LAURENTIAN BANK

FIRST QUARTER 2024

Report to Shareholders

For the period ended January 31, 2024

Laurentian Bank of Canada reported net income of $37.3 million and diluted earnings per share of $0.75 for the first quarter of 2024, compared with $51.9 million and $1.09 for the first quarter of 2023. Return on common shareholders' equity was 5.0% for the first quarter of 2024, compared with 7.5% for the first quarter of 2023. Adjusted net income[1] was $44.2 million and adjusted diluted earnings per share[1] were $0.91 for the first quarter of 2024, compared with $54.3 million and $1.15 for the first quarter of 2023. Adjusted return on common shareholders' equity was 6.0% for the first quarter of 2024, compared with 7.8% for the same period a year ago.

"The Bank has a strong level of liquidity and strengthened our capital position in a period of macroeconomic uncertainty," said Éric Provost, President & CEO. "Throughout the quarter we remained focused on delivering against our three priorities – customer-focus, simplification, and strategic investments to improve our technology infrastructure – and we look forward to launching our revamped strategic plan later this year."

	For the three months ended				
In millions of dollars, except per share and percentage amounts (Unaudited)	**January 31, 2024**	October 31, 2023	Variance	January 31, 2023	Variance
Reported basis					
Net income	**$ 37.3**	$ 30.6	22 %	$ 51.9	(28)%
Diluted earnings per share	**$ 0.75**	$ 0.67	12 %	$ 1.09	(31)%
Return on common shareholders' equity[1][2]	**5.0 %**	4.5 %		7.5 %	
Efficiency ratio[3]	**76.6 %**	79.7 %		70.6 %	
Common Equity Tier 1 (CET1) capital ratio[2][4]	**10.2 %**	9.9 %		9.1 %	
Adjusted basis					
Adjusted net income[5]	**$ 44.2**	$ 44.7	(1)%	$ 54.3	(19)%
Adjusted diluted earnings per share[1]	**$ 0.91**	$ 1.00	(9)%	$ 1.15	(21)%
Adjusted return on common shareholders' equity[1][2]	**6.0 %**	6.6 %		7.8 %	
Adjusted efficiency ratio[1]	**73.0 %**	72.0 %		69.4 %	

(1) This is a non-GAAP ratio. Refer to the Non-GAAP Financial and Other Measures section on page 5 for more information.
(2) 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 Condensed Interim Consolidated Financial Statements for further information.
(3) This is a supplementary financial measure. Refer to the Non-GAAP Financial and Other Measures section on page 5 for more information.
(4) In accordance with the Office of the Superintendent of Financial Institutions' (OSFI) "Capital Adequacy Requirements" guideline. Refer to the Capital Management section on page 11 for more information.
(5) This is a non-GAAP financial measure. Refer to the Non-GAAP Financial and Other Measures section on page 5 for more information.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE PERIOD ENDED JANUARY 31, 2024

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition of Laurentian Bank of Canada (the Bank) as at January 31, 2024 and its operating results for the three-month period then ended, compared with the corresponding period shown. This MD&A should be read in conjunction with the Condensed Interim Consolidated Financial Statements. This MD&A is dated as of February 28, 2024.

Additional information about the Bank, including the 2023 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 Condensed Interim Consolidated Financial Statements as at and for the period ended January 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), as well as in accordance with IAS 34, *Interim Financial Reporting.* 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 Condensed Interim Consolidated Financial Statements for further information.

ABOUT LAURENTIAN BANK OF CANADA

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

Founded in Montréal in 1846, Laurentian Bank helps families, businesses and communities thrive. Today, we have approximately 3,000 employees working together as one team, to provide a broad range of financial services and advice-based solutions for customers across Canada and the United States. We protect, manage and grow $48.1 billion in balance sheet assets and $26.5 billion in assets under administration.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, Laurentian Bank of Canada and, as applicable its subsidiaries (collectively referred to as the Bank) will make written or oral forward-looking statements within the meaning of applicable Canadian and United States (U.S.) securities legislation, including, 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 2023 Annual Report, including, the MD&A for the fiscal year ended October 31, 2023, 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 2023 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 2023 Annual Report, such as those related to: Canadian and global economic conditions (including the risk of higher inflation and rising interest rates); 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 2023 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	For the three months ended January 31, 2024	October 31, 2023	Variance	January 31, 2023	Variance
Operating results					
Total revenue	**$ 258,341**	$ 247,445	4 %	$ 260,068	(1)%
Net income	**$ 37,283**	$ 30,623	22 %	$ 51,910	(28)%
Adjusted net income[1]	**$ 44,153**	$ 44,719	(1)%	$ 54,296	(19)%
Operating performance					
Diluted earnings per share	**$ 0.75**	$ 0.67	12 %	$ 1.09	(31)%
Adjusted diluted earnings per share[2]	**$ 0.91**	$ 1.00	(9)%	$ 1.15	(21)%
Return on common shareholders' equity[2][3]	**5.0 %**	4.5 %		7.5 %	
Adjusted return on common shareholders' equity[2][3]	**6.0 %**	6.6 %		7.8 %	
Net interest margin[4]	**1.80 %**	1.76 %		1.77 %	
Efficiency ratio[4]	**76.6 %**	79.7 %		70.6 %	
Adjusted efficiency ratio[2]	**73.0 %**	72.0 %		69.4 %	
Operating leverage[4]	**4.1 %**	(8.9)%		(4.3)%	
Adjusted operating leverage[2]	**(1.4)%**	(4.8)%		(4.3)%	
Financial position ($ millions)					
Loans and acceptances	**$ 36,700**	$ 37,074	(1)%	$ 37,646	(3)%
Total assets[3]	**$ 48,076**	$ 49,893	(4)%	$ 50,360	(5)%
Deposits	**$ 25,068**	$ 26,027	(4)%	$ 27,552	(9)%
Average earning assets[4]	**$ 40,897**	$ 41,181	(1)%	$ 41,856	(2)%
Average loans and acceptances[4]	**$ 36,626**	$ 36,730	— %	$ 37,591	(3)%
Basel III regulatory capital ratios					
CET1 capital ratio[5]	**10.2 %**	9.9 %		9.1 %	
Total risk-weighted assets ($ millions)[5]	**$ 21,859**	$ 22,575		$ 23,901	
Credit quality					
Gross impaired loans as a % of loans and acceptances[4]	**0.67 %**	0.62 %		0.45 %	
Net impaired loans as a % of loans and acceptances[4]	**0.52 %**	0.46 %		0.32 %	
Provision for credit losses as a % of average loans and acceptances[4]	**0.18 %**	0.18 %		0.16 %	
Common share information					
Closing share price[6]	**$ 26.53**	$ 25.40	4 %	$ 35.77	(26)%
Price / earnings ratio (trailing four quarters)[4]	**7.5 x**	6.5 x		7.3 x	
Adjusted price / earnings ratio (trailing four quarters)[2]	**6.2 x**	5.6 x		7.0 x	
Book value per share[2][3]	**$ 59.80**	$ 59.96	— %	$ 58.29	3 %
Dividends declared per share	**$ 0.47**	$ 0.47	— %	$ 0.46	2 %
Dividend yield[4]	**7.1 %**	7.4 %		5.1 %	
Dividend payout ratio[4]	**62.8 %**	69.8 %		42.1 %	
Adjusted dividend payout ratio[2]	**51.9 %**	47.1 %		40.1 %	

(1) This is a non-GAAP financial measure. Refer to the Non-GAAP Financial and Other Measures section on page 5 for more information.
(2) This is a non-GAAP ratio. Refer to the Non-GAAP Financial and Other Measures section on page 5 for more information.
(3) 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 Condensed Interim Consolidated Financial Statements for further information.
(4) This is a supplementary financial measure. Refer to the Non-GAAP Financial and Other Measures section on page 5 for more information.
(5) In accordance with OSFI's "Capital Adequacy Requirements" guideline. Refer to the Capital Management section on page 11 for more information.
(6) Toronto Stock Exchange (TSX) closing market price.

NON-GAAP FINANCIAL AND OTHER MEASURES

NON-GAAP FINANCIAL MEASURES

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

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

TABLE 2

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

	For the three months ended		
In thousands of dollars (Unaudited)	**January 31, 2024**	October 31, 2023	January 31, 2023
Non-interest expenses	**$ 197,834**	$ 197,281	$ 183,675
Less: Adjusting items, before income taxes			
Amortization of acquisition-related intangible assets[1]	**3,217**	3,230	3,210
Restructuring charges[2]	**6,076**	12,544	—
Strategic review-related charges[3]	**—**	3,362	—
	9,293	19,136	3,210
Adjusted non-interest expenses	**$ 188,541**	$ 178,145	$ 180,465
Income before income taxes	**$ 43,609**	$ 33,495	$ 60,961
Adjusting items, before income taxes (detailed above)	**9,293**	19,136	3,210
Adjusted income before income taxes	**$ 52,902**	$ 52,631	$ 64,171
Reported net income	**$ 37,283**	$ 30,623	$ 51,910
Adjusting items, net of income taxes			
Amortization of acquisition-related intangible assets[1]	**2,402**	2,401	2,386
Restructuring charges[2]	**4,468**	9,223	—
Strategic review-related charges[3]	**—**	2,472	—
	6,870	14,096	2,386
Adjusted net income	**$ 44,153**	$ 44,719	$ 54,296
Net income available to common shareholders	**$ 32,682**	$ 29,334	$ 47,309
Adjusting items, net of income taxes (detailed above)	**6,870**	14,096	2,386
Adjusted net income available to common shareholders	**$ 39,552**	$ 43,430	$ 49,695

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

(2) Restructuring charges resulted from the simplification of the Bank's organizational structure and headcount reduction in 2024, and from changes in the management structure and the right-sizing of the Bank's Capital Markets franchise in 2023. Restructuring charges were mainly comprised of severance charges and impairment charges of software and other intangible assets and were 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 aimed at maximizing shareholder and stakeholder value and mainly included professional and other fees. Strategic review-related charges were included in the Impairment and restructuring charges line-item.

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

In thousands of dollars (Unaudited)	For the three months ended January 31, 2024	October 31, 2023	January 31, 2023
Shareholders' equity[1]	**$ 2,886,490**	$ 2,858,105	$ 2,808,217
Plus (less):			
Preferred shares	**(122,071)**	(122,071)	(122,071)
Limited recourse capital notes	**(123,487)**	(123,487)	(123,282)
Cash flow hedge reserve[2]	**(25,535)**	3,680	(33,323)
Common shareholders' equity[1]	**$ 2,615,397**	$ 2,616,227	$ 2,529,541
Impact of averaging month-end balances[3]	**(7,616)**	(21,997)	(11,057)
Average common shareholders' equity[1]	**$ 2,607,781**	$ 2,594,230	$ 2,518,484

(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 Condensed Interim Consolidated Financial Statements for further information.
(2) The cash flow hedge reserve is presented in the Accumulated other comprehensive income (loss) line item.
(3) Based on the month-end balances for the period.

NON-GAAP RATIOS

Non-GAAP ratios are not standardized financial measures under the financial reporting framework used to prepare the financial statements of the Bank to which the non-GAAP ratios relate and might not be comparable to similar financial measures disclosed by other issuers. Ratios are considered non-GAAP ratios if adjusted measures are used as components, refer to the non-GAAP financial measure section above. The Bank believes non-GAAP ratios are useful to readers in obtaining a better understanding of how management assesses the Bank's performance and in analyzing trends. The following ratios are non-GAAP ratios.

