LAURENTIAN BANK
FINANCIAL GROUP

THIRD QUARTER 2019

Report to Shareholders

For the period ended July 31, 2019

HIGHLIGHTS OF THIRD QUARTER 2019

- Adjusted net income[1] of $51.9 million, and reported net income of $47.8 million.
- Adjusted return on common shareholders' equity[1] of 8.5%, and reported return on common shareholders' equity of 7.8%.
- Adjusted efficiency ratio[1] of 70.6%, and reported efficiency ratio of 72.7%.
- Common Equity Tier 1 ratio at 9.0%.
- Continued improvement in net interest margin at 1.85%.
- Conversion of essentially all of our retail branches to our new 100% Advice approach.

In millions of Canadian dollars, except per share and percentage amounts (Unaudited)	For the three months ended			For the nine months ended		
	July 31 2019	July 31 2018	Variance	**July 31 2019**	July 31 2018	Variance
Reported basis						
Net income	**$ 47.8**	$ 54.9	(13)%	**$ 131.4**	$ 173.8	(24)%
Diluted earnings per share	**$ 1.05**	$ 1.23	(15)%	**$ 2.88**	$ 3.97	(27)%
Return on common shareholders' equity	**7.8%**	9.2%		**7.2%**	10.2%	
Efficiency ratio	**72.7%**	71.8%		**75.1%**	68.6%	
Common Equity Tier 1 capital ratio	**9.0%**	8.8%				
Adjusted basis[1]						
Adjusted net income	**$ 51.9**	$ 59.4	(13)%	**$ 145.3**	$ 187.2	(22)%
Adjusted diluted earnings per share	**$ 1.15**	$ 1.34	(14)%	**$ 3.20**	$ 4.30	(26)%
Adjusted return on common shareholders' equity	**8.5%**	10.0%		**8.0%**	11.0%	
Adjusted efficiency ratio	**70.6%**	69.7%		**72.7%**	66.5%	

(1) Certain measures presented throughout this document exclude amounts designated as adjusting items, and are Non-GAAP measures. Refer to the Non-GAAP and Key Performance Measures section for further details.

Laurentian Bank Financial Group reported net income of $47.8 million and diluted earnings per share of $1.05 for the third quarter of 2019, compared with $54.9 million and $1.23 for the third quarter of 2018. Return on common shareholders' equity was 7.8% for the third quarter of 2019, compared with 9.2% for the third quarter of 2018. On an adjusted basis, net income was $51.9 million and diluted earnings per share were $1.15 for the third quarter of 2019, down 13% and 14% respectively, compared with $59.4 million and $1.34 for the third quarter of 2018. Adjusted return on common shareholders' equity was 8.5% for the third quarter of 2019, compared with 10.0% a year ago. Reported results include adjusting items, as detailed in the Non-GAAP and Key Performance Measures section.

For the nine months ended July 31, 2019, net income was $131.4 million and diluted earnings per share were $2.88, compared with $173.8 million and $3.97 for the nine months ended July 31, 2018. Return on common shareholders' equity was 7.2% for the nine months ended July 31, 2019, compared with 10.2% for the nine months ended July 31, 2018. On an adjusted basis, net income was $145.3 million and diluted earnings per share were $3.20 for the nine months ended July 31, 2019, down 22% and 26% respectively, compared with $187.2 million and $4.30 for the nine months ended July 31, 2018. Adjusted return on common shareholders' equity was 8.0% for the nine months ended July 31, 2019, compared with 11.0% for the same period a year ago. Reported results include adjusting items, as detailed in the Non-GAAP and Key Performance Measures section.

François Desjardins, President and Chief Executive Officer, commented on the third quarter of 2019 highlights: "We delivered improving financial results compared to the last quarter. The underlying credit quality of our portfolio remains good and our capital position remains strong, providing a solid financial foundation to further grow our balance sheet."

"We are the first Canadian bank to successfully transition our Retail branch network from a traditional offer to 100% Advice, a business model that we believe better fits with the lifestyle and needs of modern customers."

"Real estate financing along with equipment and inventory financing are niches where we have expertise and strong relationships, which translates into profitable growth. We increased loans to business customers, which further contributed to improve our loan mix."

M. Desjardins concluded: "We have started rolling out digital products into the B2B Bank advisor and broker network and will launch Laurentian Bank Canada-wide this Fall."

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) is a narrative explanation which presents management's view of Laurentian Bank of Canada's financial condition as at July 31, 2019 and its operating results for the period then ended, compared with the corresponding periods shown. This MD&A should be read in conjunction with the Condensed Interim Consolidated Financial Statements (Unaudited) as at and for the period ended July 31, 2019 and with the 2018 Annual Report. This MD&A is dated August 28, 2019. Additional information about Laurentian Bank of Canada, including the 2018 Annual Information Form, is available on our website at www.lbcfg.ca and on the Canadian Securities Administrators' website at www.sedar.com.

ABOUT LAURENTIAN BANK FINANCIAL GROUP

Founded in 1846, Laurentian Bank Financial Group is a diversified financial services provider whose mission is to help its customers improve their financial health. The Laurentian Bank of Canada and its entities are collectively referred as Laurentian Bank Financial Group (the "Group" or the "Bank").

With 3,300 employees guided by the values of proximity, simplicity and honesty, the Group provides a broad range of advice-based solutions and services to its retail, business and institutional customers. With pan-Canadian activities and a presence in the U.S., the Group is an important player in numerous market segments.

The Group has $44 billion in balance sheet assets and $29 billion in assets under administration.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

In this document and in other documents filed with Canadian regulatory authorities or in other communications, we may from time to time make written or oral forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements include, but are not limited to, statements regarding our business plan and financial objectives including statements contained in our 2018 Annual Report under the heading "Outlook". The forward-looking statements contained in this document are used to assist readers in obtaining a better understanding of our financial position and the results of operations as at and for the periods ended on the dates presented and may not be appropriate for other purposes. Forward-looking statements typically use the conditional, as well as words such as prospect, believe, estimate, forecast, project, expect, anticipate, plan, may, should, could and would, or the negative of these terms, variations thereof or similar terminology.

By their very nature, forward-looking statements are based on assumptions and involve inherent risks and uncertainties, both general and specific in nature. It is therefore possible that the forecasts, projections and other forward-looking statements will not be achieved or will prove to be inaccurate. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurances that these expectations will prove to be correct. Certain important assumptions by us in making forward-looking statements include, but are not limited to, our estimates and statements regarding our business plan and financial objectives including statements contained in our 2018 Annual Report under the heading "Outlook".

We caution readers against placing undue reliance on forward-looking statements when making decisions, as the actual results could differ considerably from the opinions, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements due to various material factors. Among other things, these factors include: changes in capital market conditions, changes in government monetary, fiscal and economic policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, changes in competition, modifications to credit ratings, scarcity of human resources, developments with respect to labour relations, as well as developments in the technological environment. Furthermore, these factors include the ability to execute our plan and in particular the successful reorganization of our Retail Services operations, the modernization of our core banking system, and the adoption of the Advanced Internal Ratings-Based approach to credit risk (the "AIRB Approach").

We further caution that the foregoing list of factors is not exhaustive. For more information on the risks, uncertainties and assumptions that would cause our actual results to differ from current expectations, please also refer to the "Risk Appetite and Risk Management Framework" section of our 2018 Annual Report, as well as to other public filings available at www.sedar.com.

We do not undertake to update any forward-looking statements, whether oral or written, made by us or on our behalf, except to the extent required by the applicable securities laws.

HIGHLIGHTS

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	For the three months ended					For the nine months ended		
	July 31 2019	April 30 2019	Variance	July 31 2018	Variance	**July 31 2019**	July 31 2018	Variance
Operating results								
Total revenue	**$ 244,653**	$ 239,881	2 %	$ 260,664	(6)%	**$726,872**	$ 787,553	(8)%
Net income	**$ 47,798**	$ 43,313	10 %	$ 54,903	(13)%	**$131,367**	$ 173,845	(24)%
Adjusted net income[1]	**$ 51,882**	$ 48,726	6 %	$ 59,374	(13)%	**$145,261**	$ 187,216	(22)%
Operating performance								
Diluted earnings per share	**$ 1.05**	$ 0.95	11 %	$ 1.23	(15)%	**$ 2.88**	$ 3.97	(27)%
Adjusted diluted earnings per share[1]	**$ 1.15**	$ 1.08	6 %	$ 1.34	(14)%	**$ 3.20**	$ 4.30	(26)%
Return on common shareholders' equity[1]	**7.8 %**	7.3 %		9.2 %		**7.2 %**	10.2 %	
Adjusted return on common shareholders' equity[1]	**8.5 %**	8.3 %		10.0 %		**8.0 %**	11.0 %	
Net interest margin	**1.85 %**	1.77 %		1.77 %		**1.81 %**	1.78 %	
Efficiency ratio	**72.7 %**	76.3 %		71.8 %		**75.1 %**	68.6 %	
Adjusted efficiency ratio[1]	**70.6 %**	73.5 %		69.7 %		**72.7 %**	66.5 %	
Operating leverage	**4.9 %**	(0.2)%		(6.4)%		**(8.7) %**	1.1 %	
Adjusted operating leverage[1]	**4.0 %**	0.6 %		(7.1)%		**(8.5) %**	0.4 %	
Financial position ($ millions)								
Loans and acceptances	**$ 33,887**	$ 34,118	(1)%	$ 35,392	(4)%			
Balance sheet assets	**$ 44,337**	$ 44,693	(1)%	$ 46,631	(5)%			
Deposits	**$ 26,616**	$ 27,079	(2)%	$ 29,085	(8)%			
Common shareholders' equity[1]	**$ 2,293**	$ 2,284	— %	$ 2,244	2 %			
Key growth drivers ($ millions)								
Loans to business customers	**$ 12,868**	$ 12,733	1 %	$ 12,311	5 %			
Residential mortgage loans	**$ 16,165**	$ 16,313	(1)%	$ 17,536	(8)%			
Total deposits from clients[2]	**$ 22,881**	$ 23,526	(3)%	$ 25,346	(10)%			
Basel III regulatory capital ratios								
Common Equity Tier 1 (CET1) capital ratio[3]	**9.0 %**	9.0 %		8.8 %				
CET1 risk-weighted assets ($ millions)	**$ 20,445**	$ 20,476		$ 20,571				
Credit quality								
Net impaired loans as a % of loans and acceptances	**0.45 %**	0.42 %		0.37 %				
Provision for credit losses as a % of average loans and acceptances	**0.14 %**	0.11 %		0.05 %		**0.12 %**	0.10 %	
Common share information								
Closing share price[4]	**$ 45.41**	$ 42.44	7 %	$ 46.62	(3)%	**$ 45.41**	$ 46.62	(3)%
Price / earnings ratio (trailing four quarters)	**11.3x**	10.1x		8.6x		**11.3x**	8.6x	
Book value per share	**$ 54.00**	$ 53.97	— %	$ 53.43	1 %	**$ 54.00**	$ 53.43	1 %
Dividends declared per share	**$ 0.66**	$ 0.65	2 %	$ 0.64	3 %	**$ 1.96**	$ 1.90	3 %
Dividend yield	**5.8 %**	6.1 %		5.5 %		**5.8 %**	5.4 %	
Dividend payout ratio	**62.7 %**	68.5 %		51.8 %		**68.0 %**	47.6 %	
Adjusted dividend payout ratio[1]	**57.4 %**	60.3 %		47.7 %		**61.0 %**	44.0 %	

(1) Refer to the Non-GAAP and Key Performance Measures section.
(2) Including personal deposits from branches and independent brokers and advisors, as well as commercial deposits.
(3) Using the Standardized Approach in determining credit risk and operational risk.
(4) Toronto Stock Exchange (TSX) closing market price.

