from the federal government. Improving market sentiment and the swift acceleration in North American 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 \$14.0 million lower than the recognized allowances for credit losses as at October 31, 2024 (\$25.1 million lower as at October 31, 2023). If the Bank was to only use the downside scenario for the measurement of allowances for credit losses on performing loans, it would be \$33.8 million higher than the recognized allowances for credit losses as at October 31, 2024 (\$52.9 million higher as at October 31, 2023).

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 \$128.5 million as at October 31, 2024 (\$143.5 million as at October 31, 2023).

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.

	2024			2023		
	1 day-31 days	32 days-90 days	Total	1 day-31 days	32 days-90 days	Total
Personal loans	\$ 43,382	\$ 13,984	\$ 57,366	\$ 58,318	\$ 19,724	\$ 78,042
Residential mortgage loans	131,738	57,788	189,526	130,671	38,753	169,424
	\$ 175,120	\$ 71,772	\$ 246,892	\$ 188,989	\$ 58,477	\$ 247,466

Finance lease receivables

The Commercial loans line item includes net investment in leases of \$1.1 billion as at October 31, 2024 (\$1.1 billion as at October 31, 2023).

	2024	2023
Minimum lease payments	\$ 1,265,784	\$ 1,227,335
Unguaranteed residual values	28,465	28,123
Gross investment in leases	1,294,249	1,255,458
Unearned interest income	(163,800)	(152,737)
Net investment in leases	1,130,449	1,102,721
Unamortized deferred costs, security deposits, and other	13,596	13,319
	\$ 1,144,045	\$ 1,116,040

Contractual maturities of finance lease receivables

The following table shows information about contractual maturity dates for finance lease receivables.

	2024			2023		
	Gross investment in leases	Unearned interest income	Net investment in leases	Gross investment in leases	Unearned interest income	Net investment in leases
Receivable within one year	\$ 461,034	\$ 72,986	\$ 388,049	\$ 420,641	\$ 67,209	\$ 353,432
Receivable within 1 to 5 years	815,019	89,931	725,087	820,710	84,960	735,750
Receivable after 5 years	18,196	883	17,313	14,107	568	13,539
	\$ 1,294,249	\$ 163,800	\$ 1,130,449	\$ 1,255,458	\$ 152,737	\$ 1,102,721

7. SECURITIZATION AND STRUCTURED ENTITIES

7.1 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.

CMHC programs

Under the NHA MBS program, the Bank issues marketable securities backed by insured eligible residential mortgage loans (the NHA MBS). These NHA MBS may be sold directly to investors or through the CMB program. CMBs are CMHC guaranteed bonds issued through the Canada Housing Trust No. 1 (CHT), a special purpose trust. The NHA MBS and CMB holders and the CHT have no recourse to other assets of the Bank in the event of failure of debtors to pay when due.

As the Bank continues to be exposed to the prepayment, interest rate and/or credit risk associated with the securitized mortgage loans, the Bank retains substantially all risks and rewards related to those financial assets. Therefore, securitized residential mortgage loans remain on balance sheet and are considered pledged assets. The proceeds received are recorded as secured financing on the Debt

related to securitization activities line item on the Consolidated Balance Sheet. Other assets required to be maintained for the Bank to participate in the CMB program (Replacement Assets) are also recorded on balance sheet and considered pledged assets.

Multi-seller conduit

The Bank sells residential mortgage loans to an intermediate multi-seller structured entity established for the limited purpose of securitization activities. The intermediate multi-seller structured entity funds such purchases through the issuance of interest-bearing notes to other structured entities. The structured entity has no recourse to other assets of the Bank in the event of failure of debtors to pay when due.

As the Bank provides credit enhancements for these transactions, the Bank retains substantially all risks and rewards related to those financial assets. The securitized loans remain on balance sheet. However, as the Bank's rights, title and interest in the transferred loans are legally transferred to the structured entity, these are considered pledged assets. The proceeds received are recorded as secured financing on the Debt related to securitization activities line item 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 that do not qualify for derecognition and their associated financial liabilities included on the Consolidated Balance Sheet.

	2024	2023
Residential mortgage loans	\$ 11,809,030	\$ 11,756,823
Replacement Assets ⁽¹⁾	758,322	558,410
Debt related to securitization activities	(12,495,928)	(11,929,907)

(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 October 31, 2024, the Bank has also securitized other residential mortgage loans for a total amount of \$206.7 million (\$107.0 million as at October 31, 2023) as part of the NHA MBS program, which were not subsequently sold. The resulting NHA MBS are presented as part of residential mortgage loans.

The following table summarizes the securitization activities carried out by the Bank.

	2024	2023
Carrying amounts of residential mortgage loans transferred during the year related to new financing	\$ 2,058,658	\$ 2,679,265
Carrying amounts of residential mortgage loans transferred during the year as Replacement Assets	262,010	231,830

7.2 STRUCTURED ENTITIES SECURITIZATION 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.

	2024	2023
Personal loans	\$ 990,231	\$ 1,057,456
Commercial loans ⁽¹⁾	564,231	470,682
Debt related to securitization activities	(1,000,529)	(923,478)

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

The following table summarizes the activities carried out by the Bank's consolidated structured entities.

	2024	2023
Carrying amounts of personal loans transferred during the year	\$ 170,657	\$ —
Carrying amounts of finance lease receivables transferred during the year	278,693	—

7.3 COVERED BONDS

The Bank has established a \$2.0 billion legislative covered bond programme (the Programme) pursuant to the Canadian Registered Covered Bond Programs Guide, published by the Canada Mortgage and Housing Corporation (CMHC). As at October 31, 2024, two series of covered bonds were outstanding, with a respective principal balance of \$250.0 million and \$260.0 million and which bear interest respectively at a rate of 1.603% and 3.545% annually, payable semi-annually. The covered bonds are presented as Deposits on the Bank's Consolidated Balance Sheet.

The Bank periodically transfers mortgages to a consolidated structured entity, LBC Covered Bond (Legislative) Guarantor Limited Partnership (the Guarantor LP), to support funding activities and asset coverage requirements under the Programme. As at October 31, 2024, the total amount of mortgages outstanding was \$683.0 million (\$712.9 million as at October 31, 2023).

8. PREMISES AND EQUIPMENT

	Right-of-use assets	Premises and leasehold improvements	Equipment and furniture	Computer hardware	Total
Cost					
As at October 31, 2022	\$ 105,190	\$ 57,950	\$ 16,247	\$ 41,554	\$ 220,941
Additions	2,474	1,311	431	3,675	7,891
Change in estimates ⁽¹⁾	2,505	—	—	—	2,505
Impairment	—	(901)	(1,383)	(258)	(2,542)
Disposals ⁽²⁾	(2,014)	(156)	(1,962)	(8,416)	(12,548)
Impact of foreign currency translation	226	26	13	5	270
As at October 31, 2023	108,381	58,230	13,346	36,560	216,517
Additions	5,299	1,246	348	1,963	8,856
Impairment	(18,019)	(6,791)	(536)	(985)	(26,331)
Disposals ⁽²⁾	(2,535)	(73)	(3,396)	(9,498)	(15,502)
Impact of foreign currency translation	51	6	3	1	61
As at October 31, 2024	\$ 93,177	\$ 52,618	\$ 9,765	\$ 28,041	\$ 183,601
Accumulated depreciation					
As at October 31, 2022	\$ 33,556	\$ 23,219	\$ 14,505	\$ 28,434	\$ 99,714
Depreciation	10,622	4,242	518	3,018	18,400
Impairment	—	(843)	(1,375)	(247)	(2,465)
Disposals ⁽²⁾	(2,014)	(156)	(1,962)	(8,416)	(12,548)
Impact of foreign currency translation	57	8	7	4	76
As at October 31, 2023	42,221	26,470	11,693	22,793	103,177
Depreciation	10,405	4,082	446	3,125	18,058
Impairment	—	(4,112)	(437)	(207)	(4,756)
Disposals ⁽²⁾	(2,535)	(73)	(3,396)	(9,498)	(15,502)
Impact of foreign currency translation	27	4	3	2	36
As at October 31, 2024	\$ 50,118	\$ 26,371	\$ 8,309	\$ 16,215	\$ 101,013
Carrying amount					
As at October 31, 2023	\$ 66,160	\$ 31,760	\$ 1,653	\$ 13,767	\$ 113,340
As at October 31, 2024	\$ 43,059	\$ 26,247	\$ 1,456	\$ 11,826	\$ 82,588

(1) The change in estimates in right-of-use assets resulted from the reassessment of whether the Bank was reasonably certain to exercise extension options for its corporate office premises.

(2) Includes write-offs of fully depreciated assets.

Impairment

An impairment of premises and equipment amounting to \$5.8 million in 2024 was recorded on the Impairment and restructuring charges line item related to the Personal and Commercial Banking segment's impairment. Refer to Note 9 for further details.

In addition, indicators of impairment were identified as at April 30, 2024 related to management's plan to reduce the Bank's leased corporate office premises in Toronto. The Bank compared the carrying value of its right-of-use assets to their recoverable amount, which is determined using a value in use approach based on the expected sublease terms over the remainder of the headlease. These terms notably include base rent recovery and variable rent recovery, as well as the expected absorption period. Impairment of premises and equipment amounting to \$13.8 million in the second quarter of 2024 was recorded on the Impairment and restructuring charges line

item. In the fourth quarter of 2024, the Bank also reviewed the utilization of its premises and equipment and recorded \$1.4 million of additional impairment charges on the Impairment and restructuring charges line item. Refer to Note 27 for further details.

9. GOODWILL, SOFTWARE AND OTHER INTANGIBLE ASSETS

Goodwill

	2024		2023
As at beginning of period	\$	84,755	\$ 83,710
Impairment		(83,929)	—
Impact of foreign currency translation		(826)	1,045
As at the end of period	\$	—	\$ 84,755

Goodwill as at October 31, 2023 was allocated to the previous Commercial Banking cash generating unit (CGU).

As of November 1, 2023, the CGUs and operating segments of the Bank has been modified to align with the Bank's operating model which was revised shortly after new executive appointments, resulting in the previous Personal Banking and Commercial Banking segments being combined and now forming the Personal and Commercial Banking (P&C) operating segment. This operating segment also represents a CGU for the Bank. Refer to Note 28 for further details. Following this modification, goodwill was allocated to the P&C Banking CGU, which provides a broad range of financial services and advice-based solutions for personal and commercial banking customers across Canada and the United States.

Impairment

The Bank tests goodwill for impairment on an annual basis and whenever there are events or changes in circumstances which indicate that the carrying amount of a CGU may not be recoverable.

In April 2024, indicators of potential impairment were identified for the Bank's P&C Banking segment assets as a result of a sustained lower share price than book value per share and of the recent decline in assets and deposits volume, combined with the Bank's strategic decision to suspend the Advanced Internal-Ratings Based (AIRB) project and to focus on the priorities of its revamped strategic plan. This led management to perform an impairment test for the P&C Banking CGU as at April 30, 2024.

As a result of the impairment test, the estimated recoverable amount of the P&C Banking CGU was below its carrying amount and the Bank recorded an impairment charge totalling \$155.9 million on the Impairment and restructuring charges line item in the second quarter of 2024, which relates to the impairment of goodwill for an amount of \$83.9 million, of software and intangible assets for \$66.2 million and of premises and equipment for \$5.8 million. Refer to Note 27 for further details.

The recoverable amount of the P&C Banking CGU was estimated using a fair value less costs of disposal approach, measured using a present value technique based on the Bank's five-year business plan and projected investments. Forecasted cash flows were discounted at an after-tax rate of 10.3% in April 2024 (10.0% in October 2023). Management considers that these estimates are reasonable and reflect management's best estimates but include inherent uncertainties. Reasonable changes in estimates and assumptions could significantly impact the impairment test results.