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

TABLE 4
IMPACT OF ADJUSTING ITEMS ON DILUTED EARNINGS PER SHARE

In thousands of dollars, except per share amounts (Unaudited)	For the three months ended January 31, 2024	October 31, 2023	January 31, 2023
Diluted earnings per share	**$ 0.75**	$ 0.67	$ 1.09
Adjusting items, net of income taxes, on a per share basis[1]	**0.16**	0.33	0.06
Adjusted diluted earnings per share[2]	**$ 0.91**	$ 1.00	$ 1.15

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

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

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

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

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

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

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

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

SUPPLEMENTARY FINANCIAL MEASURES

Management also uses supplementary financial measures to analyze the Bank's results and in assessing underlying business performance and related trends. Please refer to the Glossary on page 21 of this MD&A for more information about the composition of supplementary financial measures disclosed in this document.

BUSINESS HIGHLIGHTS

In February 2024 the Bank made two new appointments to its Executive Team:

- Macha Pohu has been appointed to the position of Chief Human Resource Officer. Macha joined the Bank in 2022 and has more than 25 years of experience in the financial services sector in distribution, information technology and human resources.
- Benoit Bertrand has joined the Bank and been appointed Chief Information Officer. Benoit is an accomplished technology and digital transformation leader with almost 30 years of experience. He has a history of managing large and complex IT programs as well as architecting and delivering innovative solutions. His mandate will be to align the Bank's IT strategy with our overall business strategy, ensuring that our technology initiatives directly support our organizational objectives.

In Personal Banking, we launched two new Interac e-Transfer user features to improve the customer experience. These new features include: 1) auto deposit, for quick and convenient deposits without the need to answer security questions and; 2) request money capabilities, enabling more ways for customers to get paid.

We have also made significant progress in updating our public website. Almost 95% of the website is now updated, which offers our customers a simplified user and navigation experience and further stabilizes our web platform.

Throughout the quarter, the organization has been fully engaged on the refresh of our strategic plan which will refine our focus on our areas of specialization to increase our competitiveness, while staying true to our objective of improving the customer experience.

OUTLOOK

ECONOMIC OUTLOOK

Global macroeconomic conditions are being challenged by escalating geopolitical tensions and growth is slowing modestly. However, Consumer Price Index (CPI) inflation is easing, moving closer to central bank targets around the world.

In the United States, the economy is showing greater resilience than many other developed markets. Real GDP growth remained solid at the end of 2023, supported by stimulative fiscal policies boosting business investment, improving net worth of households and continued excess savings deployment by consumers. Labour market conditions also remain strong.

In Canada, the economy stalled in mid-2023. The effect of higher interest rates is increasingly constraining a large number of consumers and businesses. Meanwhile, high immigration, government spending, and non-residential business investment related to the climate transition remain supportive of economic growth. Labour market conditions are also solid, with the unemployment rate at 5.7% in January 2024 and the addition of 37,000 jobs in the month.

Homebuilding remains below new household formation and vacancy rates declined in most Canadian cities last year. Potential homebuyers were more active in late 2023 and early 2024 in response to lower global bond yields filtering through to mortgage rates.

CPI inflation reached 2.9% this January and remains above the Bank of Canada's stated 2% target. The Bank of Canada has signaled the possibility of leaving the current policy rate at 5% for longer to reduce inflationary pressures further. Long-term Government of Canada benchmark bond yields are lower relative to last Fall as concerns about additional monetary tightening have faded. The U.S. Federal Reserve has indicated that modest policy rate cuts in 2024 could follow, which has been supportive of the Canadian dollar relative to the U.S. dollar. Consequently, the Canadian dollar was back in the middle of its one-year range at 0.74 USD in early February.

ANALYSIS OF CONSOLIDATED RESULTS

TABLE 5
CONDENSED CONSOLIDATED RESULTS

In thousands of dollars, except percentage amounts (Unaudited)	For the three months ended **January 31, 2024**	October 31, 2023	January 31, 2023
Net interest income	**$ 185,254**	$ 182,896	$ 187,116
Other income	**73,087**	64,549	72,952
Total revenue	**258,341**	247,445	260,068
Provision for credit losses	**16,898**	16,669	15,432
Non-interest expenses	**197,834**	197,281	183,675
Income before income taxes	**43,609**	33,495	60,961
Income taxes	**6,326**	2,872	9,051
Net income	**37,283**	30,623	51,910
Preferred share dividends and limited recourse capital note interest	**4,601**	1,289	4,601
Net income available to common shareholders	**$ 32,682**	$ 29,334	$ 47,309
Non-GAAP financial measures			
Adjusted non-interest expenses[1]	**$ 188,541**	$ 178,145	$ 180,465
Adjusted income before income taxes[1]	**$ 52,902**	$ 52,631	$ 64,171
Adjusted net income[1]	**$ 44,153**	$ 44,719	$ 54,296
Adjusted net income available to common shareholders[1]	**$ 39,552**	$ 43,430	$ 49,695

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

FIRST QUARTER OF 2024 COMPARED WITH FIRST QUARTER OF 2023

Net income was $37.3 million and diluted earnings per share were $0.75 for the first quarter of 2024, compared with $51.9 million and $1.09 for the first quarter of 2023. Of note, reported and adjusted results for the first quarter of 2024 included a negative pre-tax impact of $2.3 million ($1.7 million after income taxes), or $0.04 per share, from the remediation activities following the mainframe outage that occurred in September 2023. Reported results for the first quarter of 2024 also included restructuring charges of $6.1 million ($4.5 million after income taxes), or $0.10 per share, as further detailed in the Non-GAAP Financial and Other Measures section. Adjusted net income was $44.2 million and adjusted diluted earnings per share were $0.91 for the first quarter of 2024, compared with $54.3 million and $1.15 for the first quarter of 2023.

Total revenue

Total revenue decreased by $1.7 million to $258.3 million for the first quarter of 2024, compared with $260.1 million for the first quarter of 2023.

Net interest income decreased by $1.9 million to $185.3 million for the first quarter of 2024, compared with $187.1 million for the first quarter of 2023. The decrease was mainly due to lower interest income from lower loan volumes. The net interest margin was 1.80% for the first quarter of 2024, an increase of 3 basis points compared with the first quarter of 2023, mainly due to more interest rate stability contributing to improved product margins, partly offset by higher liquidity levels.

Other income was $73.1 million for the first quarter of 2024, mainly unchanged compared with $73.0 million for the first quarter of 2023. Higher income from financial instruments in the first quarter of 2024 was mostly offset by lower lending fees due to tempered commercial real estate activity and lower income from mutual funds.

Provision for credit losses

The provision for credit losses was $16.9 million for the first quarter of 2024, compared with $15.4 million for the first quarter of 2023, an increase of $1.5 million mainly as a result of higher provisions on performing loans due to credit migration. The provision for credit losses as a percentage of average loans and acceptances was 18 basis points for the quarter, compared with 16 basis points for the same quarter a year ago. Refer to the "Credit risk management" section on pages 13 to 15 of this MD&A and to Note 5 to the Condensed Interim Consolidated Financial Statements for more information on provision for credit losses and allowances for credit losses.

Non-interest expenses

Non-interest expenses amounted to $197.8 million for the first quarter of 2024, an increase of $14.2 million compared with the first quarter of 2023. In the first quarter of 2024, non-interest expenses included restructuring charges of $6.1 million; refer to the Non-GAAP Financial and Other Measures section for further details. Adjusted non-interest expenses increased by $8.1 million or 4% to $188.5 million for the first quarter of 2024, compared with $180.5 million for the first quarter of 2023.

Salaries and employee benefits amounted to $102.5 million for the first quarter of 2024, a decrease of $1.4 million compared with the first quarter of 2023, mostly due to efficiency gains resulting from the reduced headcount and lower performance-based compensation, partly offset by higher employee benefits.

Premises and technology costs were $52.1 million for the first quarter of 2024, an increase of $5.0 million compared with the first quarter of 2023. The increase year-over-year is mainly due to higher technology costs as the Bank is investing in its infrastructure, as well as increased amortization charges resulting from recently completed projects.

Other non-interest expenses were $37.2 million for the first quarter of 2024, an increase of $4.5 million compared with the first quarter of 2023, mainly resulting from higher professional and advisory services fees. Other non-interest expenses for the first quarter of 2024 also included $2.3 million of professional fees and other expenses related to the mainframe outage that occurred in September 2023.

Impairment and restructuring charges were $6.1 million for the first quarter of 2024, compared with nil for the first quarter of 2023, and included restructuring charges of $6.1 million resulting from the simplification of the Bank's organizational structure and headcount reduction.

Efficiency ratio
The efficiency ratio on a reported basis increased to 76.6% for the first quarter of 2024, compared with 70.6% for the first quarter of 2023, as a result of higher non-interest expenses, including restructuring charges of $6.1 million. The adjusted efficiency ratio increased to 73.0% for the first quarter of 2024, compared to 69.4% for the first quarter of 2023, as a result of higher adjusted non-interest expenses.

Income taxes

For the first quarter of 2024, the income tax expense was $6.3 million, and the effective income tax rate was 14.5%, compared with an income tax expense of $9.1 million, and an effective income tax rate of 14.8% for the first quarter of 2023. For both quarters, the lower effective income tax rate compared to the statutory income tax rate was mainly attributed to the lower taxation level of income from foreign operations. The lower effective income tax rate for the first quarter of 2024 compared with the first quarter of 2023 mainly resulted from the lower proportion of income from domestic operations.

FIRST QUARTER OF 2024 COMPARED WITH FOURTH QUARTER OF 2023

Net income was $37.3 million and diluted earnings per share were $0.75 for the first quarter of 2024, compared with $30.6 million and $0.67 for the fourth quarter of 2023. Of note, reported and adjusted results for the first quarter of 2024 included a negative pre-tax impact of $2.3 million ($1.7 million after income taxes), or $0.04 per share, from the mainframe outage that occurred in September 2023 compared with $5.3 million ($3.9 million after income taxes), or $0.09 per share, for the fourth quarter of 2023. Reported results for the first quarter of 2024 also included restructuring charges of $6.1 million ($4.5 million after income taxes), or $0.10 per share, compared with restructuring and strategic-review related charges of $15.9 million ($11.7 million after income taxes), or $0.27 per share for the fourth quarter of 2023, as further detailed in the Non-GAAP Financial and Other Measures section. Adjusted net income was $44.2 million and adjusted diluted earnings per share were $0.91 for the first quarter of 2024, compared with $44.7 million and $1.00 for the fourth quarter of 2023. Net income available to common shareholders included in the first quarter of 2024 the interest paid semi-annually on the limited recourse capital notes and the quarterly dividend declared on the Preferred Shares Series 13, whereas the fourth quarter of 2023 only included the quarterly dividend declared on the Preferred Shares Series 13.

Total revenue increased by $10.9 million to $258.3 million for the first quarter of 2024 compared with $247.4 million for the previous quarter. Net interest income increased by $2.4 million sequentially to $185.3 million. The increase was mainly due to lower liquidity levels and lower funding costs, partly offset by lower loan volumes. Net interest margin was 1.80% for the first quarter of 2024, an increase of 4 basis points compared with 1.76% for the fourth quarter of 2023 mainly for the same reasons.