BASIS OF PRESENTATION

The financial information reported herein is based on the Condensed Interim Consolidated Financial Statements (Unaudited) for the period ended July 31, 2019, and 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 CHANGES

Adoption of New Accounting Standards

The Bank adopted IFRS 9, *Financial Instruments* (IFRS 9) and IFRS 15, *Revenue from Contracts with Customers* (IFRS 15) as at November 1, 2018. The adoption of IFRS 9 resulted in a decrease of $7.7 million of shareholders' equity as at November 1, 2018, or a decrease of 4 bps of the CET1 capital ratio. As permitted by IFRS 9, the Bank did not restate comparative amounts for prior periods. The adoption of IFRS 15 had no significant impact on the Bank's Consolidated Financial Statements as at November 1, 2018. For details on these accounting policy changes and on the impact of adoption as at November 1, 2018, refer to Notes 2 and 5 to the Condensed Interim Consolidated Financial Statements.

NON-GAAP AND KEY PERFORMANCE MEASURES

NON-GAAP MEASURES

Management uses both generally accepted accounting principles (GAAP) and non-GAAP measures to assess the Bank's performance. Results prepared in accordance with GAAP are referred to as "reported" results. Non-GAAP measures presented throughout this document are referred to as "adjusted" measures and exclude amounts designated as adjusting items. Adjusting items relate to restructuring plans and to business combinations and have been designated as such as management does not believe they are indicative of underlying business performance. Non-GAAP measures are considered useful to readers in obtaining a better understanding of how management analyzes the Bank's results and in assessing underlying business performance and related trends. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are unlikely to be comparable to any similar measures presented by other issuers.

The following table shows adjusting items and their impact on reported results.

IMPACT OF ADJUSTING ITEMS ON REPORTED RESULTS

In thousands of Canadian dollars, except per share amounts (Unaudited)	For the three months ended **July 31 2019**	April 30 2019	July 31 2018	For the nine months ended **July 31 2019**	July 31 2018
Impact on income before income taxes					
Reported income before income taxes	**$ 54,359**	$ 47,160	$ 67,972	**$ 148,239**	$ 219,008
Adjusting items, before income taxes					
Restructuring charges[1]					
Severance charges	**972**	2,420	—	**4,739**	—
Other restructuring charges	**830**	1,020	2,243	**2,509**	4,912
	1,802	3,440	2,243	**7,248**	4,912
Items related to business combinations					
Amortization of net premium on purchased financial instruments[2]	**336**	390	547	**1,168**	1,801
Amortization of acquisition-related intangible assets[3]	**3,426**	3,436	3,370	**10,295**	9,339
Other costs related to business combinations[4]	**—**	—	—	**—**	2,357
	3,762	3,826	3,917	**11,463**	13,497
	5,564	7,266	6,160	**18,711**	18,409
Adjusted income before income taxes	**$ 59,923**	$ 54,426	$ 74,132	**$ 166,950**	$ 237,417
Impact on net income					
Reported net income	**$ 47,798**	$ 43,313	$ 54,903	**$ 131,367**	$ 173,845
Adjusting items, net of income taxes					
Restructuring charges[1]					
Severance charges	**713**	1,776	—	**3,478**	—
Other restructuring charges	**610**	749	1,645	**1,842**	3,601
	1,323	2,525	1,645	**5,320**	3,601
Items related to business combinations					
Amortization of net premium on purchased financial instruments[2]	**247**	286	402	**858**	1,324
Amortization of acquisition-related intangible assets[3]	**2,514**	2,602	2,424	**7,716**	6,720
Other costs related to business combinations[4]	**—**	—	—	**—**	1,726
	2,761	2,888	2,826	**8,574**	9,770
	4,084	5,413	4,471	**13,894**	13,371
Adjusted net income	**$ 51,882**	$ 48,726	$ 59,374	**$ 145,261**	$ 187,216
Impact on diluted earnings per share					
Reported diluted earnings per share	**$ 1.05**	$ 0.95	$ 1.23	**$ 2.88**	$ 3.97
Adjusting items					
Restructuring charges	**0.03**	0.06	0.04	**0.13**	0.09
Items related to business combinations	**0.07**	0.07	0.07	**0.20**	0.24
	0.10	0.13	0.11	**0.33**	0.33
Adjusted diluted earnings per share	**$ 1.15**	$ 1.08	$ 1.34	**$ 3.20**	$ 4.30

(1) Restructuring charges mainly result from the optimization of our Retail Services operations and the streamlining of certain back-office and corporate functions, including severance charges, salaries, provisions related to the termination of lease contracts, communication expenses and professional fees. Restructuring charges are included on the Non-interest expenses line item. For the three-month period ended April 30, 2019 and nine-month period ended July 31, 2019, severance charges are presented net of a $4.8 million curtailment gain on pension plans and other post-employment benefits obligations and reversals of provisions amounting to $3.5 million.

(2) Amortization of net premium on purchased financial instruments results from a one-time gain on a business acquisition in 2012 and is included on the Amortization of net premium on purchased financial instruments line item.

(3) Amortization of acquisition-related intangible assets results from business acquisitions in 2016 and 2017 and is included on the Non-interest expenses line-item.

(4) Other costs related to business combinations result from the integration of a business acquired in 2016 and are included on the Non-interest expenses line-item.

(5) The impact of adjusting items on a per share basis does not add due to rounding for the nine-month period ended July 31, 2019.

KEY PERFORMANCE MEASURES

Management also uses a number of financial metrics to assess performance. Detailed information on return on common shareholders' equity is provided below. Other performance measures such as the net interest margin, efficiency ratio, operating leverage and dividend payout ratio are defined in the Non-GAAP and Key Performance Measures section of our 2018 Annual Report.

Return on common shareholders' equity

Return on common shareholders' equity (ROE) is a profitability measure calculated as the net income available to common shareholders as a percentage of average common shareholders' equity. The Bank's common shareholders' equity is defined as the sum of the value of common shares, retained earnings, share-based compensation reserve and accumulated other comprehensive income (AOCI) excluding cash flow hedge reserves. The following table presents additional information about return on common shareholders' equity.

RETURN ON COMMON SHAREHOLDERS' EQUITY

	For the three months ended			For the nine months ended	
In thousands of Canadian dollars, except percentage amounts (Unaudited)	**July 31 2019**	April 30 2019	July 31 2018	**July 31 2019**	July 31 2018
Reported net income available to common shareholders	**$ 44,541**	$ 40,057	$ 51,650	**$ 121,597**	$ 163,060
Adjusting items, net of income taxes	**4,084**	5,413	4,471	**13,894**	13,371
Adjusted net income available to common shareholders	**$ 48,625**	$ 45,470	$ 56,121	**$ 135,491**	$ 176,431
Average common shareholders' equity	**$ 2,279,133**	$ 2,256,503	$ 2,218,543	**$ 2,264,241**	$ 2,143,375
Return on common shareholders' equity	**7.8%**	7.3%	9.2%	**7.2%**	10.2%
Adjusted return on common shareholders' equity	**8.5%**	8.3%	10.0%	**8.0%**	11.0%

OUTLOOK

ECONOMIC OUTLOOK

Global economic growth is moderating, largely as a result of the escalating trade tensions. The existing tariffs between the U.S. and China slowed manufacturing activity and weakened commodity prices. Global economic policy uncertainty reached new heights following the G20 inconclusive trade talks between the U.S. and China. Moreover, the ratification of the new Canada-United-States-Mexico Agreement (CUSMA) is now delayed until at least the Fall.

In the U.S., household spending remains robust and growth in services-oriented activities continues. However, capex spending has slowed and job creation has recently eased. In response to heightened trade uncertainty, weaker business confidence and low inflation, the Federal Reserve lowered its policy rate in late July and stated it was open to further easing measures, if necessary, to prolong the cycle. Financial markets expect such monetary easing from the Federal Reserve, as well as from the European Central Bank, during the latter part of 2019 and in 2020, supporting global equities.

The Canadian economy has been gaining momentum since last spring, following the temporary stagnation mostly attributed to the adjustment in the oil sector. Services-oriented sectors remain the main driver of growth. In addition, capex spending and exports are increasing, albeit at a moderate pace and despite global tension. The momentum in consumer spending is also improving. Job creation has been very strong nationwide this year, particularly in Ontario, British Columbia and Quebec. Wage growth is accelerating as the unemployment rate has fallen further to a record low of 5.5% this summer. The race to the bottom in global interest rates and solid labour market conditions improved the ability of Canadian households to cope with debt obligations. Strong household formation, robust household disposable income and the recent decline in mortgage rates are also expected to be supportive for housing demand. Notwithstanding, the pace of residential homebuilding softened since the beginning of 2019 to a two-year low.