Software and other intangible assets

	Software ⁽¹⁾	Acquisition related intangible assets ⁽²⁾	Other intangible assets	Total
Cost				
As at October 31, 2022	\$ 310,788	\$ 97,575	\$ 218,331	\$ 626,694
Additions	30,153	(10)	3,138	33,281
Disposals ⁽³⁾	(47,168)	—	—	(47,168)
Impairment	(5,474)	—	(832)	(6,306)
Other	2	1,571	—	1,573
As at October 31, 2023	288,301	99,136	220,637	608,074
Additions	33,568	—	(104)	33,464
Disposals ⁽³⁾	(83,675)	(74,008)	—	(157,683)
Impairment	(31,342)	(25,479)	(107,518)	(164,339)
Other	1	351	—	352
As at October 31, 2024	\$ 206,853	\$ —	\$ 113,015	\$ 319,868
Accumulated amortization				
As at October 31, 2022	\$ 219,420	\$ 72,405	\$ 40,431	\$ 332,256
Amortization	17,955	12,839	10,783	41,577
Disposals ⁽³⁾	(47,168)	—	—	(47,168)
Impairment	(2,946)	—	—	(2,946)
Other	2	1,522	—	1,524
As at October 31, 2023	187,263	86,766	51,214	325,243
Amortization	20,457	9,786	9,392	39,635
Disposals ⁽³⁾	(83,675)	(74,008)	—	(157,683)
Impairment	(22,668)	(23,080)	(23,393)	(69,141)
Other	1	536	—	537
As at October 31, 2024	\$ 101,378	\$ —	\$ 37,213	\$ 138,591
Carrying amount				
As at October 31, 2023	\$ 101,038	\$ 12,370	\$ 169,423	\$ 282,831
As at October 31, 2024	\$ 105,475	\$ —	\$ 75,802	\$ 181,277

(1) Software includes \$15.3 million pertaining to projects under development yet to be amortized as at October 31, 2024 [\$8.4 million as at October 31, 2023].

(2) Acquisition related intangible assets mainly included contractual relationships with advisors and brokers associated to the Personal Banking segment, as well as with vendor-dealers associated to the Commercial Banking segment.

(3) Includes write-offs of fully depreciated assets.

Impairment

An impairment of software and other intangible assets amounting to \$66.2 million in 2024 was recorded on the Impairment and restructuring charges line item related to the Personal and Commercial Banking segment's impairment; refer to the Goodwill section above for further details.

Management also periodically reviews the utilization of the Bank's assets, such as its software and other intangible assets. In the second quarter of 2024, an impairment charge of intangible assets of \$23.3 million was recorded on the Impairment and restructuring charges line item relating to the Bank's strategic decision to suspend the AIRB project. As part of its strategy to simplify its technology infrastructure and improve resiliency, the Bank also reviewed the utilization of its software and other intangible assets and recorded \$5.7 million of additional impairment charges related to software and licenses being decommissioned in the fourth quarter of 2024. Refer to Note 27 for further details.

10. OTHER ASSETS

	2024	2023
Prepaid expenses and other ⁽¹⁾	\$ 215,006	\$ 215,776
Accrued interest receivable	166,945	193,624
Cash reserve deposits	59,923	39,052
Current tax assets	39,184	51,273
Accounts receivable	31,786	89,792
Defined benefit plan assets (Note 17)	28,459	28,234
Cheques and other items in transit	17,408	52,164
Assets under operating leases	2,838	6,338
	\$ 561,549	\$ 676,253

[1] Effective November 1, 2023, the Bank retrospectively adopted IFRS 17, Insurance contracts, which required restatement of the Bank's 2023 comparative information. Refer to Note 2 for further information.

11. DEPOSITS

	2024			
	Demand ⁽¹⁾	Notice ⁽²⁾	Term ⁽³⁾	Total
Personal	\$ 114,158	\$ 5,616,926	\$ 13,982,793	\$ 19,713,877
Business, banks and other ⁽⁴⁾	1,020,708	192,249	2,237,120	3,450,077
	\$ 1,134,866	\$ 5,809,175	\$ 16,219,913	\$ 23,163,954
	2023			
	Demand ⁽¹⁾	Notice ⁽²⁾	Term ⁽³⁾	Total
Personal	\$ 113,712	\$ 7,278,916	\$ 14,901,412	\$ 22,294,040
Business, banks and other ⁽⁴⁾	982,081	206,853	2,543,904	3,732,838
	\$ 1,095,793	\$ 7,485,769	\$ 17,445,316	\$ 26,026,878

[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 \$200 million secured by insured residential mortgage loans and maturing in August 2025, of which nil was drawn as at October 31, 2024 (nil as at October 31, 2023).

12. OTHER LIABILITIES

	2024	2023
Accrued interest payable	\$ 609,865	\$ 514,882
Accounts payable and accrued expenses	461,200	558,397
Lease liabilities (Note 26)	113,922	123,029
Cheques and other items in transit	28,720	42,269
Credit card loyalty points programs liability	20,883	24,620
Current tax liabilities	18,618	8,383
Defined benefit plan liabilities (Note 17)	14,762	16,946
	\$ 1,267,970	\$ 1,288,526

13. DEBT RELATED TO SECURITIZATION ACTIVITIES

	2024	2023
Debt related to CMB and NHA MBS transactions	\$ 11,994,020	\$ 11,403,600
Debt related to other securitization activities	1,502,437	1,449,785
	\$ 13,496,457	\$ 12,853,385

Refer to Note 7 for further details about securitization and structured entities.

14. SUBORDINATED DEBT

Maturity	Interest rate	Earliest par value redemption date	2024		2023	
			Carrying amount		Carrying amount	
June 2032 ⁽¹⁾	5.10% ⁽²⁾	June 15, 2027 ⁽³⁾	\$ 327,712	\$	338,977	
Unamortized issuance costs			(919)		(1,297)	
			\$ 326,793	\$	337,680	

(1) On March 25, 2022, the Bank issued \$350.0 million of notes (Non-Viability Contingent Capital (NVCC)) [subordinated indebtedness] (the "Notes"). The Notes include NVCC provisions, necessary for the Notes to qualify as Tier 2 regulatory capital under Basel III. NVCC provisions require the conversion of the instrument into a variable number of common shares upon the occurrence of a non-viability trigger event. The amount presented above is net of the Bank's own holdings in these notes.

(2) The Notes bear interest at a fixed rate of 5.095% per annum (paid semi-annually) until June 15, 2027, and, thereafter, at the three-month CDOR plus 2.42% per annum (paid quarterly) until maturity on June 15, 2032.

(3) The Bank may, at its option, with the prior approval of OSFI, redeem the Notes on not less than 30 days' and not more than 60 days' prior notice to the registered holders of the Notes (i) in whole or in part, at any time on or after June 15, 2027, and (ii) in whole but not in part, prior to June 15, 2027, on or following a regulatory event date or a tax event date, in each case, at a redemption price equal to par, together with accrued and unpaid interest to, but excluding, the date fixed for redemption.

15. SHARE CAPITAL

Authorized share capital

Preferred shares – Unlimited number of Class A Preferred Shares, without par value, issuable in series.

Common shares – Unlimited number of common shares, without par value.

Preferred shares

	2024				
	Redemption and conversion date in effect as of ⁽¹⁾⁽²⁾	Redemption price per share (\$) ⁽¹⁾	Convertible into preferred shares ⁽²⁾	Dividend per share (\$) ⁽³⁾	Reset premium
Non-Cumulative Class A Preferred Shares issued and outstanding					
Series 13 ⁽⁴⁾	June 14, 2029 ⁽⁵⁾⁽⁶⁾	25.00 ⁽⁸⁾	Series 14	0.38725 ⁽⁷⁾	2.55 %
Non-Cumulative Class A Preferred Shares authorized but not issued					
Series 14 ⁽⁴⁾	June 14, 2029 ⁽⁵⁾	25.00 ⁽⁸⁾	Series 13	Floating rate ⁽⁹⁾	2.55 %

(1) Redeemable in cash at the Bank's option, subject to the provisions of the *Bank Act* and to the prior consent of OSFI. Redemption prices are increased by all the declared and unpaid dividends on the preferred shares to the date fixed for redemption.

(2) Convertible at the option of the holders of preferred shares, subject to the automatic conversion provisions and the right of the Bank to redeem those shares.

(3) Fixed non-cumulative preferential cash dividends payable quarterly, as and when declared by the Board of Directors.

(4) The preferred shares include NVCC provisions, necessary for the shares to qualify as Tier 1 regulatory capital under Basel III. NVCC provisions require the conversion of the instrument into a variable number of common shares upon the occurrence of a non-viability trigger event.

(5) Redeemable as of the date fixed for redemption and on the same date every five years thereafter.

(6) Convertible as of the date fixed for conversion and on the same date every five years thereafter, subject to certain conditions.

(7) The dividend amount is set for the initial period ending on the date fixed for redemption. Thereafter, these shares carry a non-cumulative quarterly fixed dividend in an amount per share determined by multiplying the rate of interest equal to the sum of the 5-year Government of Canada bond yield on the applicable fixed-rate calculation date by \$25.00, plus the reset premium.

(8) As of the date fixed for redemption, the redemption price will be \$25.00 per share. Thereafter, on the same date every five years, the redemption price will be \$25.00 per share.

(9) The dividend period begins as of the date fixed for redemption. The amount of the floating quarterly non-cumulative dividend is determined by multiplying the rate of interest equal to the sum of the 90-day Government of Canada treasury bill yield on the floating rate calculation date by \$25.00, plus the reset premium.

Issued and outstanding

	2024		2023	
	Number of shares	Amount ⁽¹⁾	Number of shares	Amount ⁽¹⁾
Non-Cumulative Class A Preferred Shares				
Series 13 ⁽²⁾				
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) The preferred shares include NVCC provisions, necessary for the shares to qualify as Tier 1 regulatory capital under Basel III. NVCC provisions require the conversion of the instrument into a variable number of common shares upon the occurrence of a non-viability trigger event.

Conversion Privilege of Non-Cumulative Class A Preferred Shares, Series 13

On June 17, 2024, none of the outstanding Non-Cumulative Class A Preferred Shares, Series 13 (the "Preferred Shares Series 13") were converted into Non-Cumulative Class A Preferred Shares, Series 14 of the Bank (the "Preferred Shares Series 14"). As a result, no Preferred Shares Series 14 were issued on June 17, 2024 and holders of Preferred Shares Series 13 retained their shares. The dividend rate for the Preferred Shares Series 13 for the five-year period commencing on June 15, 2024, and ending on June 14, 2029, was set at 6.196% per annum.

Limited Recourse Capital Notes (LRCN)

	2024				
	Maturity	Interest rate	Earliest par value redemption date ⁽¹⁾⁽²⁾	Redemption price per note (\$) ⁽¹⁾	Reset premium
Limited Recourse Capital Notes					
Series 1 ^{(3), (4)}	June 15, 2081	5.30 %	May 15, 2026	\$ 1,000	4.33 %

(1) Redeemable in cash at the Bank's option, only upon the redemption by the Bank of the Preferred Shares Series 17 held in the Limited Recourse Trust in accordance with the terms of such Preferred Shares Series 17, and subject to the provisions of the *Bank Act* and to the prior consent of OSFI.

(2) Redeemable as of the date fixed for redemption during the period from May 15 to and including June 15 and on the same dates every five years thereafter.

(3) The LRCNs include NVCC provisions, necessary for the shares to qualify as Tier 1 regulatory capital under Basel III. NVCC provisions require the conversion of the instrument into a variable number of common shares upon the occurrence of a non-viability trigger event.

(4) Recourse is limited to assets held by a third-party trustee in a bare trust. The trust assets in respect of LRCN Series 1 consist of \$125.0 million of the Bank's Preferred Shares Series 17 issued concurrently with LRCN Series 1.