Other income amounted to $73.1 million for the first quarter of 2024, an increase of $8.5 million compared with $64.5 million for the previous quarter as a result of higher income from financial instruments due to more favourable market conditions, partly offset by lower lending fees. Of note, the mainframe outage that occurred in September 2023 had a negative impact of $2.3 million on other income for the fourth quarter of 2023 as monthly service fees for the months of September and October 2023 were waived.

The provision for credit losses was $16.9 million for the first quarter of 2024, an increase of $0.2 million compared with $16.7 million for the fourth quarter of 2023 reflecting higher provisions on performing loans, mostly offset by lower provisions on impaired loans. Refer to the "Risk Management" section for additional information.

Non-interest expenses increased by $0.6 million to $197.8 million for the first quarter of 2024 from $197.3 million in the fourth quarter of 2023. In the first quarter of 2024, non-interest expenses included restructuring charges of $6.1 million compared with restructuring charges and strategic-review related charges of $15.9 million in the fourth quarter of 2023; refer to the Non-GAAP Financial and Other Measures section for further details. Adjusted non-interest expenses amounted to $188.5 million in the first quarter of 2024, an increase of $10.4 million mainly due to seasonally higher vacation accruals, employee benefits and performance-based compensation, partly offset by lower advertising fees.

ANALYSIS OF FINANCIAL CONDITION

TABLE 6
CONDENSED BALANCE SHEET

In thousands of dollars (Unaudited)		As at January 31, 2024		As at October 31, 2023
Assets				
Cash and deposits with banks	$	**690,442**	$	1,320,265
Securities		**6,113,391**		6,016,427
Securities purchased under reverse repurchase agreements		**3,343,013**		4,086,170
Liquid assets[1]		**10,146,846**		11,422,862
Loans and acceptances, net of allowances		**36,490,035**		36,868,393
Other assets[2]		**1,438,870**		1,601,483
	$	**48,075,751**	$	49,892,738
Liabilities and Shareholders' Equity				
Deposits	$	**25,068,095**	$	26,026,878
Other liabilities		**6,942,958**		7,816,690
Debt related to securitization activities		**12,846,397**		12,853,385
Subordinated debt		**331,811**		337,680
Shareholders' equity[2]		**2,886,490**		2,858,105
	$	**48,075,751**	$	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 Condensed Interim Consolidated Financial Statements for further information.

As at January 31, 2024, total assets amounted to $48.1 billion, a 4% decrease compared with $49.9 billion as at October 31, 2023, mainly due to the lower level of liquid assets.

Liquid assets

As at January 31, 2024, liquid assets as presented on the balance sheet amounted to $10.1 billion, a decrease of $1.3 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 21% of total assets as at January 31, 2024, compared with 23% as at October 31, 2023.

Loans

Loans and bankers' acceptances, net of allowances, stood at $36.5 billion as at January 31, 2024, a decrease of $0.4 billion since October 31, 2023. During the first quarter of 2024, the decrease in commercial and personal loans was partly offset by an increase in residential mortgage loans. Commercial loans and acceptances amounted to $17.3 billion as at January 31, 2024, a decrease of $0.5 billion or 3% since October 31, 2023 mainly resulting from lower real estate commercial loans. Personal loans of $2.4 billion as at January 31, 2024 decreased by $0.2 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 $17.0 billion as at January 31, 2024 increased by $0.3 billion or 2% from October 31, 2023.

Other assets

Other assets stood at $1.4 billion as at January 31, 2024, a decrease of $0.2 billion compared with October 31, 2023 mainly due to lower derivatives.

Deposits

Deposits decreased by $1.0 billion to $25.1 billion as at January 31, 2024 compared with $26.0 billion as at October 31, 2023, as we gradually reduced our deposit basis considering loan volume reductions and our liquidity position. Personal deposits stood at $21.5 billion as at January 31, 2024, a decrease of $0.8 billion compared with $22.3 billion as at October 31, 2023. Of note, personal deposits sourced through the retail channel were stable compared with October 31, 2023. Personal notice and demand deposits from partnerships decreased by $0.5 billion since October 31, 2023, and deposits from advisors and brokers decreased by $0.3 billion. Personal deposits represented 86% of total deposits as at January 31, 2024, unchanged since October 31, 2023, and contributed to the Bank's sound liquidity position. Business and other deposits decreased by $0.2 billion over the same period to $3.6 billion.

Other liabilities

Other liabilities stood at $6.9 billion as at January 31, 2024, a decrease of $0.9 billion since October 31, 2023 mainly resulting from lower obligations related to securities sold short associated with trading activities.

Debt related to securitization activities

Debt related to securitization activities stood at $12.8 billion, unchanged since October 31, 2023.

Subordinated debt

Subordinated debt stood at $0.3 billion as at January 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 $2.9 billion as at January 31, 2024 and increased by $28.4 million compared with October 31, 2023. Retained earnings increased by $11.8 million compared to October 31, 2023, mainly as a result of the net income contribution of $37.3 million, partly offset by dividends. Accumulated other comprehensive income increased by $13.9 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 $59.80 as at January 31, 2024 compared to $59.96 as at October 31, 2023.

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. This framework is underpinned by the Bank's Capital Management and Adequacy Policy which outlines the mechanisms for capital planning, management and adequacy assessment. Refer to the section "Capital Management" on page 33 of the Bank's 2023 Annual Report for additional information on the Bank's capital management framework.

REGULATORY CAPITAL

The Office of the Superintendent of Financial Institutions (OSFI) requires banks to meet minimum risk-based capital ratios drawn on the Basel Committee on Banking Supervision (BCBS) capital framework, commonly referred to as the Basel III Accord. Under OSFI's guideline, minimum Common Equity Tier 1 (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 21 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 21 of this MD&A.

Regulatory capital developments

OSFI has issued new guidelines which are applicable for the Bank in various reporting periods beginning on November 1, 2024. During the quarter ended January 31, 2024, there have been no significant updates to regulatory capital developments disclosed on page 34 of the Bank's 2023 Annual Report.

Regulatory capital ratios

The CET1 capital ratio was 10.2% as at January 31, 2024, in excess of the minimum regulatory requirement and the Bank's target management levels. The CET1 capital ratio increased by 30 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 quarter.

TABLE 7
REGULATORY CAPITAL AND LEVERAGE RATIOS

In thousands of dollars, except percentages	**As at January 31, 2024**	As at October 31, 2023
Regulatory capital		
Common shares	**$ 1,180,124**	$ 1,177,827
Retained earnings	**1,417,649**	1,405,800
Accumulated other comprehensive income	**36,794**	22,868
Share-based compensation reserve	**6,365**	6,052
Deductions from Common Equity Tier 1 capital[1]	**(402,348)**	(382,506)
Common Equity Tier 1 capital	**2,238,584**	2,230,756
Qualifying preferred shares and limited recourse capital notes	**245,558**	245,558
Additional Tier 1 capital	**245,558**	245,558
Tier 1 capital	**2,484,142**	2,476,314
Qualifying subordinated debt	**331,811**	337,680
Collective allowances	**163,658**	156,410
Tier 2 capital	**495,469**	494,090
Total capital	**$ 2,979,611**	$ 2,970,404
Total risk-weighted assets	**$ 21,858,586**	$ 22,575,105
Total exposure	**$ 48,829,179**	$ 51,150,699
Capital ratios		
Common Equity Tier 1 capital ratio	**10.2 %**	9.9 %
Tier 1 capital ratio	**11.4 %**	11.0 %
Total capital ratio	**13.6 %**	13.2 %
Leverage ratio	**5.1 %**	4.8 %

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

OUTSTANDING CAPITAL INSTRUMENTS

As at February 21, 2024, there were 5,000,000 outstanding Preferred Shares Series 13, 43,734,280 outstanding common shares and 1,680,561 outstanding stock options.

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

As required under the Basel III Accord, OSFI requires that regulatory capital instruments other than common equity have a non-viability contingent capital (NVCC) clause to ensure that investors bear losses before taxpayers should the government determine that it is in the public interest to rescue a non-viable financial institution. NVCC provisions require the conversion of the capital instrument into a variable number of common shares in the event that OSFI deems a bank to be non-viable or a federal or provincial government in Canada publicly announces that a bank has accepted or agreed to accept a capital injection. If a NVCC trigger event was to occur, NVCC capital instruments as at January 31, 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 73.3% based on the number of common shares outstanding as at January 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

On February 28, 2024, the Board of Directors declared a quarterly dividend of $0.47 per common share, payable on May 1, 2024, to shareholders of record on April 1, 2024. This quarterly dividend is equal to the dividend declared in the previous quarter and is 2% higher than the dividend declared in the previous year. The Board also determined that shares attributed under the Bank's Shareholder Dividend Reinvestment and Share Purchase Plan will be made in common shares issued from Corporate Treasury with a 2% discount.

RISK MANAGEMENT

The Bank is exposed to various types of risks owing to its activities, mainly as it relates to the use of financial instruments. In order to manage these risks, various risk management policies and risk limits, as well as other controls have been implemented. These measures aim to ensure we manage within our risk appetite while optimizing risk-return in all operating segments. Refer to the section "Risk Appetite and Risk Management Framework" on page 38 of the Bank's 2023 Annual Report for additional information on the Bank's risk management framework.

CREDIT RISK

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

Measurement uncertainty of expected credit loss estimates

The Bank updates quarterly its forward-looking economic scenarios to assess its allowances for credit losses. The three scenarios, "base", "downside" and "upside", were probability weighted as part of the Bank's approach to determining the expected credit losses as at January 31, 2024 and are further described in Note 5 to the Condensed Interim Consolidated Financial Statements.

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

Provision for credit losses

First quarter of 2024 compared with first quarter of 2023
Total provision for credit losses of $16.9 million increased by $1.5 million compared with the first quarter of 2023, mainly as a result of higher provisions on performing loans. The provision for credit losses as a percentage of average loans and acceptances was 18 basis points for the quarter, compared with 16 basis points for the same quarter a year ago.

The provision for credit losses on performing loans was $7.7 million for the first quarter of 2024 and increased by $1.8 million compared with the first quarter of 2023, mainly due to due to higher provisions on the residential mortgage loan portfolio.

The provision for credit losses on impaired loans was $9.2 million for the first quarter of 2024 and decreased by $0.4 million compared with the first quarter of 2023, This mainly reflects lower provisions in the personal loan portfolio due to lower volume, partly offset by higher provisions in the commercial loan portfolios due to credit migration.

First quarter of 2024 compared with fourth quarter of 2023
Total provision for credit losses of $16.9 million increased by $0.2 million compared with the fourth quarter of 2023, mainly as a result of higher provisions on performing loans, partly offset by lower provisions on impaired loans. The provision for credit losses as a percentage of average loans and acceptances was 18 basis points, unchanged compared to the previous quarter.

The provision for credit losses on performing loans was $7.7 million for the first quarter of 2024 compared with a release of provision of $0.9 million for the fourth quarter of 2023. The $8.6 million increase mainly reflects higher provisions on commercial loans due to credit migration, partly offset by a release of provision on personal loans due to the lower volume.

The provision for credit losses on impaired loans of $9.2 million decreased by $8.4 million compared with the fourth quarter of 2023, mainly due to lower provisions on the commercial loan portfolio.