Nevertheless, and despite these favorable indicators, the Canadian economy could be drawn into a slowdown if international economic conditions continue to weaken, especially given our close links with the U.S.

Cognizant of the uncertainty associated with rising trade tensions, the Bank of Canada has kept its policy rate unchanged thus far. Financial markets expect reductions in short-term interest rates in Canada, but to a lesser extent than in the U.S. and Eurozone, consistent with the overall more favourable economic environment. The target for the overnight rate has been set at 1.75% since October 2018 and Canadian real gross domestic product is expected to grow at a respectable pace of 1.4% in 2019 and 1.9% in 2020.

STRATEGIC PLAN

In November 2015, we launched a 7-year plan focused on becoming a better and different bank to address advancements in technology, globalization of banking and better meet our customers' needs. To achieve this, we outlined three strategic objectives: Build a stronger foundation; Invest in profitable growth; and Improve financial performance. We strive to execute on these strategic objectives with our ultimate goal – to improve the Bank's performance and achieve a profitability level similar to that of the other Canadian banks. In the third quarter of 2019, we continued to make important progress on our key initiatives. In that regard, 2019 remains a year of investments in our people, processes and technology.

In March 2019, we signed a new collective agreement for our Quebec-based retail operations, which strengthens our foundation and is expected to contribute to improvements in financial performance. In late April, we also started the optimization of certain retail services' back-office, credit and collections functions and also entered into certain outsourcing arrangements to generate efficiencies of scale. In the third quarter of 2019, we reduced our liquidity levels, reduced legal expenses and other labour related costs and re-tasked members to revenue generating priorities. We previously indicated that on an annual basis, carrying the right level of liquidity would improve net interest income by $7 million, reducing legal and labor related expenses would cut non-interest expenses by $3 million and lowering the headcount would reduce expenses by $15 to $20 million. We currently anticipate that synergies and cost reductions will be delivered gradually through the end of the first half of 2020.

In July 2019, we completed the conversion of essentially all of our retail branches to our new 100% Advice approach, with six rural branches remaining to be converted at the end of September. The shift to this new approach has been carefully planned with all our customers to ensure a smooth transition to our new model. With this milestone behind us, our branch network in Quebec is starting a new and promising phase that will be driven by growth. Staff are engaged and eager to succeed in the pursuit of our mission to help our customers improve their financial health.

Since the beginning of the year, we have continued to execute our business plan and delivered strong profitable growth in equipment and inventory financing activities. On this front we are on target to achieve double digit growth, further improving the Bank's profitability and diversification.

Update on key initiatives

Core-banking system
During the first quarter of 2019, we migrated the remaining products for B2B Bank and most Business Services loans onto the new platform, marking the conclusion of Phase 1 of the program. Phase 2 of the program will encompass all Retail Services accounts and products, as well as the few remaining Business Services products. As previously mentioned, with the current momentum in our transformation, we are accelerating the core-banking initiative related to branch operations. The target for completion of Phase 2 is December 2020, at which time, 100% of all products will have been migrated from the old banking platform to our new core banking platform.

Digital offering
As we completed Phase 1 of the implementation of our core-banking system in January, we are now focusing on the latest development stage of our new digital banking offering. This new offering, which is currently being launched to independent advisors and brokers and that will be deployed direct to customers across Canada in the Fall, will improve funding and gradually contribute to results.

Optimization of Retail Services operations
In the nine months ended July 31, 2019, we merged eight branches. Furthermore, as detailed above, the conversion of our retail branches to our new 100% Advice approach was mostly completed in July 2019. As we continue to simplify the Bank's retail branch operations, we are progressing toward our goal of becoming a renewed financial institution by 2022.

Advanced Internal Rating-Based approach to credit risk
We are also advancing on our project to adopt, subject to regulatory approval, the AIRB Approach used to determine the Bank's regulatory capital requirements. As previously mentioned, with a sharp focus on the core-banking system, our digital offering, balance sheet growth and efficiency gains, we are slowing down the AIRB initiative by 12 to 18 months. We are targeting the implementation between the end of 2021 and the first half of 2022, with benefits to be realized in 2022 and beyond.

Prudent management
While remaining focused on these initiatives, we are being prudent in managing the Bank's assets. Our credit quality remains strong. We also continue to improve compliance and regulatory frameworks to better manage risks. In addition, we are maintaining healthy levels of capital and liquid assets, as we progress towards our transformation. Gradually redeploying capital should contribute to the resumption of profitable loan growth. We are mindful of the significant investments required to achieve our transformation and remain committed to improving efficiency.

ANALYSIS OF CONSOLIDATED RESULTS

The following tables show condensed consolidated results on a reported and on an adjusted basis.

CONDENSED CONSOLIDATED RESULTS – REPORTED BASIS

In thousands of Canadian dollars, except per share amounts (Unaudited)	For the three months ended			For the nine months ended	
	July 31 2019	April 30 2019	July 31 2018	**July 31 2019**	July 31 2018
Net interest income	**$ 176,042**	$ 164,564	$ 177,013	**$ 513,206**	$ 532,760
Other income	**68,611**	75,317	83,651	**213,666**	254,793
Total revenue	**244,653**	239,881	260,664	**726,872**	787,553
Amortization of net premium on purchased financial instruments	**336**	390	547	**1,168**	1,801
Provision for credit losses	**12,100**	9,200	4,900	**31,800**	26,400
Non-interest expenses	**177,858**	183,131	187,245	**545,665**	540,344
Income before income taxes	**54,359**	47,160	67,972	**148,239**	219,008
Income taxes	**6,561**	3,847	13,069	**16,872**	45,163
Net income	**$ 47,798**	$ 43,313	$ 54,903	**$ 131,367**	$ 173,845
Preferred share dividends, including applicable taxes	**3,257**	3,256	3,253	**9,770**	10,785
Net income available to common shareholders	**$ 44,541**	$ 40,057	$ 51,650	**$ 121,597**	$ 163,060
Diluted earnings per share	**$ 1.05**	$ 0.95	$ 1.23	**$ 2.88**	$ 3.97

CONDENSED CONSOLIDATED RESULTS – ADJUSTED BASIS[1]

In thousands of Canadian dollars, except per share amounts (Unaudited)	For the three months ended			For the nine months ended	
	July 31 2019	April 30 2019	July 31 2018	**July 31 2019**	July 31 2018
Net interest income	**$ 176,042**	$ 164,564	$ 177,013	**$ 513,206**	$ 532,760
Other income	**68,611**	75,317	83,651	**213,666**	254,793
Total revenue	**244,653**	239,881	260,664	**726,872**	787,553
Provision for credit losses	**12,100**	9,200	4,900	**31,800**	26,400
Adjusted non-interest expenses	**172,630**	176,255	181,632	**528,122**	523,736
Adjusted income before income taxes	**59,923**	54,426	74,132	**166,950**	237,417
Adjusted income taxes	**8,041**	5,700	14,758	**21,689**	50,201
Adjusted net income	**$ 51,882**	$ 48,726	$ 59,374	**$ 145,261**	$ 187,216
Preferred share dividends, including applicable taxes	**3,257**	3,256	3,253	**9,770**	10,785
Adjusted net income available to common shareholders	**$ 48,625**	$ 45,470	$ 56,121	**$ 135,491**	$ 176,431
Adjusted diluted earnings per share	**$ 1.15**	$ 1.08	$ 1.34	**$ 3.20**	$ 4.30

(1) Refer to the Non-GAAP and Key Performance Measures section.

THREE MONTHS ENDED JULY 31, 2019 COMPARED WITH THREE MONTHS ENDED JULY 31, 2018

Net income was $47.8 million and diluted earnings per share were $1.05 for the third quarter of 2019, compared with $54.9 million and $1.23 for the third quarter of 2018. Adjusted net income was $51.9 million for the third quarter of 2019, down 13% from $59.4 million for the third quarter of 2018, while adjusted diluted earnings per share were $1.15, down 14% compared with $1.34 for the third quarter of 2018.

Total revenue

Total revenue decreased by $16.0 million or 6% to $244.7 million for the third quarter of 2019 from $260.7 million for the third quarter of 2018.

Net interest income decreased by $1.0 million or 1% to $176.0 million for the third quarter of 2019, from $177.0 million for the third quarter of 2018. The decrease was mainly due to lower year-over-year loan volumes, partly offset by the higher proportion of higher-yielding loans to business customers. As the new collective agreement was signed at the end of March, we gradually decreased the level of liquid assets, which also contributed positively to net interest income in the third quarter of 2019. Net interest margin was 1.85% for the third quarter of 2019, an increase of 8 basis points compared with the third quarter of 2018, mainly as a result of the change in mix in the loan portfolio and the lower level of lower-yielding liquid assets.

Other income decreased by $15.0 million or 18% to $68.6 million for the third quarter of 2019, compared with $83.7 million for the third quarter of 2018. Fees and commissions on loans and deposits decreased by $2.8 million compared with the third quarter of 2018, driven by lower lending fees, as well as by lower deposit and payment service charges as clients gradually modify their banking behavior. Market related revenues, including securities gains and income from treasury and financial market operations, decreased by a

combined $7.4 million compared with the third quarter of 2018. This decrease was mostly driven by lower gains on inventory held for brokerage activities and to a lesser extent, reduced gains on other trading activities. Fees and commissions from brokerage operations also decreased by $1.9 million compared with the third quarter of 2018, primarily as a result of a lower activity level.

Amortization of net premium on purchased financial instruments

For the third quarter of 2019, amortization of net premium on purchased financial instruments amounted to $0.3 million, compared with $0.5 million for the third quarter of 2018. Refer to Note 3.3 to the 2018 annual consolidated financial statements for additional information.

Provision for credit losses

The provision for credit losses amounted to $12.1 million for the third quarter of 2019 compared with $4.9 million for the third quarter of 2018. The increase year-over-year was mainly due to the low level of losses for the third quarter of 2018, which had benefitted from favourable improvements to underlying assets. Changes to the probability of an economic downturn in the third quarter of 2019 also contributed to the increase in collective allowances. Nonetheless, loan losses for the quarter remain low given the current favourable credit conditions. Refer to the Risk Management section for additional information.

Non-interest expenses

Non-interest expenses amounted to $177.9 million for the third quarter of 2019, a decrease of $9.4 million or 5% compared with the third quarter of 2018. Adjusted non-interest expenses similarly decreased to $172.6 million for the third quarter of 2019.