Issued and outstanding

	2024		2023	
	Amount		Amount	
Limited Recourse Capital Notes				
Series 1 ⁽¹⁾				
Outstanding at beginning of period	\$ 123,487		\$ 122,332	
Net sale (purchase) of treasury limited recourse capital notes ⁽²⁾	(4)		1,155	
Outstanding at the end of period	\$ 123,483		\$ 123,487	

(1) The LRCNs include NVCC provisions, necessary for the shares to qualify as Tier 1 regulatory capital under Basel III. NVCC provisions require the conversion of the instrument into a variable number of common shares upon the occurrence of a non-viability trigger event.

(2) When the Bank sells (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 an increase (a reduction) in equity.

Common shares

Issued and outstanding

	2024		2023	
	Number of shares	Amount	Number of shares	Amount
Common shares				
Outstanding at beginning of period	43,646,538	\$ 1,177,827	43,334,388	\$ 1,167,549
Issuance under the Shareholder Dividend Reinvestment and Share Purchase Plan	359,028	9,314	295,607	9,567
Issuance under the employee share purchase option plan	—	—	16,543	749
Net issuance costs	n/a	(34)	n/a	(38)
Outstanding at the end of period	44,005,566	\$ 1,187,107	43,646,538	\$ 1,177,827

Shareholder dividend reinvestment and share purchase plan

The Bank offers a Shareholder Dividend Reinvestment and Share Purchase Plan (the "Plan") to eligible Canadian shareholders. Participation in the Plan is optional. Under the terms of the Plan, dividends on common and preferred shares are reinvested to purchase additional common shares of the Bank. Shareholders can also make optional cash payments to acquire additional common shares. At the option of the Bank, the common shares may be issued from the Bank's treasury at an average market price with a discount of up to 5%, or from the open market at market price. In 2024, 359,028 common shares were legally issued from Corporate Treasury at a 2% discount (295,607 common shares issued at a 2% discount in 2023). On December 5, 2024, the Board of Directors 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.

Dividends and other

	2024		2023	
	Dividends declared per share	Total amount	Dividends declared per share	Total amount
Preferred share dividends and limited recourse capital note interest				
Preferred Shares Series 13	\$ 1.16	\$ 5,801	\$ 1.03	\$ 5,154
Limited Recourse Capital Notes, Series 1	n/a	6,625	n/a	6,625
		\$ 12,426		\$ 11,779
Common shares dividends	\$ 1.88	\$ 82,314	\$ 1.86	\$ 80,810

On November 22, 2024, the Board of Directors declared a dividend of \$0.38725 per Preferred Share Series 13, payable on December 15, 2024, to shareholders of record on December 9, 2024. On December 5, 2024, the Board of Directors declared a dividend of \$0.47 per common share, payable on February 1, 2025, to shareholders of record on January 3, 2025.

Restrictions on the payment of dividends

The Bank is prohibited by the *Bank Act* from declaring or paying any dividends on its preferred shares or common shares if there are reasonable grounds for believing that, in so doing, the Bank would not comply with capital adequacy and liquidity regulations, or related guidance provided by OSFI. The Bank's ability to pay common share dividends is also restricted by the terms of the outstanding preferred shares. These terms provide that the Bank may not pay dividends on its common shares at any time without the approval of holders of the outstanding preferred shares, unless all dividends that are then payable have been declared and paid or set apart for payment.

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.

The Board of Directors, on the recommendation of the Risk Management Committee, approves annually several capital-related documents, including the Capital Management and Adequacy Policy, the Internal Capital Adequacy Assessment Process, the Stress Testing Program, as well as the Capital Plan. It further reviews capital adequacy on a quarterly basis.

Regulatory capital

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

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

The Bank has complied with regulatory capital and leverage requirements throughout the year ended October 31, 2024. Regulatory capital is detailed below.

	2024	2023
Regulatory capital		
Common Equity Tier 1 capital	\$ 2,281,886	\$ 2,230,756
Tier 1 capital	\$ 2,527,440	\$ 2,476,314
Total capital	\$ 2,988,733	\$ 2,970,404
Total risk-weighted assets ⁽¹⁾	\$ 20,862,290	\$ 22,575,105
Regulatory capital ratios		
Common Equity Tier 1 capital ratio	10.9 %	9.9 %
Tier 1 capital ratio	12.1 %	11.0 %
Total capital ratio	14.3 %	13.2 %

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

16. SHARE-BASED COMPENSATION

Share purchase option plans

Old Stock Option Purchase Plan

The Old Stock Option Purchase Plan was offered to members of the Bank's senior management. Under this plan, the exercise price of options for the purchase of common shares must not be less than the market prices of such shares immediately prior to the grant date. The right to exercise the options vests gradually on each anniversary of the grant date (25% each year) and the options may be exercised at any time up to ten years after they have been granted. The Bank reserved 1,600,000 common shares for the potential exercise of options under this plan, of which 85,052 were still available as at October 31, 2024 (53,279 as at October 31, 2023).

Information relating to outstanding number of options under the Old Stock Option Purchase Plan is as follows.

	2024		2023	
	Number of options	Exercise price	Number of options	Exercise price
Outstanding at beginning of year	43,785	\$ 38.97	50,759	\$ 38.97
Expired	(31,773)	38.97	—	—
Exercised	—	—	(6,974)	38.97
Outstanding at end of year	12,012	\$ 38.97	43,785	\$ 38.97
Exercisable at end of year	—	n/a	—	n/a

New Stock Option Plan

In fiscal 2019, the Bank established the New Stock Option Plan. The terms and conditions of the New Stock Option Plan govern the stock options granted by the Board of Directors described thereafter.

Officers, senior executives and other employees of the Bank or its subsidiaries are eligible participants in the New Stock Option Plan. Under this plan, the exercise price of options for the purchase of common shares cannot be below the market value of the Bank's share at the date of grant. Stock options granted will vest 50% after three years and 50% after four years and the options may be exercised after vesting at any time up to ten years after they have been granted. The Bank reserved 3,401,000 common shares under this plan, of which 1,802,151 were still available as at October 31, 2024 (3,401,000 common shares reserved under this plan, of which 2,089,291 were still available as at October 31, 2023).

Information relating to outstanding number of options under the New Stock Option Plan is as follows.

	2024		2023	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding at beginning of year	1,279,128	\$ 37.00	1,154,275	\$ 38.18
Granted	434,710	25.86	428,459	32.99
Forfeited	(122,423)	32.67	(291,286)	35.72
Exercised	—	—	(9,569)	38.97
Expired	(25,147)	39.55	(2,751)	38.97
Outstanding at end of year	1,566,268	\$ 34.20	1,279,128	\$ 37.00
Exercisable at end of year	—	n/a	—	n/a

Information relating to exercise prices under the New Stock Option Plan is as follows.

	2024	
Exercise price	Number of options outstanding	Weighted-average remaining contractual life (years)
25.86	401,861	9.1
32.99	189,185	8.1
33.13	403,410	6.1
38.97	162,443	4.1
40.26	187,396	7.0
43.68	221,973	5.1
	1,566,268	6.9

Fair value and assumptions related to the stock options valuations

The weighted-average fair value of options granted in fiscal 2024 and 2023 was estimated on the award date using the Black-Scholes model as well as the following assumptions.

	2024 grant	2023 grant
Weighted-average fair value of options granted	\$ 4.34	\$ 5.55
Share price at grant date	\$ 25.86	\$ 32.99
Risk-free interest rate	3.18 %	2.93 %
Expected life of options	8 years	8 years
Expected volatility ⁽¹⁾	22.5 %	23.0 %
Expected dividend yield	5.70 %	5.70 %

(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.

Employee share purchase plan

The Bank offers an employee share purchase plan. Under this plan, employees who meet the eligibility criteria can contribute up to 20% of their annual gross salary. The Bank matches 30% of the employee contribution amount, up to a maximum of \$1,500 per year. The Bank's contributions, totalling \$1.0 million in 2024 (\$1.0 million in 2023), are recognized in salaries and employee benefits.

Share unit plans

The Bank offers a performance-based share unit (PSU) plan. All rights to the PSUs granted before 2023 vest after three years with no guaranteed minimum vesting. For the PSUs granted since 2023, all rights to the PSUs vest after three years with guaranteed minimum vesting at 50% of target. The number of units vesting varies between 0% and 150% of the number of units granted and will be based on the three-year Bank's total shareholder return (TSR) relative to the average TSR of the TSX Capped Financials Index, which includes peers from Canadian companies in the financial services sectors, and on a three-year adjusted return on equity measure relative to targets set as part of strategic planning. During the three-year vesting period, dividend equivalents accrue to the participants in the form of additional share units. All PSUs are cash settled at fair value at the maturity date. A deferred version of the plan exists under which the participant is paid on termination of employment rather than at the end of the three-year vesting period.

The Bank offers a restricted share unit (RSU) plan to certain executives and other employees. Rights to the RSUs generally vest ratably over a three-year period or at the end of the three-year period following their award. In addition, executives can voluntarily defer part or all of their annual bonus into fully vested RSUs payable at a rate of one third per year. Certain employees of the Capital Markets segment are also required to defer a portion of their annual bonus into fully vested RSUs payable at a rate of one third per year if the annual bonus exceeds a certain amount. All RSUs are cash settled at fair value at the maturity dates. A deferred version of the plan exists under which the participant is paid on termination of employment rather than at the maturity dates. During the vesting period, dividend equivalents accrue to the participants in the form of additional share units.

The Bank offers a deferred share unit plan to non-employee directors of the Bank. Under this plan, each non-employee director may choose to receive all or a percentage of his or her remuneration in the form of deferred share units which can be settled in cash or common shares. The deferred share units are converted when the holder steps down from the Board of Directors.

Units granted under share unit plans

	2024		2023	
	Units granted during the year	Weighted average fair value per unit	Units granted during the year	Weighted average fair value per unit
Performance-based share unit plan	176,837	\$ 25.91	169,631	\$ 32.71
Restricted share unit plan	323,833	25.98	317,540	32.62
Deferred share unit plan	66,954	26.03	50,537	34.52
	567,624	\$ 25.96	537,708	\$ 32.83

Number of units outstanding under performance-based share and other plans

	2024	2023
Performance-based share unit plan	589,467	454,438
Restricted share unit plan	881,870	862,404
Deferred share unit plan	180,231	184,878
	1,651,568	1,501,720

The carrying amount of the liability relating to the cash-settled plans was \$35.1 million as at October 31, 2024 (\$32.2 million as at October 31, 2023). The intrinsic value of the total liability related to fully vested rights and units was \$12.8 million as at October 31, 2024 (\$12.5 million as at October 31, 2023).

Share-based compensation plans' expense

The following table shows the expense related to share-based compensation plans, net of the effect of related hedging transactions.

	2024	2023
Expense arising from cash-settled share-based compensation transactions	\$ 15,381	\$ 10,888
Effect of hedges	(83)	6,330
	\$ 15,298	\$ 17,218

To reduce volatility in the share-based compensation plans' expense, the Bank enters into total return swap contracts with third parties, the value of which is linked to the Bank's share price. Changes in fair value of these derivative instruments partially offset the share-based compensation plans' expense related to the share price variations over the period in which the swaps are in effect. Refer to Note 24 for further details regarding the hedge of the share-based compensation plan using total return swap contracts.

17. POST-EMPLOYMENT BENEFITS

Description of benefit plans

Pension plans

The Bank has a number of defined benefit pension plans, which in certain cases include a defined contribution portion, as well as defined contribution pension plans. The plans provide pension benefits to most of the Bank's employees. The defined benefit pension plans are based on years of service and final average salary at retirement time.

Pension plans are registered with OSFI and are subject to the federal *Pension Benefits Standards Act, 1985*. The Bank's Human Resources and Corporate Governance Committee of the Board has the responsibility to ensure that management implements appropriate internal oversight systems with a view to adequately manage pension plans in accordance with the laws and regulations in effect.