TABLE 8
PROVISION FOR CREDIT LOSSES

In thousands of dollars, except percentage amounts (Unaudited)	For the three months ended January 31, 2024	October 31, 2023	January 31, 2023
Personal loans			
Performing (Stage 1 and 2)	$ **(2,283)**	$ 1,265	$ (2,421)
Impaired (Stage 3)	**2,374**	3,144	9,699
	91	4,409	7,278
Residential mortgage loans			
Performing (Stage 1 and 2)	**1,451**	1,382	(183)
Impaired (Stage 3)	**211**	456	207
	1,662	1,838	24
Commercial loans(1)			
Performing (Stage 1 and 2)	**8,561**	(3,547)	8,494
Impaired (Stage 3)	**6,584**	13,969	(364)
	15,145	10,422	8,130
Total loans			
Performing (Stage 1 and 2)	**7,729**	(900)	5,890
Impaired (Stage 3)	**9,169**	17,569	9,542
Provision for credit losses	$ **16,898**	$ 16,669	$ 15,432
As a % of average loans and acceptances	**0.18 %**	0.18 %	0.16 %

(1) Including customers' liabilities under acceptances.

Allowances for credit losses

Allowances for loan losses amounted to $209.9 million as at January 31, 2024, an increase of $3.9 million compared with October 31, 2023. Allowances for loan losses on performing loans amounted to $154.8 million as at January 31, 2024, up $7.5 million compared with October 31, 2023, mainly as a result of higher allowances on commercial loans due to credit migration, partly offset by lower allowances on personal loans. Allowances for loan losses on impaired loans of $55.1 million decreased by $3.6 million compared with October 31, 2023, mainly due to higher provisions on commercial loans due to credit migration, partly offset by write-offs in the commercial and personal loan portfolios.

TABLE 9
ALLOWANCES FOR CREDIT LOSSES (ACL)

In thousands of dollars (Unaudited)	As at January 31, 2024	As at October 31, 2023
Allowances for loan losses		
Personal	$ **41,493**	$ 45,954
Residential mortgages	**16,938**	15,556
Commercial	**151,445**	144,447
Total allowances for loan losses	**209,876**	205,957
Allowances for off-balance sheet exposures losses	**8,599**	8,844
Total allowances for credit losses	$ **218,475**	$ 214,801
ACL on performing loans (Stage 1 and 2)	$ **154,759**	$ 147,266
ACL on impaired loans (Stage 3)	**55,117**	58,691
Total allowances for loan losses	$ **209,876**	$ 205,957

Impaired loans

Gross impaired loans amounted to $244.5 million as at January 31, 2024, up $16.5 million compared with October 31, 2023, mainly due to an increase in impaired commercial loans due to credit migration. See Note 6 to the Condensed Interim Consolidated Financial Statements for additional information.

TABLE 10
IMPAIRED LOANS

In thousands of dollars, except percentage amounts (Unaudited)		**As at January 31, 2024**		As at October 31, 2023
Gross impaired loans (GIL)				
Personal	**$**	**15,370**	$	18,906
Residential mortgages		**39,117**		41,896
Commercial		**190,031**		167,229
	$	**244,518**	$	228,031
Allowances for loan losses on impaired loans (Stage 3)				
Personal	**$**	**(5,044)**	$	(7,063)
Residential mortgages		**(1,951)**		(2,072)
Commercial		**(48,122)**		(49,556)
	$	**(55,117)**	$	(58,691)
Net impaired loans				
Personal	**$**	**10,326**	$	11,843
Residential mortgages		**37,166**		39,824
Commercial		**141,909**		117,673
	$	**189,401**	$	169,340
Impaired loans as a % of loans and acceptances				
Gross		**0.67 %**		0.62 %
Net		**0.52 %**		0.46 %

MARKET RISK

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

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

The table below provides a measure of the sensitivity to changes in interest rates of the Bank as at January 31, 2024. As presented, the effect on the economic value of common shareholders' equity and on net interest income before taxes of a sudden and sustained 1% increase in interest rates was as follows.

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

In thousands of dollars (Unaudited)				**As at January 31, 2024**				As at October 31, 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	**$**	**212**	**$**	**(38,192)**	$	(1,373)	$	(36,617)
Decrease of 100 basis points	**$**	**1,108**	**$**	**37,649**	$	1,101	$	33,070

(1) Over the next 12 months.

(2) Net of income taxes.

Cessation of the Canadian Dollar Offered Rate

In October 2020, the Canadian Alternative Reference Rate (CARR) working group was tasked with analyzing the current status of the Canadian Dollar Offered Rate (CDOR) and to make recommendations. In December 2021, CARR has recommended that the administrator of CDOR, Refinitiv Benchmark Services (UK) Limited (RBSL), cease publication of all of CDOR's remaining tenors after the end of June 2024. Following public consultation, RBSL published on May 16, 2022 a CDOR cessation notice stating that the calculation and publication of all tenors of CDOR will permanently cease immediately following a final publication on June 28, 2024.

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

LIQUIDITY AND FUNDING RISK

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

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

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

The Bank originates deposits from Personal, Business and Institutional customers, and has access to wholesale financing from diversified sources. Personal deposits are sourced through multiple channels including retail, strategic partnerships and advisors and brokers. Wholesale funding options include loan securitization and the issuance of equity or debt instruments through capital markets. Limits on funding sources are monitored by the Asset-Liability Committee, the Executive Committee and the Board of Directors.

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

The Bank remained compliant with the LAR Guideline throughout the three months ended January 31, 2024.

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 January 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, the Bank's DBRS long-term issuer rating was downgraded to BBB (high) from A (low), while short term rating was affirmed at R1-low. The outlook is currently negative. The Covered Bonds rating was affirmed at AAA.

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

TABLE 12
CREDIT RATINGS
As at January 31, 2024

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

The following tables provide remaining contractual maturity profiles of assets and liabilities at their carrying value (e.g., amortized cost or fair value) as at January 31, 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 13
CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

As at January 31, 2024

In thousands of dollars (Unaudited)	Term								
	0 to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specific maturity	Total
Assets									
Cash and non-interest-bearing deposits with banks	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 64,891	$ 64,891
Interest-bearing deposits with banks	506,328	—	—	30,000	—	—	—	89,223	625,551
Securities	751,869	378,978	411,219	38,232	883,907	1,447,334	2,124,065	77,787	6,113,391
Securities purchased under reverse repurchase agreements	2,650,136	692,877	—	—	—	—	—	—	3,343,013
Loans[1]									
Personal loans	17,157	8,916	1,221	348	1,604	5,291	351	2,385,573	2,420,461
Residential mortgages	644,150	889,589	827,994	831,840	3,970,322	9,699,151	27,842	100,068	16,990,956
Commercial loans	2,906,190	1,476,893	1,116,825	1,068,863	2,373,350	2,503,547	1,270,602	4,572,224	17,288,494
Allowances for loan losses	—	—	—	—	—	—	—	(209,876)	(209,876)
	3,567,497	2,375,398	1,946,039	1,901,050	6,345,278	12,207,989	1,298,794	6,847,989	36,490,035
Others	3,078	459	223	171	435	317	—	1,434,187	1,438,870
Total assets	$7,478,908	$3,447,713	$2,357,482	$1,969,452	$7,229,619	$13,655,640	$3,422,859	$ 8,514,078	$48,075,751
Liabilities and equity									
Deposits									
Personal deposits[1]	$1,740,209	$2,889,419	$1,863,767	$1,125,937	$3,391,071	$ 3,613,557	$ 120,523	$ 6,744,335	21,488,818
Business, banks and other deposits[1]	143,265	133,586	87,764	89,227	71,528	118,929	2,372	1,101,512	1,748,183
Wholesale deposits	219,665	353,350	47,855	4,198	696,895	—	—	—	1,321,963
Covered bonds	—	—	—	—	—	509,131	—	—	509,131
	2,103,139	3,376,355	1,999,386	1,219,362	4,159,494	4,241,617	122,895	7,845,847	25,068,095
Obligations related to securities sold short[2]	47,408	61,470	62,237	447	177,676	447,298	1,112,155	1,924	1,910,615
Obligations related to securities sold under repurchase agreements	3,262,077	—	—	—	—	—	—	—	3,262,077
Other liabilities	3,628	3,557	3,558	3,543	27,249	23,240	55,345	1,650,146	1,770,266
Debt related to securitization activities[3]	216,972	643,202	520,861	709,383	2,854,644	6,566,754	1,334,581	—	12,846,397
Subordinated debt	—	—	—	—	—	331,811	—	—	331,811
Equity	—	—	—	—	—	—	—	2,886,490	2,886,490
Total liabilities and equity	$5,633,224	$4,084,583	$2,586,042	$1,932,735	$7,219,063	$11,610,721	$2,624,976	$12,384,407	$48,075,751

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

As at October 31, 2023

In thousands of dollars (Unaudited)	Term 0 to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specific maturity	Total
Assets									
Cash and non-interest-bearing deposits with banks	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 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
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 Condensed Interim 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.

ADDITIONAL FINANCIAL INFORMATION - QUARTERLY RESULTS

TABLE 14

ADDITIONAL FINANCIAL INFORMATION - QUARTERLY RESULTS

In thousands of dollars, except per share amounts (Unaudited)	January 31, 2024	October 31, 2023	July 31, 2023	April 30, 2023	January 31, 2023	October 31, 2022	July 31, 2022	April 30, 2022
Net interest income	$ 185,254	$ 182,896	$ 192,126	$ 184,185	$ 187,116	$ 183,824	$ 188,504	$ 180,090
Other income	73,087	64,549	68,704	72,982	72,952	73,318	71,448	79,512
Total revenue	258,341	247,445	260,830	257,167	260,068	257,142	259,952	259,602
Provision for credit losses	16,898	16,669	13,337	16,169	15,432	17,849	16,629	13,000
Non-interest expenses	197,834	197,281	190,062	182,472	183,675	174,147	177,479	172,105
Income before income taxes	43,609	33,495	57,431	58,526	60,961	65,146	65,844	74,497
Income taxes	6,326	2,872	8,168	9,235	9,051	9,496	9,978	14,948
Net income	$ 37,283	$ 30,623	$ 49,263	$ 49,291	$ 51,910	$ 55,650	$ 55,866	$ 59,549
Earnings per share								
Basic	$ 0.75	$ 0.67	$ 1.03	$ 1.11	$ 1.09	$ 1.26	$ 1.19	$ 1.35
Diluted	$ 0.75	$ 0.67	$ 1.03	$ 1.11	$ 1.09	$ 1.26	$ 1.18	$ 1.34

CORPORATE GOVERNANCE AND CHANGES TO INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal Control over Financial Reporting (ICFR) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. During the first quarter ended January 31, 2024, there have been no changes to ICFR that affected materially or are reasonably likely to materially affect ICFR.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies followed by the Bank are outlined in Notes 2 and 3 to the 2023 Annual Consolidated Financial Statements. The Condensed Interim Consolidated Financial Statements for the first quarter ended January 31, 2024 have been prepared in accordance with these accounting policies, except for the changes described in Note 2.1 to these consolidated financial statements and below which have been applied since November 1, 2023.