Salaries and employee benefits decreased by $2.9 million to $90.1 million for the third quarter of 2019, compared with the third quarter of 2018, mainly as a result of lower salary expense from lower headcount and lower pension costs.

Premises and technology costs were $48.7 million for the third quarter of 2019, essentially unchanged from the third quarter of 2018. Higher technology costs incurred to operate concurrent core-banking platforms, as well as to enhance IT service levels and security on an ongoing basis, were offset by lower rent expenses following the move to the new corporate office in Montreal in the fourth quarter of 2018.

Other non-interest expenses were $37.3 million for the third quarter of 2019, a decrease of $6.0 million or 14% compared with the third quarter of 2018. This decrease was mainly due to lower professional fees and labour relation costs.

Restructuring charges were $1.8 million for the third quarter of 2019 and mainly reflected expenses for the optimization of the Retail Services operations, as well as for streamlining certain back-office and corporate functions.

Costs related to business combinations were nil for the third quarter of 2019 as the integration of the equipment financing operations acquired in 2016 was substantially completed in the second quarter of 2018.

Efficiency ratio
The adjusted efficiency ratio was 70.6% for the third quarter of 2019, compared with 69.7% for the third quarter of 2018. While the Bank invests in its transformation, this ratio is impacted by increased expenses. Therefore, this ratio is expected to remain elevated over the next few quarters. Operating dual core-banking platforms and implementing new compliance and regulatory risk-related projects necessitates additional expenditures. Adjusted operating leverage was negative year-over-year. We are still targeting an efficiency ratio of below 63% in 2021, and continue to aim for positive operating leverage.

For the reasons noted above, the efficiency ratio on a reported basis was 72.7% for the third quarter of 2019, compared with 71.8% for the third quarter of 2018.

Income taxes

For the quarter ended July 31, 2019, income tax expense was $6.6 million and the effective tax rate was 12.1%. The lower tax rate, compared to the statutory rate, is attributed to a lower taxation level on revenues from foreign operations, including a favourable $1.5 million adjustment related to insurance activities, as well as from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income. For the quarter ended July 31, 2018, income tax expense was $13.1 million and the effective tax rate was 19.2%. The lower tax rate for the third quarter of 2019, when compared with the third quarter of 2018, is mainly attributed to the proportionally lower domestic income.

NINE MONTHS ENDED JULY 31, 2019 COMPARED WITH NINE MONTHS ENDED JULY 31, 2018

Net income was $131.4 million and diluted earnings per share were $2.88 for the nine months ended July 31, 2019, compared with $173.8 million and $3.97 for the nine months ended July 31, 2018. Adjusted net income was $145.3 million for the nine months ended July 31, 2019, down 22% from $187.2 million for the nine months ended July 31, 2018, while adjusted diluted earnings per share were $3.20 for the nine months ended July 31, 2019, down 26% from $4.30 for the nine months ended July 31, 2018. The decrease in diluted earnings per share, compared with the nine months ended July 31, 2018, is further detailed below and also reflects the full period effect of the common share issuance completed at the beginning of fiscal 2018.

Total revenue

Total revenue decreased by $60.7 million or 8% to $726.9 million for the nine months ended July 31, 2019 from $787.6 million for the nine months ended July 31, 2018.

Net interest income decreased by $19.6 million or 4% to $513.2 million for the nine months ended July 31, 2019, from $532.8 million for the nine months ended July 31, 2018. The decrease was mainly due to lower year-over-year loan volumes, partly offset by the higher proportion of higher-yielding loans to business customers. As noted previously, we have been repositioning our loan portfolio over the last two years to optimize capital allocation. However, the significantly higher level of liquid assets maintained in the first half of the year prior to the signature of the new collective agreement had a negative impact on margins and income. Net interest margin was 1.81% for the nine months ended July 31, 2019, compared with 1.78% for the nine months ended July 31, 2018.

Other income decreased by $41.1 million or 16% to $213.7 million for the nine months ended July 31, 2019, compared with $254.8 million for the nine months ended July 31, 2018. Fees and commissions on loans and deposits decreased by $9.5 million compared with the nine months ended July 31, 2018, mainly driven by lower deposit and payment service charges as clients gradually modify their banking behavior. Fees and commissions on brokerage operations decreased by $6.0 million compared with the nine months ended July 31, 2018, as a result of a lower activity level attributed to poor market conditions at the outset of the year and at the beginning of the third quarter of 2019. Gains on inventory held for brokerage activities further contributed to the decline by $3.9 million compared with the nine months ended July 31, 2018. Income from treasury and financial market operations, was also affected and decreased by $6.8 million compared with the nine months ended July 31, 2018, mainly as a result of lower gains on securities. Other income for the nine months ended July 31, 2018 included a $5.3 million net gain on the sale of the agricultural commercial loan portfolio.

Amortization of net premium on purchased financial instruments

For the nine months ended July 31, 2019, the amortization of net premium on purchased financial instruments was $1.2 million, compared with $1.8 million for the nine months ended July 31, 2018. Refer to the Non-GAAP and Key Performance Measures section for additional information.

Provision for credit losses

The provision for credit losses increased by $5.4 million or 20% to $31.8 million for the nine months ended July 31, 2019 compared with $26.4 million for the nine months ended July 31, 2018. Loan losses remain low given the current favourable credit conditions. Results for the nine months ended July 31, 2018 also benefitted from favourable releases of provisions. Refer to the Risk Management section for additional information.

Non-interest expenses

Non-interest expenses increased by $5.3 million or 1% to $545.7 million for the nine months ended July 31, 2019, compared with $540.3 million for the nine months ended July 31, 2018. Adjusted non-interest expenses increased by $4.4 million or 1% to $528.1 million for the nine months ended July 31, 2019, compared with $523.7 million for the nine months ended July 31, 2018.

Salaries and employee benefits decreased by $5.6 million or 2% to $272.6 million for the nine months ended July 31, 2019, compared with the nine months ended July 31, 2018, mainly due to lower salary expense from lower headcount, lower pension costs and lower performance-based compensation, partly offset by higher share-based compensation.

Premises and technology costs increased by $4.3 million or 3% to $148.3 million for the nine months ended July 31, 2019, compared with the nine months ended July 31, 2018, mainly as a result of higher technology costs and higher amortization expense for the completed Phase 1 of the core-banking system program, partly offset by lower rent expenses as mentioned above.

Other non-interest expenses increased by $6.6 million or 6% to $117.4 million for the nine months ended July 31, 2019, compared with the nine months ended July 31, 2018. This increase is mainly due to higher regulatory expenses, including year-over-year increases in costs related to deposit insurance, new IFRS standards implementation, anti-money laundering and regulatory compliance management, as well as to higher professional fees and labour relation costs related to the new collective agreement.

Restructuring charges were $7.2 million for the nine months ended July 31, 2019 and, as mentioned above, mainly included expenses for the optimization of the Retail Services operations and for streamlining certain back-office and corporate functions. Gross costs related to restructuring measures of $15.5 million for the nine months ended July 31, 2019, mainly related to severance charges, were partly offset by a $4.8 million curtailment gain on pension plans and other post-employment benefits obligations, as well as by reversals of provisions amounting to $3.5 million recorded in the second quarter of 2019.

Costs related to business combinations were nil for the nine months ended July 31, 2019 as the integration of the equipment financing operations acquired in 2016 was substantially completed in the second quarter of 2018.

Efficiency ratio

The adjusted efficiency ratiowas 72.7% for the nine months ended July 31, 2019, compared with 66.5% for the nine months ended July 31, 2018. As the Bank continued to invest in its transformation, this ratio was impacted by the lower revenues due to a higher level of liquid assets in the first half of the year and the higher level of expenses. The adjusted operating leverage was negative year-over-year. The efficiency ratio, on a reported basis, was 75.1% for the nine months ended July 31, 2019, compared with 68.6% for the nine months ended July 31, 2018, essentially for the same reasons as noted above.

Income taxes

For the nine months ended July 31, 2019, the income tax expense was $16.9 million and the effective tax rate was 11.4%. The lower tax rate, compared to the statutory rate, mainly resulted from a lower taxation level on revenues from foreign operations, including a favourable $3.0 million cumulative adjustment related to insurance activities, as well as from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income. For the nine months ended July 31, 2018, the income tax expense was $45.2 million and the effective tax rate was 20.6%. The lower tax rate for the nine months ended July 31, 2019, when compared with the nine months ended July 31, 2018, mainly resulted from the proportionally lower level of domestic income.

THREE MONTHS ENDED JULY 31, 2019 COMPARED WITH THREE MONTHS ENDED APRIL 30, 2019

Net income was $47.8 million and diluted earnings per share were $1.05 for the third quarter of 2019, compared with $43.3 million and $0.95 for the second quarter of 2019. Adjusted net income was $51.9 million and adjusted diluted earnings per share were $1.15 for the third quarter of 2019, compared with $48.7 million and $1.08 for the second quarter of 2019.

Total revenue increased by $4.8 million to $244.7 million for the third quarter of 2019, compared with $239.9 million for the previous quarter. Net interest income increased by $11.5 million sequentially to $176.0 million, mainly due to the positive impact of three additional days in the third quarter and the seasonally higher level of prepayment penalties on residential mortgage loans. As previously mentioned, the lower level of liquid assets also contributed positively to interest income. Net interest margin was 1.85% for the third quarter of 2019, an increase of 8 basis points compared with 1.77% for the second quarter of 2019, mainly as a result of the lower liquid assets and the higher prepayment penalties, as noted above.

Other income decreased by $6.7 million or 9% to $68.6 million for the third quarter of 2019, compared with $75.3 million for the previous quarter. Other income for the third quarter of 2019 was impacted by lower capital market related revenues, mostly driven by lower net gains on inventory held for brokerage activities and, to a lesser extent, by lower other trading activities.

The line item "Amortization of net premium on purchased financial instruments" amounted to $0.3 million for the third quarter of 2019, essentially unchanged from the second quarter of 2019. Refer to Note 3.3 to the 2018 annual consolidated financial statements for additional information.

Provision for credit losses totalled $12.1 million for the third quarter of 2019, a $2.9 million increase compared with $9.2 million for the second quarter of 2019. Credit losses for the third quarter of 2019 were impacted, in part, by higher collective allowances resulting from changes to the probability of an economic downturn, as well as slightly higher losses on commercial exposures. Refer to the Risk Management section for additional information.