Other group plans

The Bank offers other post-employment benefits to its employees such as a salary continuance plan during maternity leave and the payment of group insurance plan premiums during a disability period or maternity leave. In addition, certain retired employees have other retirement benefits, including health and life insurance.

Risks associated with pension plans

Pension plans expose the Bank to a broad range of risks. These risks are managed with the objective of meeting pension benefit obligations, while maintaining a reasonable risk profile for the Bank. The pension obligation is mainly subject to demographic and economic risks such as longevity improvements and salary inflation. In addition, the obligation is impacted by the discount rate. Pension plan assets are subject to market risks and more precisely to equity value, long-term interest rates and credit spreads. To reduce risks associated with the pension obligation, the Bank monitors and adjusts its plan benefits with the objective of optimizing the overall employee benefits. Defined benefit pension plan assets are invested in order to meet pension obligations. To manage the predominant interest rate risk, the Bank has adopted a liability-driven investment policy for the assets invested in debt securities. This approach provides some control over the plans' financial position by investing in assets that are correlated with liabilities and that allow a reduction in volatility. Other plans' assets are invested in various asset classes, such as common shares, emerging market equities, high-yield fixed income securities, private equity or debt investments, as well as other alternative investments to improve potential returns.

Factors taken into consideration in developing the asset allocation include but are not limited to the following:

- i. the nature of the underlying benefit obligations, including the duration and term profile of the liabilities;
- ii. the member demographics, including normal retirement age, terminations, and mortality;
- iii. the financial position of the pension plans; and
- iv. the diversification benefits obtained by the inclusion of multiple asset classes.

Funding requirements

The Bank's defined benefit pension plans are mainly funded by contributions from the Bank and are determined based on the financial position and the funding policy of the plan. Certain officers may also elect to participate in a component of their plan through optional contributions to enhance benefits. The Bank's contributions must be sufficient to cover the value of the obligations that currently accrue in the plan, including fees paid by the plan, as well as special contributions required to amortize any deficit. The Bank assumes all the risks and costs related to the defined benefit pension plans, including any deficit.

Funding for defined contribution pension plans and other post-employment benefits are provided by both the Bank and the participating employees of the plans.

Defined benefit plan measurement dates

The Bank measures its defined benefit obligations and the fair value of plan assets for accounting purposes as at October 31 of each year. The most recent actuarial valuations were performed as at December 31, 2023 for all pension plans. The next required actuarial valuation for funding purposes will be as at December 31, 2024 for all funded plans.

Defined benefit plan obligations

Changes in the present value of the defined benefit obligation are as follows.

	2024		2023	
	Pension plans	Other plans	Pension plans	Other plans
Change in defined benefit obligation				
Defined benefit obligation at beginning of year	\$ 165,288	\$ 16,645	\$ 165,754	\$ 17,102
Current service cost	3,610	—	3,977	—
Interest expense	9,055	799	8,590	780
Benefits paid	(7,531)	(941)	(8,850)	(886)
Employee contributions	173	—	273	—
Actuarial losses (gains) arising from changes in economic assumptions	18,858	(1,981)	(6,703)	(351)
Actuarial losses (gains) arising from plan experience	(1,262)	—	2,247	—
Defined benefit obligation at end of year	\$ 188,191	\$ 14,522	\$ 165,288	\$ 16,645

Defined benefit pension plan assets

Changes in fair value of pension plan assets are as follows.

	2024	2023
Change in fair value of pension plan assets		
Fair value of plan assets at beginning of year	\$ 193,221	\$ 204,008
Interest income (at prescribed rate)	10,437	10,200
Actuarial gains (losses) arising from the difference between the actual return on plan assets and interest income	19,732	(8,064)
Administration costs (other than costs of managing plan assets)	(1,362)	(1,841)
Bank contributions	1,740	(2,505)
Employee contributions	173	273
Benefits paid	(7,531)	(8,850)
Fair value of plan assets at end of year	\$ 216,410	\$ 193,221

Reconciliation of the funded status of the benefit plans to the amounts recorded in the Consolidated Financial Statements

	2024		2023	
	Pension plans	Other plans	Pension plans	Other plans
Fair value of plan assets	\$ 216,410	\$ —	\$ 193,221	\$ —
Defined benefit obligation	188,191	14,522	165,288	16,645
Funded status – plan surplus (deficit)	\$ 28,219	\$ (14,522)	\$ 27,933	\$ (16,645)
Recorded in the balance sheet as				
Defined benefit plan assets, included in other assets	\$ 28,459	\$ —	\$ 28,234	\$ —
Defined benefit plan liabilities, included in other liabilities	\$ 240	\$ 14,522	\$ 301	\$ 16,645

Defined benefit plan costs (gains) recognized during the year

	2024		2023	
	Pension plans	Other plans	Pension plans	Other plans
Amounts recognized in net income				
Current service cost	\$ 3,610	\$ —	\$ 3,977	\$ —
Administration costs (other than costs of managing plan assets)	1,362	—	1,841	—
Interest expense	9,055	799	8,590	780
Interest income (at prescribed rate)	(10,437)	—	(10,200)	—
Gain on short-term employee benefits	—	(1,063)	—	(26)
	3,590	(264)	4,208	754
Amounts recognized in other comprehensive income				
Actuarial losses (gains) on defined benefit obligation	17,596	(918)	(4,456)	(325)
Actuarial losses (gains) on plan assets	(19,732)	—	8,064	—
	(2,136)	(918)	3,608	(325)
Total defined benefit cost (gain)	\$ 1,454	\$ (1,182)	\$ 7,816	\$ 429

The Bank expects to contribute \$1.2 million to its defined benefit pension plans for the year ending October 31, 2025.

Asset allocation of defined benefit pension plans

	2024	2023
Asset category		
Cash and cash equivalents ⁽¹⁾	\$ 617	\$ 1,060
Equity funds		
Canada	21,237	17,236
United States	6,206	5,261
Other	19,705	17,658
Debt securities		
Canadian governments and other public administrations	28,635	21,206
Corporate and other	92,299	66,877
Other ⁽²⁾	47,711	63,923
	\$ 216,410	\$ 193,221

(1) Cash and cash equivalents mainly consist of Canada and U.S. treasury bills.

(2) Other assets are mainly composed of investments in real estate, agricultural businesses and infrastructure.

As at October 31, 2024 and 2023, equity funds included no equity securities of the Bank and none of the plan assets were quoted in active markets.

Significant assumptions for pension plans and other plans

	2024	2023
Weighted average of assumptions to determine benefit obligation		
Discount rate at end of year	4.74 %	5.54 %
Rate of compensation increase	2.75 %	2.75 %
Weighted average of assumptions to determine benefit expense		
Discount rate - Current service	5.52 %	5.27 %
Discount rate - Interest expenses (income), net	5.54 %	5.24 %
Rate of compensation increase	2.75 %	2.75 %

For 2024, the weighted-average financial duration of the pension plans was approximately 14.2 years (13.3 years for 2023). The weighted-average financial durations of the other group plans were approximately 3.9 years for the post-employment benefits (5.7 years for 2023) and 8.2 years for the other retirement benefits (8.2 years for 2023).

To better reflect current service cost, a separate discount rate was determined to account for the timing of future benefit payments associated with the additional year of service to be earned by the plan's active participants. Since these benefits are, on average, being paid at a later date than the benefits already earned by participants, this method results in the use of a higher discount rate for calculating current service cost than that used to measure obligations where the yield curve is positively sloped.

Assumed health care cost trend rates

	2024	2023
Assumed annual rate of increase in the cost of health care benefits	5.15 %	4.62 %
Level to which it should decline and at which it is assumed to subsequently stabilize	3.57 %	3.57 %
Year that the rate is assumed to stabilize	2044	2040

Sensitivity analysis

Due to the long-term nature of post-employment benefits, there are significant uncertainties related to the recognition of balances surrounding the assumptions used.

Discount rates could have a significant impact on the defined benefit plan assets (liabilities), as well as, depending on the funding status of the plan, on pension plan and other post-employment benefit expenses. The following table presents the impact that a 0.25% change in this key assumption would have had on the defined benefit obligation and cost for the year ended October 31, 2024.

	Impact of a 0.25% change to the discount rate on ⁽¹⁾	
	Obligation	Expense
Pension plans	\$ 6,672	\$ 672
Other plans	\$ 281	\$ (40)

(1) The sensitivity analysis presented in this table should be used with caution, as it is hypothetical and the impact of changes in assumptions may not be linear.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The following table presents the impact that a 1% change in this key assumption would have had on the defined benefit obligation and expense for the year ended October 31, 2024, with all other assumptions remaining constant.

	Obligation	Expense
Impact of a :		
1% increase in assumed health care cost trend rates	\$ 439	\$ 1
1% decrease in assumed health care cost trend rates	\$ (397)	\$ (4)

Expense for post-employment benefits

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

	2024	2023
Defined contribution pension plans	\$ 10,764	\$ 10,949
Defined benefit pension plans	3,590	4,208
Other plans	(264)	754
	\$ 14,090	\$ 15,911

18. INCOME TAXES

Deferred income taxes

Significant components of the Bank's deferred income tax assets and liabilities are as follows.

	2024	2023
Deferred income tax assets		
Tax losses	\$ 109,399	\$ 68,942
Allowances for loan losses	44,815	48,365
Lease liabilities	31,185	33,655
Deferred revenues	10,268	10,604
Amount related to share-based payments	9,025	8,231
Provisions	7,399	6,350
Premises and equipment	6,623	5,003
Accruals	4,146	3,333
Software	1,026	—
Derivatives	—	8,129
Other temporary differences	5,282	3,109
	229,168	195,721
Deferred income tax liabilities		
Leases	74,647	75,616
Derivatives	27,569	—
Deferred charges	12,506	14,017
Right-of-use assets	11,574	18,066
Defined benefit plan liabilities	3,626	2,988
Other intangible assets	—	31,441
Software	—	3,878
Other temporary differences	2,863	2,974
	132,785	148,980
Deferred income taxes, net	\$ 96,383	\$ 46,741

As at October 31, 2024, the unused non-capital losses will expire between 2039 and 2044.

As at October 31, 2024, unused capital tax losses of 29.1 million (\$21.9 million as at October 31, 2023) available to offset future capital gains were not recognized as deferred tax assets. The unused capital tax losses can be carried forward indefinitely.

As at October 31, 2024, the total amount of temporary differences associated with investments in foreign subsidiaries for which deferred tax liabilities have not been recognized was \$422.1 million (\$391.3 million as at October 31, 2023).

Net deferred income taxes reported in the Consolidated Balance Sheet are as follows.

	2024	2023
Deferred income tax assets	\$ 157,844	\$ 119,085
Deferred income tax liabilities	61,461	72,344
Deferred income taxes, net	\$ 96,383	\$ 46,741

The components of deferred income tax expense (recovery) recorded in the Consolidated Statement of Income are as follows.

	2024	2023
Deferred income tax expense (recovery)		
Derivatives	\$ 13,220	\$ 6,261
Allowances for loan losses	3,580	1,255
Lease liabilities	2,472	1,800
Tax losses	(42,179)	(33,734)
Other intangible assets	(31,739)	2,931
Right-of-use assets	(6,492)	(1,198)
Software	(4,904)	(28)
Premises and equipment	(1,620)	1,143
Deferred charges	(1,511)	(1,921)
Leases	(969)	2,026
Other temporary differences	(4,126)	2,834
	\$ (74,268)	\$ (18,631)

Income tax expense

Significant components of the income tax (recovery) expense recorded in the Consolidated Statement of Income for the years ended October 31, 2024 and 2023 are as follows.

	2024	2023
Current income taxes		
Income tax expense for the year	\$ 60,809	\$ 49,918
Previous years income tax recovery adjustment	(3,257)	(1,961)
	57,552	47,957
Deferred income taxes		
Origination and reversal of temporary differences	(76,633)	(18,220)
Previous years income tax expense (recovery) adjustment	2,365	(411)
	(74,268)	(18,631)
	\$ (16,716)	\$ 29,326

Significant components of the income tax expense (recovery) recorded in the Consolidated Statement of Comprehensive Income for the years ended October 31, 2024 and 2023 are as follows.