Some of these accounting policies are deemed critical as they require management to apply judgment in order to make particularly significant estimates that, by their very nature, involve uncertainties. Changes in these estimates could materially affect the Bank's Consolidated Financial Statements. Refer to the section "Critical Accounting Policies and Estimates" of the Bank's 2023 Annual Report, as well as to Notes 2 and 3 to the 2023 Annual Consolidated Financial Statements for additional information.

Economic conditions impact on judgments, estimates and assumptions

The preparation of financial information requires the use of estimates and judgments about future economic conditions. The recent macro-economic developments, including high inflation and interest rate increases, have amplified uncertainty on the assumptions used by management in making its judgments and estimates. The comprehensive impact that recent macro-economic developments will have on the Canadian and U.S. economies and the Bank's business remain uncertain and difficult to predict. Refer to the section "Critical Accounting Policies and Estimations" of the Bank's 2023 Annual Report, as well as to Notes 2 and 3 to the 2023 Annual Consolidated Financial Statements.

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. 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, and a non-meaningful impact on financial measures previously disclosed. For additional details on this accounting policy change, refer to Note 2 to the Condensed Interim 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.

In 2023, the Bank has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

During the first quarter of 2024, Pillar Two legislation has been enacted or substantively enacted in certain 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 still in the process of assessing its potential exposure to Pillar Two income taxes.

Future changes to accounting policies

The IASB has issued new standards and amendments to existing standards which are applicable for the Bank in various annual periods beginning on November 1, 2024. Except for the adoption of IFRS 17 as at November 1, 2023 and progression of the International Tax Reform described above, there have been no significant updates to the future accounting changes disclosed in Note 4 of the 2023 Annual Consolidated Financial Statements and in the section "Future Accounting Changes" of our 2023 Annual Report.

GLOSSARY

GENERAL TERMS

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

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

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

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

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

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

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 for credit risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

LAURENTIAN BANK OF CANADA

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS AT AND FOR THE PERIOD ENDED JANUARY 31, 2024

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CONSOLIDATED BALANCE SHEET[1]

In thousands of Canadian dollars (Unaudited)	Notes	As at January 31, 2024	As at October 31, 2023
Assets			
Cash and non-interest bearing deposits with banks		**$ 64,891**	$ 69,438
Interest-bearing deposits with banks		**625,551**	1,250,827
Securities	**4 and 6**		
At amortized cost		**3,394,862**	2,995,177
At fair value through profit or loss (FVTPL)		**2,630,091**	2,970,860
At fair value through other comprehensive income (FVOCI)		**88,438**	50,390
		6,113,391	6,016,427
Securities purchased under reverse repurchase agreements		**3,343,013**	4,086,170
Loans	**5 and 6**		
Personal		**2,420,461**	2,571,747
Residential mortgage		**16,990,956**	16,708,809
Commercial		**17,288,494**	17,778,794
Customers' liabilities under acceptances		**—**	15,000
		36,699,911	37,074,350
Allowances for loan losses		**(209,876)**	(205,957)
		36,490,035	36,868,393
Other			
Derivatives		**260,628**	325,219
Premises and equipment		**108,971**	113,340
Goodwill		**82,952**	84,755
Software and other intangible assets		**278,778**	282,831
Deferred tax assets		**125,782**	119,085
Other assets		**581,759**	676,253
		1,438,870	1,601,483
		$ 48,075,751	$ 49,892,738
Liabilities and shareholders' equity			
Deposits	**7**		
Personal		**$ 21,488,818**	$ 22,294,040
Business, banks and other		**3,579,277**	3,732,838
		25,068,095	26,026,878
Other			
Obligations related to securities sold short		**1,910,615**	2,584,071
Obligations related to securities sold under repurchase agreements		**3,262,077**	3,118,708
Acceptances		**—**	15,000
Derivatives		**403,545**	738,041
Deferred tax liabilities		**75,418**	72,344
Other liabilities		**1,291,303**	1,288,526
		6,942,958	7,816,690
Debt related to securitization activities	**6**	**12,846,397**	12,853,385
Subordinated debt		**331,811**	337,680
Shareholders' equity			
Preferred shares	**8**	**122,071**	122,071
Limited recourse capital notes	**8**	**123,487**	123,487
Common shares	**8**	**1,180,124**	1,177,827
Retained earnings		**1,417,649**	1,405,800
Accumulated other comprehensive income		**36,794**	22,868
Share-based compensation reserve	**9**	**6,365**	6,052
		2,886,490	2,858,105
		$ 48,075,751	$ 49,892,738

The accompanying notes are an integral part of the Condensed Interim 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 INCOME

In thousands of Canadian dollars, except per share amounts (Unaudited)	Notes	For the three months ended January 31, 2024	October 31, 2023	January 31, 2023
Interest and dividend income	13			
Loans		**$ 543,764**	$ 540,730	$ 495,380
Securities		**27,951**	26,106	22,698
Deposits with banks		**16,520**	19,124	15,326
Other		**9,068**	7,399	6,228
		597,303	593,359	539,632
Interest expense	13			
Deposits		**267,595**	264,952	219,134
Debt related to securitization activities		**90,260**	87,079	72,690
Subordinated debt		**4,585**	4,589	4,591
Other, including derivatives		**49,609**	53,843	56,101
		412,049	410,463	352,516
Net interest income		**185,254**	182,896	187,116
Other income				
Lending fees		**14,142**	16,837	16,343
Income from mutual funds		**10,007**	10,320	11,076
Fees and securities brokerage commissions		**10,393**	9,586	10,754
Card service revenues		**8,875**	6,923	8,446
Income from financial instruments	13	**12,201**	4,935	7,228
Service charges		**6,871**	4,818	6,847
Fees on investment accounts		**3,055**	3,161	3,260
Insurance income, net		**1,896**	1,834	2,080
Other		**5,647**	6,135	6,918
		73,087	64,549	72,952
Total revenue		**258,341**	247,445	260,068
Provision for credit losses	5	**16,898**	16,669	15,432
Non-interest expenses				
Salaries and employee benefits	9 and 10	**102,460**	88,286	103,886
Premises and technology		**52,086**	51,789	47,054
Other		**37,212**	41,300	32,735
Impairment and restructuring charges	15	**6,076**	15,906	—
		197,834	197,281	183,675
Income before income taxes		**43,609**	33,495	60,961
Income taxes		**6,326**	2,872	9,051
Net income		**$ 37,283**	$ 30,623	$ 51,910
Preferred share dividends and limited recourse capital note interest	8	**4,601**	1,289	4,601
Net income available to common shareholders		**$ 32,682**	$ 29,334	$ 47,309
Earnings per share	11			
Basic		**$ 0.75**	$ 0.67	$ 1.09
Diluted		**$ 0.75**	$ 0.67	$ 1.09
Dividends per common share		**$ 0.47**	$ 0.47	$ 0.46

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of Canadian dollars (Unaudited)	For the three months ended January 31, 2024	October 31, 2023	January 31, 2023
Net income	**$ 37,283**	$ 30,623	$ 51,910
Other comprehensive income (loss), net of income taxes			
Items that may subsequently be reclassified to the Consolidated Statement of Income			
Net change in debt securities at FVOCI			
Unrealized net gains (losses) on debt securities at FVOCI	**256**	(12)	154
Reclassification of net (gains) losses on debt securities at FVOCI to net income	**(29)**	40	(17)
	227	28	137
Net change in value of derivatives designated as cash flow hedges	**29,215**	3,648	10,716
Net foreign currency translation adjustments			
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	**(38,020)**	61,026	(26,966)
Net gains (losses) on hedges of investments in foreign operations	**22,504**	(37,980)	13,464
	(15,516)	23,046	(13,502)
	13,926	26,722	(2,649)
Items that may not subsequently be reclassified to the Consolidated Statement of Income			
Remeasurement losses on employee benefit plans	**(612)**	(374)	(834)
Net gains (losses) on equity securities designated at FVOCI	**293**	(24)	74
	(319)	(398)	(760)
Total other comprehensive income (loss), net of income taxes	**13,607**	26,324	(3,409)
Comprehensive income	**$ 50,890**	$ 56,947	$ 48,501

INCOME TAXES — OTHER COMPREHENSIVE INCOME

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

In thousands of Canadian dollars (Unaudited)	For the three months ended January 31, 2024	October 31, 2023	January 31, 2023
Net change in debt securities at FVOCI			
Unrealized net gains (losses) on debt securities at FVOCI	**$ 92**	$ (4)	$ 55
Reclassification of net (gains) losses on debt securities at FVOCI to net income	**(10)**	14	(6)
	82	10	49
Net change in value of derivatives designated as cash flow hedges	**10,519**	1,315	3,858
Net foreign currency translation adjustments			
Net (gains) losses on hedges of investments in foreign operations	**(98)**	165	(337)
Remeasurement losses on employee benefit plans	**(221)**	(134)	(300)
Net gains on equity securities designated at FVOCI	**106**	465	27
	$ 10,388	$ 1,821	$ 3,297

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

										For the three months ended January 31, 2024
					Accumulated other comprehensive income					
In thousands of Canadian dollars (Unaudited)	Preferred shares (Note 8)	Limited recourse capital notes (Note 8)	Common shares (Note 8)	Retained earnings	Debt securities at FVOCI	Cash flow hedges	Translation of foreign operations	Total	Share-based compen-sation reserve	Total shareholders' equity
Balance as at October 31, 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				37,283						37,283
Other comprehensive income (loss), net of income taxes										
Unrealized net gains on debt securities at FVOCI					256			256		256
Reclassification of net gains on debt securities at FVOCI to net income					(29)			(29)		(29)
Net change in value of derivatives designated as cash flow hedges						29,215		29,215		29,215
Net unrealized foreign currency translation losses on investments in foreign operations							(38,020)	(38,020)		(38,020)
Net gains on hedges of investments in foreign operations							22,504	22,504		22,504
Remeasurement losses on employee benefit plans				(612)						(612)
Net gains on equity securities designated at FVOCI				293						293
Comprehensive income				36,964	227	29,215	(15,516)	13,926		50,890
Issuance of common shares			2,297							2,297
Share-based compensation									313	313
Dividends and other										
Preferred shares and limited recourse capital notes				(4,601)						(4,601)
Common shares				(20,514)						(20,514)
Balance as at January 31, 2024	$ 122,071	$ 123,487	$ 1,180,124	$ 1,417,649	$ (38)	$ 25,535	$ 11,297	$ 36,794	$ 6,365	$ 2,886,490

The accompanying notes are an integral part of the Condensed Interim 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 three months ended January 31, 2023

In thousands of Canadian dollars (Unaudited)	Preferred shares (Note 8)	Limited recourse capital notes (Note 8)	Common shares (Note 8)	Retained earnings	Accumulated other comprehensive income: Debt securities at FVOCI	Accumulated other comprehensive income: Cash flow hedges	Accumulated other comprehensive income: Translation of foreign operations	Accumulated other comprehensive income: Total	Share-based compen-sation reserve	Total shareholders' equity
Balance as at October 31, 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				51,910						51,910
Other comprehensive income (loss), net of income taxes										
Unrealized net gains on debt securities at FVOCI					154			154		154
Reclassification of net gains on debt securities at FVOCI to net income					(17)			(17)		(17)
Net change in value of derivatives designated as cash flow hedges						10,716		10,716		10,716
Net unrealized foreign currency translation losses on investments in foreign operations							(26,966)	(26,966)		(26,966)
Net gains on hedges of investments in foreign operations							13,464	13,464		13,464
Remeasurement losses on employee benefit plans				(834)						(834)
Net gains on equity securities designated at FVOCI				74						74
Comprehensive income				51,150	137	10,716	(13,502)	(2,649)		48,501
Net sale of treasury limited recourse capital notes		950		(87)						863
Issuance of common shares			2,429							2,429
Share-based compensation									571	571
Dividends and other										
Preferred shares and limited recourse capital notes				(4,601)						(4,601)
Common shares				(19,934)						(19,934)
Balance as at January 31, 2023	$ 122,071	$ 123,282	$ 1,169,978	$ 1,348,194	$ (485)	$ 33,323	$ 6,558	$ 39,396	$ 5,296	$ 2,808,217