Non-interest expenses decreased by $5.3 million to $177.9 million for the third quarter of 2019 from $183.1 million in the second quarter of 2019. Adjusted non-interest expenses decreased by $3.6 million and amounted to $172.6 million in the third quarter of 2019, compared with $176.3 million in the second quarter of 2019. The decrease is mainly due to sequentially lower premises and technology costs and lower other expenses, partly offset by higher salaries given the three additional days in the third quarter.

FINANCIAL CONDITION

CONDENSED BALANCE SHEET

In thousands of Canadian dollars (Unaudited)		**As at July 31 2019**		As at October 31 2018
Assets				
Cash and deposits with banks	**$**	**688,093**	$	490,727
Securities		**5,712,661**		6,061,144
Securities purchased under reverse repurchase agreements		**2,835,795**		3,652,498
Loans and acceptances, net		**33,784,839**		34,301,662
Other assets		**1,315,839**		1,388,652
	$	**44,337,227**	$	45,894,683
Liabilities and Shareholders' Equity				
Deposits	**$**	**26,615,605**	$	28,006,572
Other liabilities		**6,835,028**		7,255,394
Debt related to securitization activities		**7,977,807**		7,787,753
Subordinated debt		**349,016**		348,762
Shareholders' equity		**2,559,771**		2,496,202
	$	**44,337,227**	$	45,894,683

As at July 31, 2019, total assets amounted to $44.3 billion, a decrease of $1.6 billion compared with $45.9 billion as at October 31, 2018. This mainly reflects a decrease in liquid assets of $1.0 billion and a decrease in loans of $0.5 billion, as explained below.

LIQUID ASSETS

Liquid assets consist of cash, deposits with other banks, securities and securities purchased under reverse repurchase agreements. As at July 31, 2019, these assets totalled $9.2 billion, a decrease of $1.0 billion compared with October 31, 2018. Overall, we continue to prudently manage the level of liquid assets as we progress on our various initiatives. The Bank benefits from well diversified funding sources and the current level of cash resources is sufficient to meet obligations, under both normal and stressed conditions.

LOANS

Loans and bankers' acceptances, net of allowances, stood at $33.8 billion as at July 31, 2019, a decrease of $0.5 billion since October 31, 2018. This is consistent with the continued optimization of our portfolio mix aimed at improving capital allocation and returns on risk-weighted assets. Variances are further explained by the items outlined below.

Personal loans amounted to $4.9 billion and decreased by $0.5 billion since October 31, 2018, mainly as a result of the continued reduction in the investment loan portfolio, reflecting the ongoing consumer behavior to reduce leverage.

Residential mortgage loans stood at $16.2 billion as at July 31, 2019, a decrease of $0.8 billion since October 31, 2018. This mostly reflects a gradual decrease in origination and a focus on higher-yielding commercial loans to optimize product mix. The decrease was partly offset by the acquisition of mortgage loans originated by third-parties as part of our program to optimize the usage of National Housing Act mortgage-backed securities (NHA MBS) allocations.

Commercial loans and acceptances amounted to $12.9 billion as at July 31, 2019, up 7% since October 31, 2018. This increase is mainly due to inventory financing volumes through NCF and real estate financing loans. In the beginning of the year, we sold lower-yielding commercial loans amounting to $105 million, which concluded the realignment of our commercial loan portfolio. As a result, the commercial loan portfolio increased by 8% net of loan sales since October 31, 2018.

OTHER ASSETS

Other assets were essentially unchanged compared with October 31, 2018 and stood at $1.3 billion as at July 31, 2019.

LIABILITIES

Deposits decreased by $1.4 billion to $26.6 billion as at July 31, 2019 compared with October 31, 2018, as we optimized our funding and in light of the reduction in total assets. Personal deposits stood at $20.1 billion as at July 31, 2019, down $0.9 billion compared with October 31, 2018, driven by lower term deposits sourced through independent brokers and advisors. Business and other deposits decreased by $0.5 billion to $6.5 billion since the beginning of the year. Personal deposits represented 76% of total deposits as at July 31, 2019, compared with 75% as at October 31, 2018, and contribute to our solid liquidity position.

Debt related to securitization activities increased by $0.2 billion compared with October 31, 2018 and stood at $8.0 billion as at July 31, 2019. Since the beginning of the year, mortgage loan securitization through both the CMHC programs and a third-party program, as well as securitization of finance lease receivables and investment loans more than offset maturities of liabilities related to the Canada Mortgage Bond program, as well as normal repayments.

SHAREHOLDERS' EQUITY

Shareholders' equity stood at $2,559.8 million as at July 31, 2019, compared with $2,496.2 million as at October 31, 2018. As mentioned in the Basis of Presentation section of this MD&A, the adoption of IFRS 9 resulted in a decrease of $7.7 million of shareholders' equity as at November 1, 2018. This was offset by an increase in shareholder's equity as a result of the net income contribution, net of declared dividends, an increase in AOCI, as well as by the issuance of common shares under the Shareholder Dividend Reinvestment and Share Purchase plan. For additional information, please refer to the Consolidated Statement of Changes in Shareholders' Equity.

Our book value per common share was $54.00 as at July 31, 2019 compared with $53.72 as at October 31, 2018. There were 42,463,328 common shares outstanding as at August 22, 2019.

CAPITAL MANAGEMENT

REGULATORY CAPITAL

The Office of the Superintendent of Financial Institutions Canada (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 Basel III. Under OSFI's *Capital Adequacy Requirements* (CAR) Guideline, our minimum Common Equity Tier 1, Tier 1 and Total capital ratios are set at 7.0%, 8.5% and 10.5%, respectively, including capital conservation buffers. Refer to the section "Capital Management" on page 36 of our 2018 Annual Report for additional information on our regulatory capital.

As detailed in the table below, the Common Equity Tier 1 (CET1), Tier 1 and Total capital ratios was 9.0%, 10.2% and 12.2%, respectively, as at July 31, 2019. These ratios exceeded all current requirements.

REGULATORY CAPITAL

In thousands of Canadian dollars, except percentage amounts (Unaudited)		**As at July 31 2019**		As at October 31 2018
Regulatory capital				
Common Equity Tier 1 capital	**$**	**1,843,330**	$	1,812,007
Tier 1 capital	**$**	**2,087,368**	$	2,056,045
Total capital	**$**	**2,497,521**	$	2,472,788
Total risk-weighted assets[1]	**$**	**20,444,560**	$	20,238,803
Regulatory capital ratios				
Common Equity Tier 1 capital ratio		**9.0%**		9.0%
Tier 1 capital ratio		**10.2%**		10.2%
Total capital ratio		**12.2%**		12.2%

(1) Using the Standardized Approach to determine credit risk and to account for operational risk.

The CET1 capital ratio was 9.0% as at July 31, 2019, compared with 9.0% as at October 31, 2018. As mentioned above, the adoption of IFRS 9 resulted in a decrease of 4 bps of the CET1 capital ratio as at November 1, 2018. During the nine months ended July 31, 2019, we also continued to manage asset growth tightly to balance the product mix profitability maximization and the related risk-weighted exposures to maintain strong capital ratios.

Regulatory capital developments

Revisions to the Standardized Approach for credit risk
We use the Standardized Approach to determine credit risk capital and to account for operational risk. Currently, our capital requirements for credit risk under the Standardized Approach are not calculated on the same basis as larger Canadian financial institutions which predominantly use the more favourable AIRB Approach.

On December 7, 2017, the BCBS issued a document entitled Basel III: Finalising post-crisis reforms. This document sets out the BCBS's finalisation of the Basel III framework and follows the BCBS consultative documents issued in 2014 and 2015. It complements the initial phase of Basel III reforms previously finalized by the Committee. A key objective of the revisions incorporated into the framework is to reduce excessive variability of risk-weighted assets and improve the comparability of banks' capital ratios. The new framework revises the Standardized Approach by improving its granularity and risk sensitivity by modifying the risk weight associated to various categories of assets. The changes also include modifications to the AIRB Approach, such as by placing limits on certain inputs used to calculate capital requirements and introducing a new more robust risk-sensitive floor based on the Committee's revised Basel III standardized approaches, as well as to the methods used to measure regulatory capital for operational risk. Management is currently assessing the potential impact of the adoption of this new framework, which remains subject to OSFI issuing its related guideline.

The implementation of the AIRB Approach remains one of our key initiatives that should strengthen our credit risk management, optimize regulatory capital and provide a level playing field for credit underwriting activities. As previously mentioned, we are slowing down the AIRB initiative by 12 to 18 months. We are targeting the implementation between the end of 2021 and the first half of 2022, with benefits to be realized in 2022 and beyond.

BASEL III LEVERAGE RATIO

The Basel III capital reforms 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 meets or exceeds 3% at all times. 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.

As detailed in the table below, the leverage ratio was 4.6% as at July 31, 2019 and exceeded current requirements.

BASEL III LEVERAGE RATIO

In thousands of Canadian dollars, except percentage amounts (Unaudited)	As at July 31 2019	As at October 31 2018
Tier 1 capital	$ 2,087,368	$ 2,056,045
Total exposures	$ 45,206,169	$ 46,042,387
Basel III leverage ratio	4.6%	4.5%

DIVIDENDS

On August 13, 2019, the Board of Directors declared the regular dividend on the various series of preferred shares to shareholders of record on September 7, 2019.

On August 28, 2019, the Board of Directors declared a quarterly dividend of $0.66 per common share, payable on November 1, 2019, to shareholders of record on October 1, 2019. This quarterly dividend is up 3% compared with the dividend declared one year ago. The Board of Directors also determined that shares attributed under the Shareholder Dividend Reinvestment and Share Purchase Plan will be made in common shares issued from treasury at a 2% discount.

COMMON SHARE DIVIDENDS AND PAYOUT RATIO

	For the three months ended			For the years ended		
In Canadian dollars, except payout ratios (Unaudited)	July 31 2019	April 30 2019	July 31 2018	October 31 2018	October 31 2017	October 31 2016
Dividends declared per common share	$ 0.66	$ 0.65	$ 0.64	$ 2.54	$ 2.46	$ 2.36
Dividend payout ratio	62.7%	68.5%	51.8%	49.6%	45.7%	53.1%
Adjusted dividend payout ratio[1]	57.4%	60.3%	47.7%	45.9%	40.5%	42.4%

(1) Refer to the Non-GAAP and Key Performance Measures section.