	2024	2023
Items that may subsequently be reclassified to the Statement of Income		
Income tax expense related to unrealized net gains on debt securities at FVOCI	\$ 295	\$ 16
Income tax (expense) recovery related to reclassification of net gains (losses) on debt securities at FVOCI to net income	(10)	113
Income tax expense related to net gains (losses) on hedges of investments in foreign operations	—	4
Income tax expense (recovery) related to net change in value of derivatives designated as cash flow hedges	22,478	(9,464)
	22,763	(9,331)
Items that may not subsequently be reclassified to the Statement of Income		
Income tax expense (recovery) related to remeasurement gains (losses) on employee benefit plans	808	(869)
Income tax recovery related to net losses on equity securities designated at FVOCI	(60)	(187)
	\$ 23,511	\$ (10,387)
Composition of income taxes		
Current income tax expense	\$ 285	\$ 191
Deferred income tax expense (recovery)	23,226	(10,578)
	\$ 23,511	\$ (10,387)

Significant components of the income tax expense (recovery) recorded in the Consolidated Statement of Changes in Shareholders' Equity for the years ended October 31, 2024 and 2023 are as follows.

	2024	2023
Income taxes on issuance of equity instruments		
Current income tax recovery	\$ (2)	\$ (3)
Deferred income tax recovery	(10)	(11)
	(12)	(14)
Income taxes on other items		
Deferred income tax expense (recovery) on other items	1,410	(243)
	\$ 1,398	\$ (257)

Reconciliation with the statutory rate

The reconciliation of the income tax (recovery) expense reported in the Consolidated Statement of Income to the dollar amount of income taxes using the statutory rates is as follows.

	2024		2023	
	Amount	Rate	Amount	Rate
Income taxes at statutory rates	\$ (6,142)	27.6 %	\$ 54,851	26.1 %
Change resulting from:				
Impairment of goodwill	10,251	(46.2)	—	—
Lower taxation related to income from foreign operations	(17,068)	76.8	(20,976)	(10.1)
Non-taxable dividends and non-taxable portion of capital gains	(1,780)	8.0	(1,156)	(0.6)
Other, net	(1,977)	9.0	(3,393)	(1.5)
Income taxes as reported in the Consolidated Statement of Income	\$ (16,716)	75.2 %	\$ 29,326	13.9 %

19. EARNINGS PER SHARE

Basic and diluted earnings (loss) per share is detailed as follows⁽¹⁾.

	2024	2023
Earnings (loss) per share – basic		
Net income (loss)	\$ (5,499)	\$ 181,087
Preferred share dividends and limited recourse capital note interest	12,426	11,779
Net income (loss) attributable to common shareholders	\$ (17,925)	\$ 169,308
Weighted-average number of outstanding common shares (in thousands)	43,813	43,471
Earnings (loss) per share – basic ⁽²⁾	\$ (0.41)	\$ 3.89
Earnings (loss) per share – diluted		
Net income (loss) attributable to common shareholders	\$ (17,925)	\$ 169,308
Weighted-average number of outstanding common shares (in thousands)	43,813	43,471
Dilutive share purchase options (in thousands)	10	9
Diluted weighted-average number of outstanding common shares (in thousands)	43,823	43,480
Earnings (loss) per share – diluted ⁽²⁾	\$ (0.41)	\$ 3.89

(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 Consolidated Financial Statements which would require the restatement of earnings per share.

(2) The sum of the quarterly earnings per share may not equal to the cumulative earnings per share due to rounding.

20. RELATED PARTY TRANSACTIONS

Related parties of the Bank include:

- key management personnel and their close family members;
- entities which are controlled, jointly controlled or significantly influenced, or for which significant voting power is held, by key management personnel or their close family members; and
- post-employment benefit plans for Bank employees.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, being members of the Executive Committee or Board of Directors.

Loans and deposits with related parties

As at October 31, 2024, loans to key management personnel totalled \$1.7 million (\$1.6 million in 2023). Loans to key management personnel are granted under market conditions for similar risks and are initially measured at fair value. Loans to key management personnel consist mostly of term residential mortgage loans, as well as personal loans, at market rates less a discount based on the type and amount of the loan.

In the normal course of business, the Bank also provides usual banking services to key management personnel and their related entities, including bank accounts (deposits) under terms similar to those offered to arm's length parties. These deposits were negligible in 2024 and 2023.

Compensation of key management personnel

The following table shows the total compensation of key management personnel.

	2024	2023
Short-term employee benefits, including salaries	\$ 8,340	\$ 8,502
Share-based compensation	5,653	7,027
Termination and post-employment benefits	4,742	7,354
	\$ 18,735	\$ 22,883

21. FINANCIAL INSTRUMENTS – 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. Note 3 details the accounting treatment for each measurement category of financial instruments, as well as the estimates and judgment used in measuring the fair value of financial instruments.

Classification of fair value measurement in the fair value hierarchy

Fair value measurements are categorized into levels within a fair value hierarchy based on the valuation inputs used. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Bank's market assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1 — Quoted prices in active markets for identical financial instruments.
- Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar financial instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Determining fair value

Certain assets and liabilities, primarily financial instruments, are carried on the Consolidated Balance Sheet at their fair value. All other financial instruments are carried at amortized cost and the fair value is disclosed below. The following section discusses how the Bank measures fair value.

Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. When available, the Bank generally uses quoted market prices to determine fair value and classifies such items in Level 1.

If quoted market prices are not available, fair value is based on internally developed valuation techniques that use, where possible, current market-based or independently sourced market inputs, such as interest rates, exchange rates and option volatilities. Instruments valued using internal valuation techniques are classified according to the lowest level input or value driver that is significant to the fair value measurement. Thus, an instrument may be classified in Level 3 even though some significant inputs may be observable.

Where available, the Bank may also make use of quoted prices for recent trading activity in positions with the same or similar characteristics to that being valued. The frequency and size of transactions and the amount of the bid-ask spread are among the factors considered in determining the liquidity of markets and the relevance of observed prices from those markets. If relevant and observable prices are available, those valuations would be classified in Level 2. If prices are not available, other valuation techniques are used and items are classified in Level 3. For these assets and liabilities, the inputs used in determining fair value may require significant management judgment. Due to the inherent uncertainty in these estimates, the values may differ significantly from those that would have been used if an active market had existed for the financial instruments. Moreover, the estimates of fair value for the same or similar

financial instruments may differ among financial institutions. The calculation of fair value is based on market conditions as at each balance sheet date.

Valuation methodologies

The following section describes the valuation methodologies used by the Bank to measure and disclose certain significant financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified. Where appropriate, the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

Securities purchased under reverse repurchase agreements and obligations related to securities sold under repurchase agreements

Given that quoted prices are not available for such financial instruments, fair value is determined using a discounted cash flow technique. Cash flows are estimated based on the terms of the contract and discounted using appropriate market rates.

Securities

When available, the Bank uses quoted market prices to determine the fair value of securities; such instruments are classified in Level 1 of the fair value hierarchy; for example, exchange-traded equity securities. For bonds traded over the counter, the Bank generally determines fair value using internal valuation techniques or prices obtained from independent vendors. Where available, the Bank may also use quoted prices for recent trading activity of assets with similar characteristics to the bond being valued. Securities priced using such methods are generally classified in Level 2. However, less liquid securities may be classified in Level 3 given that the Bank must then determine the parameters related to certain significant value drivers, including liquidity premiums and credit spreads.

Loans

Quoted market prices in an active market are not available for these financial instruments. As a result, the fair value of loans is estimated using internal valuation techniques by discounting cash flows adjusted to reflect prepayments, if any, at the prevailing market interest rates for new loans with substantially similar terms. For certain variable rate loans subject to frequent rate revisions and loans with indeterminate maturities, the fair value is deemed to represent the carrying amount.

Other assets

Other assets consist primarily of cheques and other items in transit, accrued interest receivable and accounts receivable. As quoted market prices in an active market are not available for these financial instruments the Bank determined that the carrying value approximates the fair value due to their short-term nature.

Derivatives

The fair value of over-the-counter derivatives is calculated using prevailing market prices for instruments with similar characteristics and maturities, based on a discounted net value analysis or an appropriate pricing model that factors in the current and contractual prices of the underlying instruments, the time value of money, the yield curve, counterparty credit risk and volatility factors. These derivatives are classified in Level 2 or Level 3 depending on whether the significant inputs to those pricing models include observable or unobservable inputs. Also, certain exchange-traded derivatives, whose fair value is based on quoted market prices, are classified in Level 1 of the fair value hierarchy.

Deposits

Quoted market prices in an active market are not available for these financial instruments. As a result, the fair value of fixed rate deposits is estimated using discounted cash flows based on prevailing market interest rates for deposits with substantially similar terms. The fair value of deposits without stated maturities or variable rate deposits is deemed to represent their carrying amount.

Obligations related to securities sold short

When available, the Bank uses quoted market prices to determine the fair value of obligations related to securities sold short; such instruments are classified in Level 1. For bonds traded over the counter, the Bank generally determines fair value using internal valuation techniques or prices obtained from independent vendors. Where available, the Bank may also use quoted prices for recent trading activity of assets with similar characteristics to the bond being valued. Securities priced using such methods are generally classified in Level 2.

Other liabilities

Other liabilities consist primarily of cheques and other items in transit, accrued interest payable and accounts payable. Quoted market prices in an active market are not available for these financial instruments and their fair value is deemed to represent their carrying amount due to their short-term nature.

Debt related to securitization activities

Quoted market prices in an active market are not available for debt related to securitization activities. As a result, the fair value of these financial instruments is estimated using discounted cash flows based on prevailing market interest rates for similar issues or rates currently offered for debt securities with the same term to maturity.

Subordinated debt

Quoted market prices in an active market are not available for these financial instruments. As a result, the fair value of subordinated debt is estimated using discounted cash flows based on prevailing market interest rates for similar issues or rates currently offered for debt securities with the same term to maturity.

Fair value hierarchy

Financial assets and liabilities measured at fair value in the Consolidated Balance Sheet

The following table shows the fair value hierarchy of financial instruments measured at fair value on a recurring basis using the valuation methods and assumptions as set out above.

(in millions of Canadian dollars)	2024				2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Securities at FVOCI	\$ —	\$ 141	\$ 26	\$ 167	\$ —	\$ 24	\$ 26	\$ 50
Securities at FVTPL	31	3,110	1	3,142	50	2,920	1	2,971
Derivatives	—	243	—	243	—	325	—	325
Liabilities								
Obligations related to securities sold short	1	2,260	—	2,261	5	2,579	—	2,584
Derivatives	—	301	33	334	—	721	17	738

Level transfers and reclassification

There were no significant transfers between Level 1 and Level 2 of the hierarchy, or changes in fair value measurement methods during the year.

Change in level 3 fair value category and sensitivity analysis

The Bank classifies financial instruments in Level 3 of the fair value hierarchy when there is reliance on at least one significant unobservable input to the valuation model. In addition to these unobservable inputs, the valuation models for Level 3 financial instruments typically rely on a number of inputs that are observable either directly or indirectly. Transfers in and out of Level 3 can occur as a result of additional or new information regarding valuation inputs and changes in their observability. Changes in Level 3 financial instruments were not significant for the years ended October 31, 2024 and 2023.

As at October 31, 2024, the Bank considered other reasonably possible alternative assumptions for the valuation models to recalculate the fair value of the instruments and concluded that the resulting potential increase or decrease in total fair value classified in Level 3 was not significant.

Financial assets and liabilities not measured at fair value on the Consolidated Balance Sheet

The following table shows financial instruments which are not recorded at fair value on the Consolidated Balance Sheet and their classification in the fair value hierarchy. For these instruments, fair values are calculated for disclosure purposes only, and the valuation techniques are disclosed above.