The accompanying notes are an integral part of the Condensed Interim 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

In thousands of Canadian dollars (Unaudited)	Notes	For the three months ended January 31, 2024	October 31, 2023	January 31, 2023
Cash flows relating to operating activities				
Net income		**$ 37,283**	$ 30,623	$ 51,910
Adjustments to determine net cash flows relating to operating activities:				
Provision for credit losses	**5**	**16,898**	16,669	15,432
Deferred income taxes		**(14,489)**	408	(8,608)
Impairment of software, intangible assets and premises and equipment		**416**	3,348	24
Depreciation of premises and equipment		**4,608**	4,611	4,508
Amortization of software and other intangible assets		**11,486**	12,094	9,836
Change in operating assets and liabilities:				
Loans		**362,597**	(134,152)	(77,899)
Acceptances		**(15,000)**	15,000	(97,215)
Securities at FVTPL		**340,769**	236,336	(133,589)
Securities purchased under reverse repurchase agreements		**743,157**	22,815	(213,759)
Accrued interest receivable and payable		**75,278**	46,853	16,135
Derivatives		**(269,905)**	185,435	(294,267)
Deposits		**(958,783)**	(287,283)	420,675
Obligations related to securities sold short		**(673,456)**	(961,587)	325,123
Obligations related to securities sold under repurchase agreements		**143,369**	(81,676)	(601,543)
Debt related to securitization activities		**(6,988)**	266,832	(72,827)
Other, net		**52,866**	137,205	(22,770)
		(149,894)	(486,469)	(678,834)
Cash flows relating to financing activities				
Payment of lease liabilities		**(4,394)**	(4,113)	(4,130)
Purchase of subordinated debt		**(5,963)**	(1,808)	(618)
Net sale of treasury limited recourse capital notes	**8**	**—**	—	863
Net proceeds from issuance of common shares	**8**	**(12)**	5	(6)
Dividends and other distributions		**(22,806)**	(19,600)	(22,101)
		(33,175)	(25,516)	(25,992)
Cash flows relating to investing activities				
Change in securities at amortized cost				
Acquisitions		**(778,330)**	(867,324)	(924,530)
Proceeds on sale and at maturity		**378,868**	871,156	1,117,634
Change in securities at FVOCI				
Acquisitions		**(128,550)**	(122,320)	(118,962)
Proceeds on sale and at maturity		**91,251**	110,773	180,033
Additions to premises and equipment and software and other intangible assets		**(7,667)**	(11,380)	(10,075)
Change in interest-bearing deposits with banks		**625,276**	530,074	445,199
		180,848	510,979	689,299
Effect of exchange rate changes on cash and non-interest-bearing deposits with banks		**(2,326)**	3,754	(529)
Net change in cash and non-interest bearing deposits with banks		**(4,547)**	2,748	(16,056)
Cash and non-interest bearing deposits with banks at beginning of period		**69,438**	66,690	79,702
Cash and non-interest bearing deposits with banks at end of period		**$ 64,891**	$ 69,438	$ 63,646
Supplemental disclosure about cash flows relating to operating activities:				
Interest paid during the period		**$ 366,577**	$ 327,515	$ 304,957
Interest received during the period		**$ 603,672**	$ 577,403	$ 515,263
Dividends received during the period		**$ 1,513**	$ 1,110	$ 2,175
Income taxes paid during the period		**$ 10,449**	$ 7,512	$ 32,094

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

1. GENERAL INFORMATION

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

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

The Condensed Interim Consolidated Financial Statements for the period ended January 31, 2024 were approved for issuance by the Board of Directors on February 28, 2024.

2. BASIS OF PRESENTATION

These Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), as well as in accordance with IAS 34, *Interim Financial Reporting.* These Condensed Interim Consolidated Financial Statements also comply with the *Bank Act* and the requirements of the Office of the Superintendent of Financial Institutions Canada (OSFI).

These Condensed Interim Consolidated Financial Statements should be read in conjunction with the Annual Consolidated Financial Statements for the year ended October 31, 2023 prepared in accordance with IFRS. The accounting policies described in Note 3 to the Annual Consolidated Financial Statements have been applied consistently to all periods presented within these financial statements, except for the changes described below in Note 2.1 to these consolidated financial statements, which have been applied since November 1, 2023. Comparative figures have been reclassified to conform to the current year presentation.

These Condensed Interim Consolidated Financial Statements were prepared under a historical cost basis, except for certain items carried at fair value as discussed in Note 3 to the Annual Consolidated Financial Statements for the year ended October 31, 2023.

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. 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.

a) Policy applicable from November 1, 2023

Under IFRS 17, 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 policy holder. The Bank identified reinsurance contracts issued as well as reinsurance agreements held by one of its subsidiaries.

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 on 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.

b) Policy applicable before November 1, 2023
Insurance premiums are recognized as revenue, net of reinsurance, over the terms of the underlying policies. Insurance claims and changes in policy holder benefit estimates are recorded as incurred. These activities are presented in other income under Insurance income, net.

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.

In 2023, the Bank has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

During the first quarter of 2024, Pillar Two legislation has been enacted or substantively enacted in certain 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 still in the process of assessing its potential exposure to Pillar Two income taxes.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these Condensed Interim Consolidated Financial Statements, management is required to make significant judgments and subjective estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable.

Significant accounting judgments, estimates and assumptions have been made specifically in the following areas and are further discussed in the Annual Consolidated Financial Statements for the year ended October 31, 2023 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 Condensed Interim Consolidated Financial Statements.

Economic conditions impact on judgments, estimates and assumptions

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

2.3 IBOR REFORM

The transition from Interbank Offered Rates ("IBORs") to alternative benchmark interest rates is a global initiative that impacts financial instruments referencing IBOR rates around the world, including in Canada. In May 2022, Refinitiv Benchmark Services (UK) Limited (RBSL), the administrator of the Canadian Dollar Offered Rate (CDOR) published a CDOR cessation notice stating that the calculation and publication of all tenors of CDOR will permanently cease immediately following a final publication on June 28, 2024.

For additional information on the IBOR Reform and financial assets and liabilities indexed at CDOR that will mature after June 28, 2024, see Note 2 to the Annual Consolidated Financial Statements for the year ended October 31, 2023.

3. FUTURE ACCOUNTING POLICY CHANGES

The IASB has issued new standards and amendments to existing standards which are applicable for the Bank in various annual periods beginning on November 1, 2024. Except for the adoption of IFRS 17 as at November 1, 2023 and progression of the International Tax Reform described in Note 2.1 above, there have been no significant updates to the future accounting policy changes disclosed in Note 4 of the 2023 Annual Consolidated Financial Statements.

4. SECURITIES

Credit quality

As at January 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 January 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]

	As at January 31, 2024	As at October 31, 2023
Securities issued or guaranteed		
by Canada[2]	**$ 1,032,399**	$ 1,098,545
by provinces	**2,019,198**	1,565,095
by municipalities	**62,378**	60,460
Other debt securities	**280,887**	271,077
	$ 3,394,862	$ 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.*

Securities at FVOCI

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

	As at January 31, 2024				As at October 31, 2023			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Securities issued or guaranteed								
by Canada[1]	**$ 52,896**	**$ 138**	**$ 42**	**$ 52,992**	$ 14,709	$ 7	$ 61	$ 14,655
by provinces	**3,391**	**42**	**41**	**3,392**	4,021	—	102	3,919
by municipalities	**703**	**—**	**16**	**687**	914	—	27	887
Other debt securities	**4,761**	**13**	**64**	**4,710**	5,060	9	114	4,955
Common shares and other securities	**16,794**	**9,863**	**—**	**26,657**	16,510	9,464	—	25,974
	$ 78,545	**$ 10,056**	**$ 163**	**$ 88,438**	$ 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 three months ended January 31, 2024 ($1.6 million for the three months ended January 31, 2023), including a negligible amount for investments that were sold during all such periods.

	For the three months ended	
	January 31, 2024	January 31, 2023
Fair value at beginning of period	**$ 25,974**	$ 156,000
Change in fair value	**399**	8,219
Designated at FVOCI	**284**	638
Sales or redemptions	**—**	(70,827)
Fair value at end of period	**$ 26,657**	$ 94,030

5. LOANS AND ALLOWANCES FOR CREDIT LOSSES

As at January 31, 2024 and October 31, 2023, loans are recognized on the Consolidated Balance Sheet at amortized cost as outlined in Note 3 to the Annual Consolidated Financial Statements for the year ended October 31, 2023.

Determining and measuring expected credit losses (ECL)

For additional information on the measurement of expected credit losses, see Note 6 to the Annual Consolidated Financial Statements for the year ended October 31, 2023.