RISK MANAGEMENT

We are exposed to various types of risks owing to the nature of our activities. These risks are mainly related to the use of financial instruments. In order to manage these risks, controls such as risk management policies and various risk limits have been implemented. These measures aim to optimize the risk/return ratio in all operating segments. Refer to the section "Risk Appetite and Risk Management Framework" on page 41 of our 2018 Annual Report for additional information.

CREDIT RISK

The following sections provide further details on the credit quality of our loan portfolios.

PROVISION FOR CREDIT LOSSES[1]

	For the three months ended			For the nine months ended	
In thousands of Canadian dollars, except percentage amounts (Unaudited)	July 31 2019	April 30 2019	July 31 2018	July 31 2019	July 31 2018
Personal	$ 3,595	$ 4,265	$ 4,394	$ 12,303	$ 17,061
Residential mortgage	2,082	505	1,102	2,535	2,485
Commercial[2]	6,423	4,430	(596)	16,962	6,854
	$ 12,100	$ 9,200	$ 4,900	$ 31,800	$ 26,400
As a % of average loans and acceptances	0.14%	0.11%	0.05%	0.12%	0.10%

(1) Established in accordance with IFRS 9 in 2019 and in accordance with IAS 39 in 2018.
(2) Including customers' liabilities under acceptances.

Provision for credit losses

The provision for credit losses increased by $2.9 million sequentially to $12.1 million for the third quarter of 2019, and by $7.2 million compared with the same quarter a year ago. The increase year-over-year was mainly due to the low level of losses for the third quarter of 2018, which had benefitted from favourable improvements to underlying assets. Changes to the probability of an economic downturn in the third quarter of 2019 also contributed to the increase in collective allowances. Nonetheless, economic conditions remained sound during the period. Overall, the continued low level of credit losses reflects the underlying good credit quality of the loan portfolios.

The provision for credit losses increased by $5.4 million to $31.8 million for the nine months ended July 31, 2019, compared with $26.4 million for the nine months ended July 31, 2018. The increase year-over-year is mainly related to loan losses for the nine months ended July 31, 2018, which included the reduction in allowances resulting from the sale of the agricultural commercial loan portfolio in the second quarter of 2018, as well as favourable updates to risk model parameters and improvements to underlying assets.

Credit losses on personal loans for the third quarter of 2019 decreased by $0.7 million sequentially and decreased by $0.8 million year-over-year, mainly as a result of lower loan volumes. For the nine months ended July 31, 2019, credit losses on personal loans decreased by $4.8 million year-over-year, mainly as a result of the aforementioned lower volumes.

Credit losses on residential mortgage loans for the third quarter of 2019 increased by $1.6 million sequentially and by $1.0 million year-over-year, mainly as a result of higher collective allowances on impaired loans. For the nine months ended July 31, 2019, credit losses on residential mortgage loans remained relatively stable at $2.5 million compared to a year ago. The level of credit losses remains at historically low levels, owing to favourable credit conditions and our strong underwriting criteria.

Credit losses on commercial loans for the third quarter of 2019 increased by $2.0 million sequentially. Compared to the third quarter of 2018, credit losses increased by $7.0 million, essentially as credit losses in the third quarter of 2018 had benefited from improvements to underlying assets. For the nine months ended July 31, 2019, credit losses on commercial loans increased by $10.1 million year-over-year, in part due to the $4.5 million additional provision recorded in the first quarter of 2019 on a single syndicated commercial exposure.

The provision for credit losses expressed as a percentage of average loans and acceptances was 14 basis points for the third quarter of 2019.

IMPAIRED LOANS[1]

In thousands of Canadian dollars, except percentage amounts (Unaudited)		**As at July 31 2019**		As at October 31 2018
Gross impaired loans				
Personal	**$**	**27,301**	$	19,805
Residential mortgages		**66,840**		37,134
Commercial[2]		**104,435**		124,331
		198,576		181,270
Allowances for loan losses against impaired loans (Stage 3)		**(46,998)**		(38,178)
Net impaired loans	**$**	**151,578**	$	143,092
Impaired loans as a % of loans and acceptances				
Gross		**0.59%**		0.53%
Net		**0.45%**		0.42%
Allowances for loan losses against other loans				
Stage 1	**$**	**(29,923)**		n/a
Stage 2		**(25,402)**		n/a
	$	**(55,325)**	$	(54,848)

(1) Established in accordance with IFRS 9 as at July 31, 2019 and in accordance with IAS 39 as at October 31, 2018.
(2) Including customers' liabilities under acceptances.

Gross impaired loans amounted to $198.6 million as at July 31, 2019, up $17.3 million or 10% compared with October 31, 2018 mostly due to the impact of adopting IFRS 9. Under IFRS 9, all loans classified in Stage 3 of the ECL model are impaired loans, including $26.0 million of insured residential mortgage loans and $4.9 million of insured personal loans as at July 31, 2019 that were not considered impaired under the previous IAS 39 guideline. This was partially offset by a the settlement of a large commercial exposure during the third quarter.

Allowances for loan losses against impaired loans increased by $8.8 million compared with October 31, 2018, mainly as a result of adjustments to a single syndicated commercial loan exposure during the first quarter and as a result of migrations in personal loans since the beginning of the year. Allowances for loan losses against other loans amounted to $55.3 million as at July 31, 2019, up $0.5 million compared with October 31, 2018, as the increase resulting from adopting IFRS 9 was mostly offset by improvements in the portfolios and net repayments. Under the new impairment approach, expected credit losses for loans which experienced significant increases in credit risk must now be determined using lifetime probabilities of default, which resulted in increases in allowances for personal loans and to a lesser extent for commercial loans at the transition date. These increases were partly offset by a decrease in allowances for residential mortgage loans which better reflected the Bank's portfolio characteristics at transition. The Bank remains comfortably provisioned as overall credit conditions continue to provide strong support to lending activities. In addition, the Bank's loan portfolio is well collateralized, which reduces potential exposures. See Notes 5 and 7 to the Condensed Interim Consolidated Financial Statements for additional information.

LIQUIDITY AND FUNDING RISK

Liquidity and funding risk represents 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. We continue to maintain liquidity and funding that is appropriate for the execution of our strategy, with liquidity and funding risk remaining well within our approved limits.

Management monitors cash resources daily and ensures that liquidity indicators are within established limits. It pays 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 our 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.

Management maintains a stable volume of base deposits originating from our retail, commercial and broker clientele, as well as diversified wholesale financing sources. Limits on funding sources are monitored by the Executive Committee and the Board of Directors. Funding strategies also include loan securitization and the issuance of equity or debt instruments through capital markets.

A liquidity contingency plan is prepared and reviewed on a regular basis. It guides our actions and responses to potential liquidity crises.

The Bank benefits from well diversified sources of deposits, including personal deposits sourced through our branch network and through independent advisors and brokers. We also rely on a well established institutional funding program. Those contribute to a diversified, strong and stable liquidity position. Furthermore, given current market conditions, we continue to prudently manage the level of liquid assets and maintain a healthy level of liquidity to meet current obligations and support our key strategic initiatives.

Regulatory requirements concerning liquidity

We also manage the Bank's 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 a sufficient stock of 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 July 31, 2019.

Changes to the Liquidity Adequacy Requirements Guideline
In April 2019, the OSFI released final revisions to its LAR guideline. The revised guideline aims to help financial institutions enhance their resiliency to short-term liquidity stresses, and to ensure that they maintain stable funding profile over the longer-term. OSFI has introduced targeted changes to the LAR's LCR and NCCF metrics that better reflect the increased risks posed by different types of retail deposits that may be subject to sudden withdrawals. All deposit-taking institutions are expected to comply with the new LCR, NCCF and Liquidity Monitoring Tools of the revised guideline by January 1, 2020.

In addition to building resilience to short-term liquidity stresses, OSFI expects institutions to maintain a stable funding profile over a longer-term horizon to reduce future funding stress. To address this, the Basel Committee for Banking Supervision (BCBS) published the Net Stable Funding Ratio (NSFR) liquidity requirement to promote longer-term funding resiliency. The revised LAR guideline implements the NSFR in Canada for Domestic Systemically Important Banks (D-SIBs). Designated D-SIBs are expected to comply with the NSFR requirements by January 1, 2020. We are awaiting confirmation from OSFI for non D-SIBs.

Maturity of financial liabilities

The following table summarizes the remaining contractual maturity for significant financial liabilities as at July 31, 2019 and October 31, 2018. The amounts disclosed in the following table are the contractual undiscounted cash flows of financial liabilities and exclude premiums, discounts or mark-to-market adjustments recognized in the instruments' carrying values as at the balance sheet date.

MATURITY OF FINANCIAL LIABILITIES

As at July 31, 2019

In thousands of Canadian dollars (Unaudited)	Demand and notice	Term: Under 1 year	Term: 1 to 3 years	Term: 3 to 5 years	Term: Over 5 years	Total
Deposits						
Personal	$ 4,134,295	$ 6,708,710	$ 7,029,642	$ 2,183,556	$ 65,459	$ 20,121,662
Business, banks and other	1,659,598	2,591,013	1,495,834	777,576	4,415	6,528,436
Obligations related to securities sold short	—	2,921,954	—	—	—	2,921,954
Obligations related to securities sold under repurchase agreements	—	2,446,707	—	—	—	2,446,707
Debt related to securitization activities	—	1,769,022	3,642,910	1,946,397	618,896	7,977,225
Subordinated debt	—	—	350,000	—	—	350,000
Derivatives[1]	—	7,133	7,220	4,040	3,028	21,421
	$ 5,793,893	$ 16,444,539	$ 12,525,606	$ 4,911,569	$ 691,798	$ 40,367,405

As at October 31, 2018

In thousands of Canadian dollars (Unaudited)	Demand and notice	Term: Under 1 year	Term: 1 to 3 years	Term: 3 to 5 years	Term: Over 5 years	Total
Deposits						
Personal	$ 4,501,504	$ 7,273,402	$ 6,548,714	$ 2,620,368	$ 102,482	$ 21,046,470
Business, banks and other	1,999,377	2,965,403	1,372,278	779,743	3,017	7,119,818
Obligations related to securities sold short	—	3,008,666	—	—	—	3,008,666
Obligations related to securities sold under repurchase agreements	—	2,515,823	—	—	—	2,515,823
Debt related to securitization activities	—	1,546,129	3,610,838	2,366,379	370,512	7,893,858
Subordinated debt	—	—	—	350,000	—	350,000
Derivatives[1]	—	24,928	33,135	13,610	6,123	77,796
	$ 6,500,881	$ 17,334,351	$ 11,564,965	$ 6,130,100	$ 482,134	$ 42,012,431

(1) The obligations related to derivatives represent solely the theoretical payments related to derivatives designated as cash flow hedges and used for interest rate risk management whose net fair values were negative as at July 31, 2019 and October 31, 2018.