(in millions of Canadian dollars)	2024					2023	
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value
Assets							
Securities at amortized cost	\$ 2,790	\$ 2,787	\$ —	\$ 2,787	\$ —	\$ 2,995	\$ 2,983
Loans	35,069	34,653	—	—	34,653	36,868	35,760
Liabilities							
Deposits	23,164	23,464	—	23,464	—	26,027	25,914
Debt related to securitization activities	13,496	13,393	—	13,393	—	12,853	12,337
Subordinated debt	327	318	—	318	—	338	306

The Bank also determined that the carrying value approximates the fair value as at October 31, 2024 and 2023 for the following assets and liabilities as they are generally liquid floating rate financial instruments or are generally short term in nature: cash and non-interest-bearing deposits with banks, interest-bearing deposits with banks, securities purchased under reverse repurchase agreements, other assets, obligations related to securities sold under repurchase agreements, acceptances and other liabilities.

22. FINANCIAL INSTRUMENTS – OFFSETTING

The following table shows information about financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement and the effect or potential effect of set-off rights.

	2024					
	Gross recognized amounts	Gross amounts offset in the Consolidated Balance Sheet	Amounts presented in the Consolidated Balance Sheet	Amounts not offset in the Consolidated Balance Sheet		Net amounts
				Impact of master netting agreements ⁽¹⁾	Financial collateral received or pledged	
Financial assets						
Securities purchased under reverse repurchase agreements	\$ 6,616,750	\$ 3,048,260	\$ 3,568,490	\$ 802,686	\$ 2,744,792	\$ 21,012
Derivatives	243,087	—	243,087	194,646	21,160	27,281
	\$ 6,859,837	\$ 3,048,260	\$ 3,811,577	\$ 997,332	\$ 2,765,952	\$ 48,293
Financial liabilities						
Obligations related to securities sold under repurchase agreements	\$ 6,709,835	\$ 3,048,260	\$ 3,661,575	\$ 802,686	\$ 2,858,126	\$ 763
Derivatives	333,655	—	333,655	194,646	66,985	72,024
	\$ 7,043,490	\$ 3,048,260	\$ 3,995,230	\$ 997,332	\$ 2,925,111	\$ 72,787
						2023
Financial assets						
Securities purchased under reverse repurchase agreements	\$ 7,461,605	\$ 3,375,435	\$ 4,086,170	\$ 2,082,394	\$ 1,945,569	\$ 58,207
Derivatives	325,219	—	325,219	289,452	4,930	30,837
	\$ 7,786,824	\$ 3,375,435	\$ 4,411,389	\$ 2,371,846	\$ 1,950,499	\$ 89,044
Financial liabilities						
Obligations related to securities sold under repurchase agreements	\$ 6,494,143	\$ 3,375,435	\$ 3,118,708	\$ 2,082,394	\$ 1,025,890	\$ 10,424
Derivatives	738,041	—	738,041	289,452	367,879	80,710
	\$ 7,232,184	\$ 3,375,435	\$ 3,856,749	\$ 2,371,846	\$ 1,393,769	\$ 91,134

(1) Carrying amount of financial assets and financial liabilities that are subject to a master netting agreement or similar agreements but that do not meet offsetting criteria, as these agreements give a right of set-off that is enforceable only following a specified event of default or in other circumstances not expected to arise in the normal course of business.

23. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Bank is exposed to various types of risks owing to the nature of the business activities it pursues. To ensure that significant risks to which the Bank could be exposed are taken into consideration, a Risk Management Framework has been developed to provide for oversight of risk assessment and control. Risk management is conducted according to tolerance levels established by management committees and approved by the Board of Directors through its committees.

In order to manage the risks associated with financial instruments, including loan and deposit portfolios, securities and derivatives, the Bank has implemented policies prescribing how various risks are to be managed. In practice, management closely monitors various risk limits, as well as a number of other indicators. Oversight of operations is performed by groups independent of the business lines.

The risk management policies and procedures of the Bank are disclosed in the Risk Appetite and Risk Management Framework section of the Management's Discussion and Analysis (MD&A). The relevant MD&A sections are identified in the shaded text and tables and are an integral part of these Consolidated Financial Statements.

24. DERIVATIVES AND HEDGES

24.1 DERIVATIVES

Derivatives are financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates or other equity prices or indices.

In the normal course of business, the Bank enters into various derivatives to manage its interest rate, foreign exchange and equity price risk related to the Bank's lending, funding, investment, and asset and liability management activities, as well as to meet its customer demands and to earn trading income, as described below.

Types of derivatives

The main types of derivatives used are as follows:

Forwards and futures

Forward contracts are non-standardized agreements that are transacted between counterparties in the over-the-counter (OTC) market, whereas futures are standardized contracts with respect to amounts and settlement dates and are traded on organized exchanges. Examples of forwards and futures are described below.

- Interest rate futures are contractual obligations to buy or sell an interest-rate sensitive financial instrument on a predetermined future date at a specified price.
- Foreign exchange forwards are contractual obligations to exchange one currency for another at a specified price for settlement at a predetermined future date.
- Equity futures are contractual obligations to buy or sell at a fixed value (the specified price) of an equity index, a basket of stocks or a single stock at a predetermined future date.

Swaps

Swaps are OTC contracts in which two counterparties exchange a series of cash flows based on agreed upon rates applied to a notional amount. Examples of swap agreements are described below.

- Interest rate swaps are agreements where two counterparties exchange a series of payments based on different interest rates applied to a notional amount in a single currency. Certain interest rate swaps are transacted and settled through a clearing house which acts as a central counterparty.
- Cross-currency swaps are transactions in which counterparties exchange float-rate interest payments and principal payments in different currencies.
- Foreign exchange swaps are agreements to exchange payments in different currencies over predetermined periods of time.

Options

Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or sell (put option) a security, exchange rate, interest rate, or other financial instrument or commodity at a specified price, at or by a predetermined future date. The seller (writer) of an option can also settle the contract by paying the cash settlement value of the purchaser's right. The seller (writer) receives a premium from the purchaser for this right. The various option agreements that the Bank enters into include foreign currency options, equity options and index options.

Total return swaps

Total return swaps are contracts where one counterparty agrees to pay or receive from the other cash amounts based on changes in the value of a referenced asset or group of assets, including any returns such as interest earned on these assets, in exchange for amounts that are based on prevailing market funding rates.

Aggregate notional amounts

The following tables present notional amounts of derivatives by term to maturity. The notional amount of derivatives represents the contract amount used as a reference point to calculate payments. Notional amounts are generally not exchanged by counterparties, and do not reflect the Bank's exposure at default.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in millions of Canadian dollars)	2024						2023	
	Term to maturity			Total	Contracts designated as hedges	Other contracts ⁽¹⁾⁽²⁾	Contracts designated as hedges	Other contracts ⁽¹⁾⁽²⁾
Notional amount	Within 1 year	1 to 5 years	Over 5 years					
Interest rate contracts								
Over-the-counter contracts								
Swaps	\$ 4,953	\$ 10,550	\$ 2,141	\$ 17,644	\$ 17,452	\$ 192	\$ 19,799	\$ 926
Exchange-traded contracts								
Futures	443	—	—	443	—	443	—	190
Foreign exchange contracts								
Over-the-counter contracts								
Cross-currency swaps	2,214	1,914	—	4,128	4,128	—	4,037	26
Foreign exchange swaps	694	103	—	797	—	797	—	1,782
Forwards	596	119	—	715	—	715	—	796
Options purchased	588	346	—	934	—	934	—	482
Options written	588	346	—	934	—	934	—	468
Equity- and index-linked contracts								
Options purchased	5	67	—	72	—	72	—	84
Options written	63	226	4	293	—	293	—	316
Futures	5	—	—	5	—	5	—	2
Total return swaps	63	23	—	86	6	80	7	90
	\$ 10,212	\$ 13,694	\$ 2,145	\$ 26,051	\$ 21,586	\$ 4,465	\$ 23,843	\$ 5,162

[1] Include notional amounts of nil related to basis swaps as at October 31, 2024 (\$0.6 billion as at October 31, 2023).

[2] Include derivatives used in trading operations to meet customer demands and to earn trading income, as well as derivatives used to manage the Bank's risk exposures that are not designated in hedge relationships.

Fair value of derivatives

(in thousands of Canadian dollars)	2024		2023	
	Assets	Liabilities	Assets	Liabilities
CONTRACTS DESIGNATED AS HEDGES				
Fair value hedges				
Interest rate contracts				
Swaps	\$ 89,804	\$ 82,283	\$ 142,053	\$ 326,236
Cash flow hedges				
Interest rate contracts				
Swaps	105,017	63,889	126,589	179,330
Equity- and index-linked contracts				
Total return swaps	94	180	—	2,016
Foreign exchange contracts				
Cross-currency swaps	—	12,998	—	19,675
Net investment hedges				
Foreign exchange contracts				
Cross-currency swaps	—	103,836	—	130,492
OTHER CONTRACTS⁽¹⁾				
Interest rate contracts				
Swaps	3,486	2,995	10,527	12,364
Foreign exchange contracts				
Foreign exchange swaps	2,662	9,203	11,975	31,086
Forwards	12,334	3,336	16,737	2,999
Options purchased	17,087	—	11,156	—
Options written	—	17,153	—	889
Equity- and index-linked contracts				
Options purchased	12,023	—	5,766	—
Options written	—	36,856	—	28,390
Total return swaps	580	926	416	4,564
Total	\$ 243,087	\$ 333,655	\$ 325,219	\$ 738,041

[1] Include derivatives used in trading operations to meet customer demands and to earn trading income as well as derivatives used to manage the Bank's risk exposures that do not qualify for hedge accounting.

Credit risk exposure of derivatives

(in millions of Canadian dollars)	2024						2023
	Replacement cost ⁽¹⁾	Credit equivalent amount ⁽²⁾	Risk-weighted amount ⁽³⁾	Replacement cost ⁽¹⁾	Credit equivalent amount ⁽²⁾	Risk-weighted amount ⁽³⁾	
Interest rate contracts	\$ 250	\$ 743	\$ 150	\$ 367	\$ 921	\$ 185	
Foreign exchange contracts	32	314	118	40	330	115	
Equity-and index-linked contracts	14	70	17	6	66	17	
	296	1,127	285	413	1,317	317	
Impact of master netting agreements	(255)	(893)	(179)	(339)	(1,020)	(204)	
	\$ 41	\$ 234	\$ 106	\$ 74	\$ 297	\$ 113	

(1) Represents what it would cost to replace transactions at prevailing market conditions in the event of a default. This is the favourable fair market value of all outstanding contracts, excluding options written since they do not constitute a credit risk, including securitization swaps not recognized on the balance sheet.

(2) Represents the sum of (i) the total replacement cost of all outstanding contracts and (ii) an amount representing the assessed potential future credit risk, using guidelines issued by OSFI.

(3) Represents the credit risk equivalent amount weighted based on the creditworthiness of the counterparty, as prescribed by OSFI.

24.2 HEDGE ACCOUNTING

The Bank applies hedge accounting as part of managing its interest rate, foreign exchange and equity price risk related to the Bank's lending, funding, investment, and asset and liability management activities.

Interest rate risk

Most derivative contracts used to hedge certain exposures to benchmark interest rate risk are interest rate swaps. For fair value hedges, the Bank converts fixed interest rate exposures from the hedged financial instruments to floating interest rate exposures. For cash flow hedges, the Bank converts certain exposures to cash flow variability from its variable rate instruments to fixed interest rate exposures.

Equity price risk

Cash-settled total return swaps are used in designated cash flow hedge relationships to hedge changes in the Bank's share price in respect of certain cash-settled share-based compensation awards. Refer to Note 16 for further details.