Credit risk exposure

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

	As at January 31, 2024				As at October 31, 2023			
	Performing		**Impaired**		Performing		Impaired	
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Personal loans								
Very low risk	**$ 1,709,132**	**$ 732**	**$ —**	**$ 1,709,864**	$ 1,820,989	$ 44,624	$ —	$ 1,865,613
Low risk	**255,783**	**50,230**	**—**	**306,013**	264,729	55,121	—	319,850
Medium risk	**191,366**	**188,127**	**—**	**379,493**	204,277	153,684	—	357,961
High risk	**—**	**9,721**	**—**	**9,721**	—	9,417	—	9,417
Default	**—**	**—**	**15,370**	**15,370**	—	—	18,906	18,906
Gross carrying amount	**2,156,281**	**248,810**	**15,370**	**2,420,461**	2,289,995	262,846	18,906	2,571,747
Allowances for loan losses	**6,536**	**29,913**	**5,044**	**41,493**	7,233	31,658	7,063	45,954
Net carrying amount	**$ 2,149,745**	**$ 218,897**	**$ 10,326**	**$ 2,378,968**	$ 2,282,762	$ 231,188	$ 11,843	$ 2,525,793
Residential mortgage loans								
Very low risk	**$12,034,746**	**$ 170**	**$ —**	**$12,034,916**	$11,972,628	$ —	$ —	$11,972,628
Low risk	**2,449,484**	**24,107**	**—**	**2,473,591**	2,512,683	15,296	—	2,527,979
Medium risk	**1,896,762**	**426,915**	**—**	**2,323,677**	1,727,443	346,927	—	2,074,370
High risk	**—**	**119,655**	**—**	**119,655**	—	91,936	—	91,936
Default	**—**	**—**	**39,117**	**39,117**	—	—	41,896	41,896
Gross carrying amount	**16,380,992**	**570,847**	**39,117**	**16,990,956**	16,212,754	454,159	41,896	16,708,809
Allowances for loan losses	**5,988**	**8,999**	**1,951**	**16,938**	5,721	7,763	2,072	15,556
Net carrying amount	**$16,375,004**	**$ 561,848**	**$ 37,166**	**$16,974,018**	$16,207,033	$ 446,396	$ 39,824	$16,693,253
Commercial loans[1]								
Very low risk	**$ 3,573,466**	**$ 62,982**	**$ —**	**$ 3,636,448**	$ 3,657,740	$ 2,106	$ —	$ 3,659,846
Low risk	**9,146,759**	**226,739**	**—**	**9,373,498**	10,114,411	112,295	—	10,226,706
Medium risk	**2,487,053**	**1,149,621**	**—**	**3,636,674**	2,511,637	796,532	—	3,308,169
High risk	**—**	**451,843**	**—**	**451,843**	—	431,844	—	431,844
Default	**—**	**—**	**190,031**	**190,031**	—	—	167,229	167,229
Gross carrying amount	**15,207,278**	**1,891,185**	**190,031**	**17,288,494**	16,283,788	1,342,777	167,229	17,793,794
Allowances for loan losses	**62,137**	**41,186**	**48,122**	**151,445**	60,838	34,053	49,556	144,447
Net carrying amount	**$15,145,141**	**$ 1,849,999**	**$ 141,909**	**$17,137,049**	$16,222,950	$ 1,308,724	$ 117,673	$17,649,347
Total loans								
Gross carrying amount	**$33,744,551**	**$ 2,710,842**	**$ 244,518**	**$36,699,911**	$34,786,537	$ 2,059,782	$ 228,031	$37,074,350
Allowances for loan losses	**74,661**	**80,098**	**55,117**	**209,876**	73,792	73,474	58,691	205,957
Net carrying amount	**$33,669,890**	**$ 2,630,744**	**$ 189,401**	**$36,490,035**	$34,712,745	$ 1,986,308	$ 169,340	$36,868,393
Off-balance sheet exposures[2]								
Very low risk	**$ 1,625,329**	**$ 2,671**	**$ —**	**$ 1,628,000**	$ 1,686,556	$ 276	$ —	$ 1,686,832
Low risk	**801,347**	**41,760**	**—**	**843,107**	903,282	26,496	—	929,778
Medium risk	**426,120**	**87,650**	**—**	**513,770**	399,034	69,647	—	468,681
High risk	**—**	**18,100**	**—**	**18,100**	—	14,720	—	14,720
Default	**—**	**—**	**—**	**—**	—	—	—	—
Total exposure	**2,852,796**	**150,181**	**—**	**3,002,977**	2,988,872	111,139	—	3,100,011
Allowances for off-balance sheet exposures losses	**5,929**	**2,670**	**—**	**8,599**	6,596	2,248	—	8,844
Total exposure, net	**$ 2,846,867**	**$ 147,511**	**$ —**	**$ 2,994,378**	$ 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.

Quarterly reconciliation of allowances for credit losses

	For the three months ended January 31, 2024				For the three months ended January 31, 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	3,299	(3,046)	(253)	—	3,506	(3,407)	(99)	—
to Stage 2	(783)	1,394	(611)	—	(2,059)	2,359	(300)	—
to Stage 3	(12)	(2,209)	2,221	—	(65)	(2,474)	2,539	—
Originations	101	—	—	101	131	—	—	131
Derecognitions	(430)	(2,651)	(2,627)	(5,708)	(438)	(3,864)	(821)	(5,123)
Net remeasurement of allowances	(2,896)	4,950	3,644	5,698	(3,655)	7,545	8,380	12,270
Provision for (reversal of) credit losses	(721)	(1,562)	2,374	91	(2,580)	159	9,699	7,278
Write-offs	—	—	(6,175)	(6,175)	—	—	(10,369)	(10,369)
Recoveries	—	—	2,003	2,003	—	—	1,930	1,930
Foreign exchange and other	—	—	(221)	(221)	—	—	(220)	(220)
Balance at end of period	$ 7,577	$ 31,196	$ 5,044	$ 43,817	$ 10,593	$ 37,021	$ 4,516	$ 52,130
Total allowances for loan losses	$ 6,536	$ 29,913	$ 5,044	$ 41,493	$ 9,582	$ 35,777	$ 4,516	$ 49,875
Total allowances for off-balance sheet exposures	1,041	1,283	—	2,324	1,011	1,244	—	2,255
Total allowances for credit losses	$ 7,577	$ 31,196	$ 5,044	$ 43,817	$ 10,593	$ 37,021	$ 4,516	$ 52,130
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	1,822	(1,688)	(134)	—	1,721	(1,552)	(169)	—
to Stage 2	(371)	802	(431)	—	(209)	618	(409)	—
to Stage 3	(11)	(215)	226	—	(21)	(192)	213	—
Originations	435	—	—	435	278	—	—	278
Derecognitions	(235)	(297)	(215)	(747)	(393)	(336)	(226)	(955)
Net remeasurement of allowances	(1,412)	2,621	765	1,974	(1,552)	1,455	798	701
Provision for (reversal of) credit losses	228	1,223	211	1,662	(176)	(7)	207	24
Write-offs	—	—	(101)	(101)	—	—	(262)	(262)
Recoveries	—	—	151	151	—	—	58	58
Foreign exchange and other	—	—	(382)	(382)	—	—	(382)	(382)
Balance at end of period	$ 6,217	$ 9,200	$ 1,951	$ 17,368	$ 6,663	$ 6,592	$ 2,212	$ 15,467
Total allowances for loan losses	$ 5,988	$ 8,999	$ 1,951	$ 16,938	$ 6,636	$ 6,577	$ 2,212	$ 15,425
Total allowances for off-balance sheet exposures	229	201	—	430	27	15	—	42
Total allowances for credit losses	$ 6,217	$ 9,200	$ 1,951	$ 17,368	$ 6,663	$ 6,592	$ 2,212	$ 15,467
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	3,123	(2,914)	(209)	—	2,306	(1,978)	(328)	—
to Stage 2	(3,009)	3,640	(631)	—	(1,455)	1,567	(112)	—
to Stage 3	(175)	(681)	856	—	(59)	(191)	250	—
Originations	3,593	—	—	3,593	1,816	—	—	1,816
Derecognitions	(8,180)	(6,029)	(1,551)	(15,760)	(4,786)	(7,172)	(8,596)	(20,554)
Net remeasurement of allowances	5,685	13,508	8,119	27,312	11,094	7,352	8,422	26,868
Provision for (reversal of) credit losses	1,037	7,524	6,584	15,145	8,916	(422)	(364)	8,130
Write-offs	—	—	(7,370)	(7,370)	—	—	(1,638)	(1,638)
Recoveries	—	—	464	464	—	—	36	36
Foreign exchange and other	(342)	(139)	(1,112)	(1,593)	(1,069)	(643)	(552)	(2,264)
Balance at end of period	$ 66,796	$ 42,372	$ 48,122	$ 157,290	$ 63,682	$ 28,474	$ 43,719	$ 135,875
Total allowances for loan losses	$ 62,137	$ 41,186	$ 48,122	$ 151,445	$ 58,893	$ 27,366	$ 43,719	$ 129,978
Total allowances for off-balance sheet exposures	4,659	1,186	—	5,845	4,789	1,108	—	5,897
Total allowances for credit losses	$ 66,796	$ 42,372	$ 48,122	$ 157,290	$ 63,682	$ 28,474	$ 43,719	$ 135,875
Total exposure								
Total allowances for loan losses	$ 74,661	$ 80,098	$ 55,117	$ 209,876	$ 75,111	$ 69,720	$ 50,447	$ 195,278
Total allowances for off-balance sheet exposures	5,929	2,670	—	8,599	5,827	2,367	—	8,194
Total allowances for credit losses	$ 80,590	$ 82,768	$ 55,117	$ 218,475	$ 80,938	$ 72,087	$ 50,447	$ 203,472

Main macroeconomic factors

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

						As at January 31, 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)	**0.9%**	**3.4%**	**2.2%**	**4.0%**	**(1.7)%**	**2.9%**
Average unemployment rate (percentage points)	**6.4**	**6.1**	**5.5**	**4.8**	**7.9**	**7.3**
Housing price index growth (decrease)	**3.1%**	**7.6%**	**9.0%**	**9.6%**	**(6.4)%**	**5.6%**
S&P/TSX index growth (decrease)[3]	**(2.2)%**	**7.3%**	**7.8%**	**7.9%**	**(9.0)%**	**5.6%**

						As at October 31, 2023
	Base scenario		Upside scenario		Downside scenario	
	Next 12 months[1]	Remaining forecast period[2]	Next 12 months[1]	Remaining forecast period[2]	Next 12 months[1]	Remaining forecast period[2]
Main macroeconomic factors						
GDP growth (decrease)	0.6%	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 January 31, 2024
In the base scenario, tighter financial conditions restrain demand of households and businesses, leading to a very mild, short-lived technical recession in Canada during the first half of 2024. In the United States, high interest rates have softer traction and economic growth stays mildly positive. Canadian unemployment rises only modestly. Home prices appreciate at a modest pace, resulting from a deteriorating supply-demand imbalance and equity returns are subdued. Later in 2024, the central banks successfully restore consumer price stability, allowing them to implement prudent policy rate cuts. The recovery is characterized by modest positive economic momentum.

In the downside scenario, financial conditions tighten above financial markets' expectations and the central banks lift policy interest rates further as Consumer Price Index (CPI) inflation re-accelerates. The higher degree of restrictiveness by central banks for longer leads to a deeper recession in North America for most of 2024, leading to a major balance sheet deterioration for consumers and businesses. Also, unemployment increases substantially and contributes to a significant depreciation in home prices. The equity returns are deeply negative and the central banks are unable to cut back policy rates before early 2025 due to stickier underlying inflation pressures. Therefore, the recovery is tepid for the remaining forecast period.

In the upside scenario, a soft-landing is achieved and both Canada and the U.S. avoid a recession. The CPI inflation cools down further and rapidly in early 2024. The compelling evidence of price stability makes central bankers more confident, allowing them to bring down policy rates during the first half of 2024, facilitating the adjustment phase for consumers and businesses. Therefore, resilient labour market conditions are preserved and unemployment stays very low. However, home prices appreciate meaningfully in response to the structural supply shortage in Canada and less restrictive interest rates environment. Improving market sentiment and 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 $34.9 million lower than the recognized allowances for credit losses as at January 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 $70.0 million higher than the recognized allowances for credit losses as at January 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 $148.3 million as at January 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.

	As at January 31, 2024			As at October 31, 2023		
	1 day-31 days	**32 days-90 days**	**Total**	1 day-31 days	32 days-90 days	Total
Personal loans	**$ 54,537**	**$ 21,687**	**$ 76,224**	$ 58,318	$ 19,724	$ 78,042
Residential mortgage loans	**133,883**	**44,081**	**177,964**	130,671	38,753	169,424
	$ 188,420	**$ 65,768**	**$ 254,188**	$ 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 January 31, 2024 ($1.1 billion as at October 31, 2023).

6. SECURITIZATION AND STRUCTURED ENTITIES

6.1 TRANSFER OF FINANCIAL ASSETS

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

Financial assets not qualifying for derecognition and associated financial liabilities

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

	As at January 31, 2024	As at October 31, 2023
Residential mortgage loans	**$ 11,670,650**	$ 11,756,823
Replacement Assets[1]	**598,877**	558,410
Debt related to securitization activities	**(11,978,644)**	(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 January 31, 2024, the Bank has also securitized other residential mortgage loans for a total amount of $111.0 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.