Credit ratings

On December 12, 2018, DBRS confirmed our A (low) rating on deposits and senior debt and R-1 (low) rating on short-term instruments. In addition, DBRS revised its trends on long-term ratings from negative to stable.

MARKET RISK

Market risk represents the financial losses that the Bank could incur following unfavourable fluctuations in the value of financial instruments subsequent to 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 structural interest rate risk, which corresponds to the potential negative impact of interest rate movements on the Bank's net interest income and economic value of its capital. Dynamic management of structural risk is intended to maximize the Bank's profitability while preserving the economic value of common shareholders' equity. As at July 31, 2019, 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.

The table below provides a measure of the sensitivity to changes in interest rates of the Bank as at July 31, 2019. As presented, anticipated changes to short term interest rates are not expected to have a significant impact on net interest income.

STRUCTURAL INTEREST RATE SENSITIVITY ANALYSIS

In thousands of Canadian dollars (Unaudited)	As at July 31 2019	As at October 31 2018
Effect of a 1% increase in interest rates		
Increase in net interest income before taxes over the next 12 months	$ 5,678	$ 13,548
Decrease in the economic value of common shareholders' equity (net of income taxes)	$ (50,716)	$ (37,671)

ADDITIONAL FINANCIAL INFORMATION - QUARTERLY RESULTS

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	July 31 2019	April 30 2019	January 31 2019	October 31 2018	July 31 2018	April 30 2018	January 31 2018	October 31 2017
Net interest income	$ 176,042	$ 164,564	$ 172,600	$ 173,152	$ 177,013	$ 177,112	$ 178,635	$ 176,220
Other income	68,611	75,317	69,738	82,705	83,651	82,775	88,367	91,748
Total revenue	244,653	239,881	242,338	255,857	260,664	259,887	267,002	267,968
Amortization of net premium on purchased financial instruments	336	390	442	495	547	601	653	707
Provision for credit losses	12,100	9,200	10,500	17,600	4,900	9,500	12,000	11,500
Non-interest expenses	177,858	183,131	184,676	176,437	187,245	175,554	177,545	184,365
Income before income taxes	54,359	47,160	46,720	61,325	67,972	74,232	76,804	71,396
Income taxes	6,561	3,847	6,464	10,524	13,069	15,037	17,057	12,761
Net income	$ 47,798	$ 43,313	$ 40,256	$ 50,801	$ 54,903	$ 59,195	$ 59,747	$ 58,635
Earnings per share								
Basic	$ 1.05	$ 0.95	$ 0.88	$ 1.13	$ 1.23	$ 1.34	$ 1.41	$ 1.42
Diluted	$ 1.05	$ 0.95	$ 0.88	$ 1.13	$ 1.23	$ 1.34	$ 1.41	$ 1.42

CORPORATE GOVERNANCE AND CHANGES TO INTERNAL CONTROL OVER FINANCIAL REPORTING

In November 2017, we initiated Phase 1 of the implementation of the core-banking system. The evaluation of the ensuing changes to the internal control over financial reporting (ICFR) supported that the design is appropriate with respect to financial reporting. As previously noted, Phase 1 of the implementation was completed in January 2019.

During the third quarter ended July 31, 2019, there have been no changes to ICFR that affected materially, or is reasonably likely to materially affect, ICFR.

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

ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies and estimates are outlined in Notes 2 and 3 of the 2018 Annual Consolidated Financial Statements. The Condensed Interim Consolidated Financial Statements (Unaudited) for the third quarter of 2019 have been prepared in accordance with these accounting policies, with the exception of accounting policy changes disclosed in Note 3, related to the adoption of IFRS 9 and IFRS 15.

Some of these accounting policies are deemed critical as they require management to apply judgement in order to make particularly significant estimates that, by their very nature, involve uncertainties. Changes in these estimates could materially affect our consolidated financial statements. Refer to the section "Critical Accounting Policies and Estimations" on pages 62 to 66 of our 2018 Annual Report for additional information. New estimates about impairment of financial assets have been applied since November 1, 2018 following the Bank's adoption of IFRS 9 and are further described in Note 7 to the Condensed Interim Consolidated Financial Statements (Unaudited).

FUTURE ACCOUNTING CHANGES

Except for the adoption of IFRS 9 and IFRS 15 as at November 1, 2018, there have been no significant updates to the future accounting changes disclosed in Note 4 of the 2018 Annual Consolidated Financial Statements and in the section "Future Accounting Changes" on pages 66 to 69 of our 2018 Annual Report.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the period ended July 31, 2019

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CONSOLIDATED BALANCE SHEET[1]

In thousands of Canadian dollars (Unaudited)	Notes	As at July 31 2019	As at October 31 2018
Assets			
Cash and non-interest bearing deposits with banks		$ 104,012	$ 116,490
Interest bearing deposits with banks		584,081	374,237
Securities	6		
At amortized cost		2,731,214	n/a
At fair value through profit or loss (FVTPL)		2,663,245	n/a
At fair value through other comprehensive income (FVOCI)		318,202	n/a
Available-for-sale		n/a	2,710,249
Held-to-maturity		n/a	655,757
Held-for-trading		n/a	2,695,138
		5,712,661	6,061,144
Securities purchased under reverse repurchase agreements		2,835,795	3,652,498
Loans	7 and 8		
Personal		4,854,103	5,372,468
Residential mortgage		16,164,948	16,986,338
Commercial		12,631,687	11,839,106
Customers' liabilities under acceptances		236,424	196,776
		33,887,162	34,394,688
Allowances for loan losses		(102,323)	(93,026)
		33,784,839	34,301,662
Other			
Derivatives		168,453	94,285
Premises and equipment		78,053	80,961
Software and other intangible assets		388,603	367,345
Goodwill		116,764	116,617
Deferred tax assets		36,989	25,437
Other assets		526,977	704,007
		1,315,839	1,388,652
		$ 44,337,227	$ 45,894,683
Liabilities and shareholders' equity			
Deposits			
Personal		$ 20,097,162	$ 20,995,453
Business, banks and other		6,518,443	7,011,119
		26,615,605	28,006,572
Other			
Obligations related to securities sold short		2,921,954	3,008,666
Obligations related to securities sold under repurchase agreements		2,446,707	2,515,823
Acceptances		236,424	196,776
Derivatives		125,100	285,492
Deferred tax liabilities		36,336	19,081
Other liabilities		1,068,507	1,229,556
		6,835,028	7,255,394
Debt related to securitization activities	8	7,977,807	7,787,753
Subordinated debt		349,016	348,762
Shareholders' equity			
Preferred shares	9	244,038	244,038
Common shares	9	1,131,986	1,115,416
Retained earnings		1,158,824	1,152,470
Accumulated other comprehensive income		23,384	(15,990)
Share-based compensation reserve	10	1,539	268
		2,559,771	2,496,202
		$ 44,337,227	$ 45,894,683

The accompanying notes are an integral part of the condensed interim consolidated financial statements (unaudited).

(1) The Consolidated Balance Sheet as at July 31, 2019 reflects the adoption of new accounting standards as at November 1, 2018. Refer to Notes 2 and 5 for further information. The comparative information has not been restated.

CONSOLIDATED STATEMENT OF INCOME[(1)]

In thousands of Canadian dollars, except per share amounts (Unaudited)	Notes	For the three months ended			For the nine months ended	
		July 31 2019	April 30 2019	July 31 2018	**July 31 2019**	July 31 2018
Interest income						
Loans		**$ 365,422**	$ 352,775	$ 355,302	**$ 1,079,735**	$ 1,040,801
Securities	14	**18,887**	19,877	16,391	**58,244**	43,354
Deposits with other banks		**1,899**	2,216	714	**6,236**	1,940
Other, including derivatives		**7,465**	6,910	7,958	**24,811**	20,108
		393,673	381,778	380,365	**1,169,026**	1,106,203
Interest expense						
Deposits		**161,570**	160,339	151,632	**480,405**	424,913
Debt related to securitization activities		**43,535**	41,514	42,064	**127,458**	123,628
Subordinated debt		**3,835**	3,709	3,835	**11,379**	11,379
Other, including derivatives		**8,691**	11,652	5,821	**36,578**	13,523
		217,631	217,214	203,352	**655,820**	573,443
Net interest income		**176,042**	164,564	177,013	**513,206**	532,760
Other income						
Fees and commissions on loans and deposits		**34,823**	33,595	37,624	**102,136**	111,668
Fees and commissions - brokerage operations		**10,330**	11,622	12,226	**31,973**	37,950
Commissions from sales of mutual funds		**10,749**	10,726	11,907	**32,186**	35,979
Fees on investment accounts		**4,378**	4,657	4,769	**13,638**	15,638
Income from treasury and financial market operations		**1,671**	2,408	5,358	**5,700**	12,466
Insurance income, net		**3,270**	3,702	3,808	**10,607**	11,572
Securities gains - brokerage operations		**239**	5,417	4,001	**7,344**	11,229
Other	7	**3,151**	3,190	3,958	**10,082**	18,291
		68,611	75,317	83,651	**213,666**	254,793
Total revenue		**244,653**	239,881	260,664	**726,872**	787,553
Amortization of net premium on purchased financial instruments		**336**	390	547	**1,168**	1,801
Provision for credit losses	7	**12,100**	9,200	4,900	**31,800**	26,400
Non-interest expenses						
Salaries and employee benefits	10, 11	**90,078**	90,474	93,010	**272,641**	278,222
Premises and technology		**48,705**	50,583	48,761	**148,334**	144,019
Other		**37,273**	38,634	43,231	**117,442**	110,834
Restructuring charges	16	**1,802**	3,440	2,243	**7,248**	4,912
Costs related to business combinations and other		**—**	—	—	**—**	2,357
		177,858	183,131	187,245	**545,665**	540,344
Income before income taxes		**54,359**	47,160	67,972	**148,239**	219,008
Income taxes		**6,561**	3,847	13,069	**16,872**	45,163
Net income		**$ 47,798**	$ 43,313	$ 54,903	**$ 131,367**	$ 173,845
Preferred share dividends, including applicable taxes		**3,257**	3,256	3,253	**9,770**	10,785
Net income available to common shareholders		**$ 44,541**	$ 40,057	$ 51,650	**$ 121,597**	$ 163,060
Average number of common shares outstanding (in thousands)						
Basic		**42,370**	42,235	41,894	**42,240**	41,030
Diluted		**42,429**	42,274	41,894	**42,279**	41,030
Earnings per share	12					
Basic		**$ 1.05**	$ 0.95	$ 1.23	**$ 2.88**	$ 3.97
Diluted		**$ 1.05**	$ 0.95	$ 1.23	**$ 2.88**	$ 3.97
Dividends declared per share						
Common share		**$ 0.66**	$ 0.65	$ 0.64	**$ 1.96**	$ 1.90
Preferred share - Series 11		**$ —**	$ —	$ —	**$ —**	$ 0.25
Preferred share - Series 13		**$ 0.27**	$ 0.27	$ 0.27	**$ 0.81**	$ 0.81
Preferred share - Series 15		**$ 0.37**	$ 0.37	$ 0.37	**$ 1.10**	$ 1.10