Foreign exchange risk

Cross-currency swaps and foreign exchange swaps are used in designated net investment hedge relationships to hedge changes in the value of the net investment in a foreign subsidiary from foreign exchange currency fluctuations.

Assessing hedge effectiveness

For the hedge relationships above, hedge effectiveness is assessed at the inception of the hedge relationship and on an ongoing basis, primarily using regression analysis.

For fair value and cash flow hedges, the main source of potential hedge ineffectiveness is a circumstance where the critical terms of the hedging instrument and the hedged item are not closely aligned.

For net investment hedges, changes in fair value of the derivative attributable to exchange rate fluctuations are compared with changes in the net investment in a foreign operation attributable to exchange rate fluctuations. Insofar as the notional amount of the hedging instruments and the hedged net investments are aligned, no ineffectiveness is expected.

Derivative instruments designated in hedging relationships

	Notional amounts				Carrying amounts	
(in thousands of Canadian dollars)	Within 1 year	1 to 5 years	Over 5 years	Total	Assets	Liabilities
2024						
Fair value hedges						
Interest rate risk						
Interest rate contracts						
Hedge of fixed rate assets	\$ 237,500	\$ 938,000	\$ 698,000	\$1,873,500	\$ 38,639	\$ 22,219
Hedge of fixed rate liabilities	\$3,555,300	\$3,641,610	\$ 848,500	\$8,045,410	\$ 51,165	\$ 60,064
Weighted-average fixed interest rate						
Hedge of fixed rate assets	0.9 %	2.3 %	3.4 %	2.5 %		
Hedge of fixed rate liabilities	4.1 %	3.0 %	2.8 %	3.5 %		
Cash flow hedges						
Interest rate risk						
Interest rate contracts						
Hedge of variable rate assets	\$ 935,000	\$4,142,000	\$ 162,000	\$5,239,000	\$ 53,636	\$ 43,373
Hedge of variable rate liabilities	\$ 205,000	\$1,778,800	\$ 310,000	\$2,293,800	\$ 51,381	\$ 20,516
Weighted-average variable interest rate						
Hedge of variable rate assets	3.9 %	4.0 %	4.2 %	4.0 %		
Hedge of variable rate liabilities	4.0 %	3.2 %	4.3 %	3.4 %		
Equity price risk						
Total return swaps	\$ 146	\$ 5,999	\$ —	\$ 6,145	\$ 94	\$ 180
Weighted-average price	\$ 26.43	\$ 26.74	\$ —	\$ 26.73		
Foreign exchange risk						
Cross-currency swaps	\$ 431,377	\$ —	\$ —	\$ 431,377	\$ —	\$ 12,998
Average CAD-USD exchange rate	\$ 1.3481	\$ —	\$ —	\$ 1.3481		
Net investment hedges						
Foreign exchange risk						
Cross-currency swaps	\$1,714,904	\$1,869,476	\$ —	\$3,584,380	\$ —	\$ 103,836
Average CAD-USD exchange rate	\$ 1.3503	\$ 1.3596	\$ —	\$ 1.3552		
2023						
Fair value hedges						
Interest rate risk						
Interest rate contracts						
Hedge of fixed rate assets	\$ 300,000	\$ 938,500	\$ 789,500	\$2,028,000	\$ 140,633	\$ 84
Hedge of fixed rate liabilities	\$4,034,000	\$3,866,600	\$1,007,000	\$8,907,600	\$ 1,420	\$ 326,152
Weighted-average fixed interest rate						
Hedge of fixed rate assets	1.6 %	1.9 %	3.2 %	2.4 %		
Hedge of fixed rate liabilities	3.6 %	2.9 %	2.9 %	3.2 %		
Cash flow hedges						
Interest rate risk						
Interest rate contracts						
Hedge of variable rate assets	\$3,475,000	\$3,191,000	\$ 146,000	\$6,812,000	\$ 1,687	\$ 177,653
Hedge of variable rate liabilities	\$ 545,000	\$1,020,000	\$ 486,000	\$2,051,000	\$ 124,902	\$ 1,677
Weighted-average variable interest rate						
Hedge of variable rate assets	5.3 %	5.3 %	5.4 %	5.3 %		
Hedge of variable rate liabilities	5.4 %	4.1 %	5.5 %	4.8 %		
Equity price risk						
Total return swaps	\$ 372	\$ 6,348	\$ —	\$ 6,720	\$ —	\$ 2,016
Weighted-average price	\$ 27.52	\$ 30.88	\$ —	\$ 30.70		
Foreign exchange risk						
Cross-currency swaps	\$ 68,330	\$ 431,377	\$ —	\$ 499,707	\$ —	\$ 19,675
Average CAD-USD exchange rate	\$ 1.3666	\$ 1.3481	\$ —	\$ 1.3506		
Net investment hedges						
Foreign exchange risk						
Cross-currency swaps	\$1,733,184	\$1,660,927	\$ —	\$3,394,111	\$ —	\$ 130,492
Average CAD-USD exchange rate	\$ 1.3220	\$ 1.3503	\$ —	\$ 1.3357		

Fair value hedges

The following tables show amounts related to hedged items as well as the results of the fair value hedges.

	2024					
(in thousands of Canadian dollars)	Carrying value of hedged items	Cumulative hedge adjustments from active hedges	Cumulative adjustments from discontinued hedges	Gains (losses) on the hedged items for ineffectiveness measurement	Gains (losses) on the hedging instruments for ineffectiveness measurement	Hedge ineffectiveness ⁽¹⁾
Interest rate risk						
Securities at amortized cost	\$ 1,868,465	\$ (5,035)	\$ —	\$ 117,353	\$ (117,593)	\$ (240)
Deposits	4,918,763	23,253	(604)	(119,882)	119,546	(336)
Debt related to securitization activities	3,155,992	6,092	(79,386)	(148,686)	148,615	(71)
				\$ (151,215)	\$ 150,568	\$ (647)
						2023
Interest rate risk						
Securities at amortized costs	\$ 1,904,467	\$ (123,533)	\$ —	\$ (29,687)	\$ 30,208	\$ 521
Deposits	5,983,984	(97,216)	(11,590)	(27,541)	26,721	(820)
Debt related to securitization activities	2,677,153	(149,247)	(96,142)	64,475	(64,471)	4
				\$ 7,247	\$ (7,542)	\$ (295)

(1) Included on the Income from financial instruments line-item.

Cash flow hedges

The following tables show the amounts related to hedged items as well as the results of the cash flow hedges.

	2024						
(in thousands of Canadian dollars)	Accumulated other comprehensive income from active hedges	Accumulated other comprehensive income from discontinued hedges	Gains (losses) on hedged items for ineffectiveness measurement	Gains (losses) on hedging instruments for ineffectiveness measurement	Hedge ineffectiveness ⁽¹⁾	Unrealized gains (losses) included in Other comprehensive income as the effective portion of the hedging instrument	Losses (gains) reclassified to net interest income
Interest rate risk							
Loans	\$ 85,826	\$ (65,268)	\$ (168,953)	\$ 168,557	\$ (396)	\$ 232,773	\$ (44,377)
Deposits	(33,095)	91,589	84,530	(84,605)	(75)	(147,012)	36,001
	52,731	26,321	(84,423)	83,952	(471)	85,761	(8,376)
Equity price risk							
Other liabilities	(86)	(425)	(429)	429	—	1,930	(425)
Foreign exchange risk							
Loans	1,363	—	(19,723)	19,880	157	6,018	—
	\$ 54,008	\$ 25,896	\$ (104,575)	\$ 104,261	\$ (314)	\$ 93,709	\$ (8,801)
							2023
Interest rate risk							
Loans	\$ (146,947)	\$ (20,891)	\$ 34,331	\$ (34,728)	\$ (397)	\$ (13,026)	\$ (12,023)
Deposits	113,917	55,588	(9,843)	10,105	262	(24,431)	19,674
	(33,030)	34,697	24,488	(24,623)	(135)	(37,457)	7,651
Equity price risk							
Other liabilities	(2,016)	—	1,272	(1,272)	—	(1,290)	—
Foreign exchange risk							
Loans	(4,655)	—	37,708	(37,865)	(157)	(4,655)	—
	\$ (39,701)	\$ 34,697	\$ 63,468	\$ (63,760)	\$ (292)	\$ (43,402)	\$ 7,651

(1) Included on the Income from financial instruments line-item.

Net investment hedges

The following tables show the amounts related to hedged items as well as the results of the net investment hedges.

	2024						
(in thousands of Canadian dollars)	Accumulated other comprehensive income from active hedges	Accumulated other comprehensive income from discontinued hedges	Gains (losses) on hedged items for ineffectiveness measurement	Gains (losses) on hedging instruments for ineffectiveness measurement	Hedge ineffectiveness ⁽¹⁾		Losses (gains) reclassified to income
Net investments in foreign operations							
USD	\$ (99,295)	\$ 39,648	\$ 10,021	\$ (10,021)	\$ —		\$ —
							2023
Net investments in foreign operations							
USD	\$ (127,575)	\$ 77,949	\$ 16,832	\$ (16,832)	\$ —		\$ —

(1) Included on the Income from financial instruments line-item.

Reconciliation of equity components

The following table presents a reconciliation by risk category of Accumulated other comprehensive income.

	2024			2023	
	Cash flow hedge reserve	Translation of foreign operations reserve	Cash flow hedge reserve	Translation of foreign operations reserve	
Balance at beginning of period	\$ (3,680)	\$ 26,813	\$ 22,607	\$ 20,060	
Hedges of net investments in foreign operations					
Effective portion of changes in fair value on hedging derivatives	n/a	(10,021)	n/a	(16,832)	
Foreign currency translation gains on investments in foreign operations	n/a	5,169	n/a	23,589	
Cash flow hedges					
Effective portion of changes in fair value on hedging derivatives					
Interest rate risk	85,761	n/a	(37,457)	n/a	
Equity price risk	1,930	n/a	(1,290)	n/a	
Foreign exchange risk	6,018	n/a	(4,655)	n/a	
Net amount reclassified to profit or loss					
Interest rate risk	(8,376)	n/a	7,651	n/a	
Equity price risk	(425)	n/a	—	n/a	
Income taxes	(22,478)	—	9,464	(4)	
Balance at end of period	\$ 58,750	\$ 21,961	\$ (3,680)	\$ 26,813	

25. INCOME RELATED TO FINANCIAL INSTRUMENTS

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

Net interest income

	2024	2023
Interest and dividend income		
Interest income calculated using the effective interest method		
Financial instruments measured at amortized cost	\$ 2,281,658	\$ 2,243,150
Financial instruments measured at FVOCI	2,445	642
Interest and dividend income on financial instruments not measured at amortized cost ⁽¹⁾	14,747	29,361
	2,298,850	2,273,153
Interest expense		
Interest expense calculated using the effective interest method		
Financial instruments measured at amortized cost	1,422,727	1,311,153
Interest expense on financial instruments not measured at amortized cost ⁽¹⁾	156,616	215,677
	1,579,343	1,526,830
Net interest income	\$ 719,507	\$ 746,323

(1) Including interest income and expense on derivatives, as well as dividend income on securities not held for-trading. Dividend income was \$3.8 million for the year ended October 31, 2024 [\$6.1 million for the year ended October 31, 2023].

Income from financial instruments (other income)

	2024	2023
Trading revenues	\$ 48,291	\$ 14,492
Income from non-trading financial instruments at FVTPL and foreign exchange	12,963	13,895
Net gains on FVOCI debt securities	38	(426)
	\$ 61,292	\$ 27,961

26. COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Credit-related commitments

The Bank uses certain off-balance sheet credit instruments as a means of meeting the financial needs of its customers. Undrawn amounts under approved credit facilities represent a commitment to make credit available in the form of loans or other credit instruments for specific amounts and maturities, subject to specific conditions.

Documentary letters of credit are documents issued by the Bank on behalf of customers, authorizing a third party to draw drafts to a stipulated amount under specific conditions. These letters are guaranteed by the underlying shipments of goods.