6.2 STRUCTURED ENTITIES SECURITIZATON VEHICLES

In the ordinary course of business, the Bank enters into transactions with other structured entities as part of securitization programs to obtain alternative sources of funding. The Bank sells personal loans and finance lease receivables to two intermediate partnerships, B2B Securitization Limited Partnership and LBC Leasing Limited Partnership (the Partnerships), respectively. To fund these purchases, the Partnerships issue interest-bearing liabilities to securitization conduits of other Canadian banks. These Partnerships are consolidated as the Bank holds 100% of the rights, has the ability to direct the relevant activities and can exercise power to affect returns. The interest-bearing liabilities issued by the Partnerships are recorded as debt related to securitization activities on the Consolidated Balance Sheet.

Financial assets not qualifying for derecognition and associated financial liabilities

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

	As at January 31, 2024	As at October 31, 2023
Personal loans	$ **973,712**	$ 1,057,456
Commercial loans[1]	**411,406**	470,682
Debt related to securitization activities	**(867,753)**	(923,478)

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

6.3 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 January 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 January 31, 2024, the total amount of mortgages outstanding was $695.5 million ($712.9 million as at October 31, 2023). For additional information about the Programme, see Note 7 to the Annual Consolidated Financial Statements for the year ended October 31, 2023.

7. DEPOSITS

				As at January 31, 2024
	Demand[1]	**Notice[2]**	**Term[3]**	**Total**
Personal	$ **112,226**	$ **6,668,621**	$ **14,707,971**	$ **21,488,818**
Business, banks and other[4]	**918,327**	**200,437**	**2,460,513**	**3,579,277**
	$ **1,030,553**	$ **6,869,058**	$ **17,168,484**	$ **25,068,095**

				As at October 31, 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 January 31, 2024 (nil as at October 31, 2023).

8. SHARE CAPITAL

Preferred shares

Issued and outstanding

	For the three months ended			
	January 31, 2024		January 31, 2023	
	Number of shares	**Amount[1]**	Number of shares	Amount[1]
Non-Cumulative Class A Preferred Shares (NVCC)[2]				
Series 13				
Outstanding at beginning and end of period	**5,000,000**	**$ 122,071**	5,000,000	$ 122,071

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

Limited Recourse Capital Notes (LRCN)

Issued and outstanding

	For the three months ended	
	January 31, 2024	January 31, 2023
	Amount	Amount
Limited Recourse Capital Notes (NVCC)[1]		
Series 1		
Outstanding at beginning of period	**$ 123,487**	$ 122,332
Net sale of treasury limited recourse capital notes[2]	**—**	950
Outstanding at the end of period	**$ 123,487**	$ 123,282

(1) For accounting purposes, the LRCN Series 1 are compound instruments with both equity and liability features. The liability component of the LRCN Series 1 has a nominal value and, as a result, the total proceeds received are presented as equity on the Bank's Consolidated Balance Sheet.
(2) When the Bank 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

	For the three months ended			
	January 31, 2024		January 31, 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	**87,667**	**2,314**	70,823	2,443
Net issuance costs	**n/a**	**(17)**	n/a	(14)
Outstanding at the end of period	**43,734,205**	**$ 1,180,124**	43,405,211	$ 1,169,978

Shareholder dividend reinvestment and share purchase plan
The Bank determined that as of February 28, 2024, reinvestment related to the dividend declared would be made in common shares issued from Corporate Treasury with a 2% discount.

Dividends and other

On February 2, 2024, the Board of Directors declared regular dividends on the Preferred Shares Series 13 to shareholders of record on March 7, 2024. On February 28, 2024, the Board of Directors declared a dividend of $0.47 per common share, payable on May 1, 2024, to shareholders of record on April 1, 2024.

Capital management

Regulatory capital
OSFI requires banks to meet minimum risk-based capital ratios drawn on the Basel Committee on Banking Supervision (BCBS) capital framework, commonly referred to as the Basel III Accord. Under OSFI's Capital Adequacy Requirements guideline, the Bank must maintain minimum levels of capital depending on various criteria. Tier 1 capital, the most permanent and subordinated forms of capital, consists of two components: Common Equity Tier 1 capital and Additional Tier 1 capital. Tier 1 capital is predominantly composed of common equity to ensure that risk exposures are backed by a high-quality capital base. Tier 2 capital consists of supplementary capital instruments and contributes to the overall strength of a financial institution as a going concern. Under OSFI's guideline, minimum Common Equity Tier 1, Tier 1 and Total capital ratios are set at 7.0%, 8.5% and 10.5% respectively including a 2.5% capital conservation buffer. Refer to Note 15 to the Annual Consolidated Financial Statements for the year ended October 31, 2023 for additional information about capital management and regulatory capital.

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

The Bank has complied with regulatory capital and leverage requirements throughout the three-month period ended January 31, 2024. Regulatory capital is detailed below.

	As at January 31, 2024	As at October 31, 2023
Regulatory capital		
Common Equity Tier 1 capital	**$ 2,238,584**	$ 2,230,756
Tier 1 capital	**$ 2,484,142**	$ 2,476,314
Total capital	**$ 2,979,611**	$ 2,970,404
Total risk-weighted assets[1]	**$ 21,858,586**	$ 22,575,105
Regulatory capital ratios		
Common Equity Tier 1 capital ratio	**10.2 %**	9.9 %
Tier 1 capital ratio	**11.4 %**	11.0 %
Total capital ratio	**13.6 %**	13.2 %

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

9. SHARE-BASED COMPENSATION

Share purchase option plan

During the three months ended January 31, 2024, the Bank awarded 434,710 stock options under the New Stock Option Plan with an exercise price of $25.86 (428,459 stock options with an exercise price of $32.99 during the three months ended January 31, 2023). The weighted-average fair value of options granted during the three months ended January 31, 2024 was $4.34 per option ($5.55 per option during the three months ended January 31, 2023).

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

	For the three months ended	
	January 31, 2024	January 31, 2023
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.

For the three months ended January 31, 2024, the Bank recognized a compensation expense for stock option awards of $0.3 million ($0.6 million for the three months ended January 31, 2023).

10. POST-EMPLOYMENT BENEFITS

Expense for post-employment benefits

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

	For the three months ended		
	January 31, 2024	October 31, 2023	January 31, 2023
Defined contribution pension plans	**$ 2,745**	$ 2,671	$ 2,576
Defined benefit pension plans	**1,025**	1,050	1,064
Other plans	**201**	171	197
	$ 3,971	$ 3,892	$ 3,837

11. EARNINGS PER SHARE

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

	For the three months ended		
	January 31, 2024	October 31, 2023	January 31, 2023
Earnings per share – basic			
Net income	**$ 37,283**	$ 30,623	$ 51,910
Preferred share dividends and limited recourse capital note interest	**4,601**	1,289	4,601
Net income attributable to common shareholders	**$ 32,682**	$ 29,334	$ 47,309
Weighted-average number of outstanding common shares (in thousands)	**43,676**	43,589	43,358
Earnings per share – basic	**$ 0.75**	$ 0.67	$ 1.09
Earnings per share – diluted			
Net income attributable to common shareholders	**$ 32,682**	$ 29,334	$ 47,309
Weighted-average number of outstanding common shares (in thousands)	**43,676**	43,589	43,358
Dilutive share purchase options (in thousands)	**4**	3	1
Diluted weighted-average number of outstanding common shares (in thousands)	**43,680**	43,592	43,359
Earnings per share – diluted	**$ 0.75**	$ 0.67	$ 1.09

(1) There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these Condensed Interim Consolidated Financial Statements which would require the restatement of earnings per share.

12. FINANCIAL INSTRUMENTS – FAIR VALUE

Determining fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of financial instruments is best evidenced by an independent quoted market price for the same instrument in an active market when available. Otherwise, fair value is measured using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of valuation inputs (Level 1, 2 or 3). Additional information on the fair value hierarchy and the valuation methodologies used by the Bank to measure the fair value of financial instruments can be found in Note 21 of the 2023 Annual Consolidated Financial Statements. There were no changes in fair value measurement methods in the period.

Financial instruments recorded at fair value in the financial statements are classified in Level 2 of the fair value hierarchy, except for securities of $42.4 million which are classified in Level 1 as at January 31, 2024 ($50.3 million as at October 31, 2023). Financial instruments recorded at fair value classified in Level 3 are not significant. There were no significant transfers between Level 1 and Level 2 of the hierarchy in the period.

13. INCOME RELATED TO FINANCIAL INSTRUMENTS

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

Net interest income

		For the three months ended				
		January 31, 2024		October 31, 2023		January 31, 2023
Interest and dividend income						
Interest income calculated using the effective interest method						
Financial instruments measured at amortized cost	**$**	**586,921**	$	585,112	$	530,094
Financial instruments measured at FVOCI		**—**		(1)		126
Interest and dividend income on financial instruments not measured at amortized cost[1]		**10,382**		8,248		9,412
		597,303		593,359		539,632
Interest expense						
Interest expense calculated using the effective interest method						
Financial instruments measured at amortized cost		**363,601**		357,859		297,463
Interest expense on financial instruments not measured at amortized cost[1]		**48,448**		52,604		55,053
		412,049		410,463		352,516
Net interest income	**$**	**185,254**	$	182,896	$	187,116

(1) Including interest income and expense on derivatives, as well as dividend income on securities not held for-trading. Dividend income was $1.7 million for the three months ended January 31, 2024 ($0.9 million for the three months ended October 31, 2023 and $2.4 million for the three months ended January 31, 2023).

14. CONTINGENT LIABILITIES

Contingent liabilities and legal provisions

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

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

15. IMPAIRMENT AND RESTRUCTURING CHARGES

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

		For the three months ended				
		January 31, 2024		October 31, 2023		January 31, 2023
Restructuring charges[1]						
Severance charges	**$**	**6,655**	$	9,484	$	—
Impairment of software and intangible assets		**—**		3,058		—
Charges related to contracts		**(579)**		2		—
		6,076		12,544		—
Strategic review-related charges[2]						
Professional fees and other		**—**		3,362		—
Total	**$**	**6,076**	$	15,906	$	—

(1) Restructuring charges resulted from the simplification of the Bank's organizational structure and headcount reduction in 2024, and from changes in the management structure and the right-sizing of the Bank's Capital Markets franchise in 2023. Restructuring charges were mainly comprised of severance charges and impairment charges of software and other intangible assets and were included in the Impairment and restructuring charges line-item.

(2) In 2023, strategic review-related charges resulted from the Bank's review of strategic options aimed at maximizing shareholder and stakeholder value and mainly included professional and other fees. Strategic review-related charges were included in the Impairment and restructuring charges line-item.

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SHAREHOLDER INFORMATION

Corporate offices

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

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

www.laurentianbank.ca

Head of Complaints Resolution

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

Corporate Governance

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

Transfer agent and registrar

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

Change of address and inquiries

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

Direct deposit service

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

Investors and analysts

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

Media

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

Social media

Dividend reinvestment and share purchase plan

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

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

STOCK SYMBOL AND DIVIDEND RECORD AND PAYMENT DATES

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

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

LAURENTIAN BANK