The amounts of credit-related commitments represent the maximum amount of additional credit that the Bank could be obliged to extend. These amounts are not necessarily indicative of credit risk as many of these commitments are contracted for a limited period of usually less than one year and will expire or terminate without being drawn upon.

Guarantees

Standby letters of credit and performance guarantees

In the normal course of its operations, the Bank offers its customers the possibility of obtaining standby letters of credit and performance guarantees. These represent irrevocable assurances that the Bank will make payments in the event that clients cannot meet their obligations to third parties. The term of these guarantees varies according to the contracts and normally does not exceed one year. The Bank's policy for requiring collateral security with respect to these instruments is similar to its policy for loans. The maximum potential amount of future payments under these guarantees totalled \$215.9 million as at October 31, 2024 [\$223.6 million as at October 31, 2023].

Other indemnification agreements

In the normal course of its operations, the Bank provides indemnification agreements to counterparties in certain transactions such as purchase contracts, service agreements and sales of assets. These indemnification agreements require the Bank to compensate the counterparties for costs incurred as a result of changes in laws and regulations (including tax legislation) or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The Bank also indemnifies directors and officers, to the extent permitted by law, against certain claims that may be made against them as a result of their being, or having been, directors or officers at the request of the Bank. The terms of these indemnification agreements vary based on the contract. The nature of the indemnification agreements prevents the Bank from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. Historically, the Bank has not made any significant payments under such indemnification agreements. No amount has been accrued with respect to these indemnification agreements.

The Bank also enters into other derivative contracts under which it may be required to make payments to counterparties. These derivatives are accounted for in accordance with the policy for derivative instruments (refer to Note 24 for further detail).

Lease liabilities

The Bank has entered into commercial leases mainly related to real estate right-of-use assets. The undiscounted cash flows related to the contractual maturity of the Bank’s lease liabilities is \$17.5 million due within one year, \$58.8 million due within 1 to 5 years and \$51.4 million due thereafter until expiry of the leases. Interest expense related to lease liabilities was \$3.3 million for the year ended October 31, 2024 (\$3.4 million for the year ended October 31, 2023). Refer to Note 8 for details on the related right-of-use assets.

Other non-cancellable commitments

Minimum future payments for other non-cancellable commitments by maturity are as follows:

	2024	
	Leases ⁽¹⁾	Information technology service contracts and other ⁽²⁾
Due within one year	\$ 20,099	\$ 50,432
Due within 1 to 5 years	71,592	71,387
Due after 5 years	52,098	41,369
	143,789	163,188
Less: Future minimum sublease payments to be received	(32,687)	—
Total	\$ 111,102	\$ 163,188

(1) Payments under these real estate variable lease and short-term lease contracts commitments recognized as an expense amounted to \$17.9 million in 2024 (\$18.4 million in 2023).

(2) Payments under these information technology service contracts and other commitments recognized as an expense amounted to \$138.1 million in 2024 (\$131.4 million in 2023).

Financial assets pledged as collateral

In the normal course of its operations, the Bank pledges financial assets presented in the Consolidated Balance Sheet. This collateral security is pledged under the usual terms that provide, among other things, that the Bank bear the risks and rewards related to the collateral security and the pledged assets be returned to the Bank when the terms and conditions requiring them to be pledged as security cease to apply.

Financial assets pledged as collateral under securitization operations are detailed in Note 7. The following table details the financial assets pledged as collateral under other arrangements.

	2024	2023
Pledged assets:		
To participate in clearing and payment systems ⁽¹⁾	\$ 974,871	\$ 949,300
For obligations related to securities sold under repurchase agreements and for securities borrowed	8,215,493	7,293,566
For obligations related to derivatives in a liability position	107,893	421,290
	9,298,257	\$ 8,664,156
Pledged assets are detailed as follows:		
Securities and securities purchased under reverse repurchase agreements	8,977,090	\$ 8,418,436
Residential mortgage loans (NHA MBS) ⁽¹⁾	121,167	35,720
Other loans	200,000	210,000
	\$ 9,298,257	\$ 8,664,156

(1) Of which \$1.1 billion was pledged in excess of minimum requirements as at October 31, 2024, including nil NHA MBS (\$1.0 billion as at October 31, 2023, including nil NHA MBS).

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.

The following is a description of the Bank's significant legal proceedings, which we intend to vigorously defend:

MEDAC v. Laurentian Bank of Canada and al.

In June 2020, MEDAC, a non-profit shareholder rights corporation, represented by two of its members, filed an application seeking authorization to institute a class action in the Superior Court of Québec against different defendants, including Laurentian Bank of Canada (LBC), two of its former executives, as well as Laurentian Bank Securities (LBS), a subsidiary of LBC. The applicant has agreed to stay the proceedings against the defendant underwriters (including LBS). The proposed class action alleges that, between May 18, 2017, and September 3, 2018, the defendants misrepresented and failed to disclose, in two prospectus offerings and in continuous disclosure, deficiencies in LBC's mortgage underwriting and related quality control and securitization, in violation of the Québec Securities Act and the Civil Code of Québec. The hearing on the authorization of the class action is expected to take place in fiscal year 2025. Based on the facts known at this stage, it is currently not possible to predict the ultimate outcome of this matter.

CLÉMENT, Johanne v. Laurentian Bank of Canada

In October 2023, an application seeking the authorization to institute a class action was filed against Laurentian Bank of Canada (LBC), in the Superior Court of Québec. The applicant, Ms. Johanne Clément, alleges that the service outage suffered by Laurentian Bank has resulted in thousands of customers being unable to use their banking services as of September 24, 2023, in violation of the Consumer Protection Act and the Civil Code of Québec. External counsel has been retained to represent LBC in this litigation. Based on the facts known at this stage, it is currently not possible to predict the precise timing of the upcoming procedural steps nor the ultimate outcome of this matter.

Consumer class actions

A number of financial institutions, including the Bank, have been named in various class actions brought by customers or clients alleging that certain of our practices or actions were improper in respect of fees, charges or interest rates relating to credit cards, bank accounts and other products. The cases are in various stages of maturity and the timing of their resolution is varied and uncertain. Based on the facts known at this stage, it is currently not possible to predict the ultimate outcome of these proceedings or the timing of their resolution.

27. IMPAIRMENT AND RESTRUCTURING CHARGES

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

	2024	2023
P&C Banking segment impairment charges⁽¹⁾		
Impairment of goodwill (Note 9)	\$ 83,929	\$ —
Impairment of software and intangible assets (Note 9)	66,193	—
Impairment of premises and equipment (Notes 8 and 9)	5,811	—
	155,933	—
Restructuring and other impairment charges⁽²⁾		
Impairment of software and intangible assets (Note 9)	29,012	3,058
Impairment of premises and equipment (Note 8)	15,282	—
Severance charges	25,597	14,513
Charges related to leases and other	2,592	599
	72,483	18,170
Strategic review-related charges⁽³⁾		
Professional fees and other	—	5,929
Total	\$ 228,416	\$ 24,099

(1) The Personal and Commercial (P&C) Banking segment impairment charges related to the impairment of the P&C Banking segment as part of the goodwill impairment test performed as at April 30, 2024.

(2) Restructuring and other impairment charges mainly resulted from the Bank's decision to suspend the Advanced Internal-Ratings Based (AIRB) approach to credit risk project and to reduce its leased corporate office premises in Toronto, as well as from the simplification of the Bank's technology infrastructure, organizational structure and headcount reduction. Restructuring and other impairment charges mainly comprised of impairment charges, severance charges and professional fees and are included in the Impairment and restructuring charges line item.

(3) In 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. Strategic review-related charges were included in the Impairment and restructuring charges line item.

28. SEGMENTED INFORMATION

Operating segments

The Bank determines its operating segments based on how the chief operating decision maker manages the different services and products provided to clients. Prior to November 1, 2023, the Bank had three operating segments: Personal Banking, Commercial Banking and Capital Markets. Following recent executive appointments and changes to the way the chief operating decision maker makes decisions about resources to be allocated to the segments and assesses their performance, the operating segments have evolved and are defined, as of November 1, 2023, as detailed below.

- The Personal and Commercial Banking segment, which regroups the previous Personal Banking and Commercial Banking segments, provides a broad range of financial services and advice-based solutions for personal and commercial banking customers across Canada and the United States.
- The Capital Markets segment provides a range of services, including research, market analysis and advisory services; corporate underwriting for debt and equity; and administrative services.

The Bank's other activities, including the Bank's corporate functions and Corporate Treasury, are grouped into the Other sector.

Reportable segments

The Bank has evaluated quantitative and qualitative aggregation criteria to determine that it has one reportable segment. The Bank aggregates operating segments with similar economic characteristics that meet the aggregation criteria. Factors considered in applying aggregation criteria mainly include: the similarity of products and services offered, the nature of operations and processes, as well as the similarity in the regulatory environments in which the segments operate. For the Capital Markets operating segment, which does not have similar economic characteristics, the Bank applies quantitative thresholds, as well as judgment for aggregation.

Geographic segments

The Bank operates primarily within two geographic areas: Canada and the United States. The following tables summarizes the Bank's revenues and average earning assets by geographic segment.

	2024			2023		
	Canada	United States	Total	Canada	United States	Total
Total revenue	\$ 805,943	\$ 212,266	\$ 1,018,209	\$ 809,167	\$ 216,343	\$ 1,025,510
Average earning assets ⁽¹⁾	\$ 36,068,067	\$ 4,143,194	\$ 40,211,261	\$ 37,169,989	\$ 4,427,574	\$ 41,597,563

[1] 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.

29. SIGNIFICANT SUBSIDIARIES

The significant subsidiaries of the Bank as at October 31, 2024 are listed in the table below.

Corporate name	Principal office address ⁽¹⁾	Book value of voting shares owned by the Bank ⁽²⁾
B2B Bank	Toronto, Canada	\$ 728,478
Laurentian Bank Securities Inc.	Montreal, Canada	255,167
Laurentian Trust of Canada Inc.	Montreal, Canada	102,973
LBC Capital Inc. ⁽³⁾	Burlington, Canada	3,068,892
LBEL Inc.	Burlington, Canada	
NCF Commercial Finance Holdings Inc.	Alpharetta, United States	
Northpoint Commercial Finance LLC	Alpharetta, United States	
LBC Financial Services Inc.	Montreal, Canada	629,135
LBC Investment Management Inc.	Montreal, Canada	469,344
V.R. Holding Insurance Company Ltd.	St. Peter, Barbados	
Venture Reinsurance Company Ltd.	St. Peter, Barbados	
LBC Trust	Montreal, Canada	103,178
NCF International Holding Kft	Budapest, Hungary	66,643
NCF International SA	Zug, Switzerland	9,674

(1) Each subsidiary is incorporated or organized under the laws of the country in which the principal office is located

(2) Unless otherwise noted, the Bank, either directly or indirectly through its subsidiaries, owns 100% of the outstanding voting shares of each subsidiary. The book value of shares with voting rights corresponds to the Bank's interest in the shareholders' equity of the subsidiaries.

(3) On October 29, 2024, the Bank announced that its LBC Capital and Northpoint Commercial Finance (Northpoint) subsidiaries are uniting under one brand, Northpoint Commercial Finance, as of November 1, 2024.

30. SUBSEQUENT EVENTS

Sale of assets under administration of LBS' discount brokerage division to CI Investment Services Inc (CIIS)

On November 29, 2024, after close of markets, the Bank completed the sale of assets under administration of LBS' discount brokerage division to CIIS, a wholly owned subsidiary of CI Financial Corp, as initially announced on August 12, 2024.

The transaction includes the transfer of approximately \$250 million in assets under administration from LBS to CI Direct Trading, an online investment platform for self-directed investors and a division of CIIS. The net proceeds from this transaction are not anticipated to have a material impact on the Bank's financial results and position.