The accompanying notes are an integral part of the condensed interim consolidated financial statements (unaudited).

(1) The Consolidated Statement of Income for the period ended July 31, 2019 reflects the adoption of new accounting standards as at November 1, 2018. Refer to Notes 2 and 5 for further information. The comparative information has not been restated.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME[1]

In thousands of Canadian dollars (Unaudited)	For the three months ended			For the nine months ended	
	July 31 2019	April 30 2019	July 31 2018	**July 31 2019**	July 31 2018
Net income	**$ 47,798**	$ 43,313	$ 54,903	**$ 131,367**	$ 173,845
Other comprehensive income (loss), net of income taxes					
Items that may subsequently be reclassified to the statement of income					
Net change in debt securities at FVOCI					
Unrealized net gains (losses) on debt securities at FVOCI	**276**	1,129	n/a	**2,441**	n/a
Reclassification of net (gains) losses on debt securities at FVOCI to net income	**(392)**	(32)	n/a	**(493)**	n/a
	(116)	1,097	n/a	**1,948**	n/a
Net change in available-for-sale securities					
Unrealized net gains (losses) on available-for-sale securities	**n/a**	n/a	722	**n/a**	(2,875)
Reclassification of net (gains) losses on available-for-sale securities to net income	**n/a**	n/a	(107)	**n/a**	(2,062)
	n/a	n/a	615	**n/a**	(4,937)
Net change in value of derivatives designated as cash flow hedges	**(274)**	11,347	(748)	**35,057**	240
Net foreign currency translation adjustments					
Net unrealized foreign currency translations gains (losses) on investments in foreign operations	**(6,007)**	7,847	4,742	**877**	4,608
Unrealized net gains (losses) on hedges of investments in foreign operations	**1,438**	(4,444)	(3,466)	**(4,916)**	(3,336)
	(4,569)	3,403	1,276	**(4,039)**	1,272
	(4,959)	15,847	1,143	**32,966**	(3,425)
Items that may not subsequently be reclassified to the statement of income					
Remeasurement gains (losses) on employee benefit plans	**(6,498)**	5,156	7,573	**(3,373)**	12,965
Net gains (losses) on equity securities designated at FVOCI	**(3,342)**	1,552	n/a	**(15,073)**	n/a
	(9,840)	6,708	7,573	**(18,446)**	12,965
Total other comprehensive income (loss), net of income taxes	**(14,799)**	22,555	8,716	**14,520**	9,540
Comprehensive income	**$ 32,999**	$ 65,868	$ 63,619	**$ 145,887**	$ 183,385

The accompanying notes are an integral part of the condensed interim consolidated financial statements (unaudited).

(1) The Consolidated Statement of Comprehensive Income for the period ended July 31, 2019 reflects the adoption of new accounting standards as at November 1, 2018. Refer to Notes 2 and 5 for further information. The comparative information has not been restated.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)[1]

INCOME TAXES — OTHER COMPREHENSIVE INCOME

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

	For the three months ended			For the nine months ended	
In thousands of Canadian dollars (Unaudited)	**July 31 2019**	April 30 2019	July 31 2018	**July 31 2019**	July 31 2018
Net change in debt securities at FVOCI					
Unrealized net gains (losses) on debt securities at FVOCI	**$ (42)**	$ 170	n/a	**$ 706**	n/a
Reclassification of net (gains) losses on debt securities at FVOCI to net income	**—**	—	n/a	**—**	n/a
	(42)	170	n/a	**706**	n/a
Net change in available-for-sale securities					
Unrealized net gains (losses) on available-for-sale securities	**n/a**	n/a	$ 191	**n/a**	$ (914)
Reclassification of net (gains) losses on available-for-sale securities to net income	**n/a**	n/a	(39)	**n/a**	(704)
	n/a	n/a	152	**n/a**	(1,618)
Net change in value of derivatives designated as cash flow hedges	**(103)**	4,103	(274)	**12,673**	84
Net foreign currency translation adjustments					
Unrealized net gains (losses) on hedges of investments in foreign operations	**(298)**	156	(20)	**(142)**	—
Remeasurement gains (losses) on employee benefit plans	**(2,355)**	1,868	2,756	**(1,223)**	4,718
Net gains (losses) on equity securities designated at FVOCI	**(1,212)**	$ 563	n/a	**(5,467)**	n/a
	$ (4,010)	$ 6,860	$ 2,614	**$ 6,547**	$ 3,184

The accompanying notes are an integral part of the condensed interim consolidated financial statements (unaudited).

(1) The Consolidated Statement of Comprehensive Income for the period ended July 31, 2019 reflects the adoption of adoption of new accounting standards as at November 1, 2018. Refer to Notes 2 and 5 for further information. The comparative information has not been restated.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY[1]

For the nine months ended July 31

In thousands of Canadian dollars (Unaudited)	Preferred shares (Note 9)	Common shares (Note 9)	Retained earnings	Accumulated other comprehensive income					Share-based compen-sation reserve (Note 10)	Total shareholders' equity
				Debt securities at FVOCI	Available-for-sale securities	Cash flow hedges	Translation of foreign operations	Total		
Balance as at October 31, 2018	$ 244,038	$1,115,416	$1,152,470	$ —	$ (8,029)	$ (12,244)	$ 4,283	$ (15,990)	$ 268	$ 2,496,202
Impact of adoption of new accounting standards (Notes 2 and 5)			(14,087)	(1,621)	8,029			6,408		(7,679)
Balance as at November 1, 2018	244,038	1,115,416	1,138,383	(1,621)	—	(12,244)	4,283	(9,582)	268	2,488,523
Net income			131,367							131,367
Other comprehensive income (net of income taxes)										
Unrealized net gains (losses) on debt securities at FVOCI				2,441				2,441		2,441
Reclassification of net (gains) losses on debt securities at FVOCI to net income				(493)				(493)		(493)
Net change in value of derivatives designated as cash flow hedges						35,057		35,057		35,057
Net unrealized foreign currency translation gains (losses) on investments in foreign operations							877	877		877
Unrealized net gains (losses) on hedges of investments in foreign operations							(4,916)	(4,916)		(4,916)
Remeasurement of gains (losses) on employee benefit plans			(3,373)							(3,373)
Net gains (losses) on equity securities designated at FVOCI			(15,073)							(15,073)
Comprehensive income			112,921	1,948	n/a	35,057	(4,039)	32,966		145,887
Issuance of share capital		16,570								16,570
Share-based compensation									1,271	1,271
Dividends										
Preferred shares, including applicable taxes			(9,770)							(9,770)
Common shares			(82,710)							(82,710)
Balance as at July 31, 2019	$ 244,038	$1,131,986	$1,158,824	$ 327	n/a	$ 22,813	$ 244	$ 23,384	$ 1,539	$ 2,559,771

The accompanying notes are an integral part of the condensed interim consolidated financial statements (unaudited).

(1) The Consolidated Statement of Changes in Shareholders' Equity for the period ended July 31, 2019 reflects the adoption of new accounting standards as at November 1, 2018. Refer to Notes 2 and 5 for further information. The comparative information has not been restated.

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

				For the nine months ended July 31				
				Accumulated other comprehensive income				
In thousands of Canadian dollars (Unaudited)	Preferred shares (Note 9)	Common shares (Note 9)	Retained earnings	Available-for-sale securities	Cash flow hedges	Translation of foreign operations	Total	Total shareholders' equity
Balance as at October 31, 2017	$ 341,600	$ 953,536	$ 1,035,770	$ 4,849	$ (7,293)	$ 1,948	$ (496)	$ 2,330,410
Net income			173,845					173,845
Other comprehensive income (loss), (net of income taxes)								
Unrealized net gains (losses) on available-for-sale securities				(2,875)			(2,875)	(2,875)
Reclassification of net (gains) losses on available-for-sale securities to net income				(2,062)			(2,062)	(2,062)
Net change in value of derivatives designated as cash flow hedges					240		240	240
Net unrealized foreign currency translation gains (losses) on investments in foreign operations						4,608	4,608	4,608
Unrealized net gains (losses) on hedges of investments in foreign operations						(3,336)	(3,336)	(3,336)
Remeasurement of gains (losses) on employee benefit plans			12,965					12,965
Comprehensive income			186,810	(4,937)	240	1,272	(3,425)	183,385
Issuance of share capital		158,668						158,668
Repurchase of share capital	(97,562)		(2,438)					(100,000)
Dividends								
Preferred shares, including applicable taxes			(10,785)					(10,785)
Common shares			(77,615)					(77,615)
Balance as at July 31, 2018	$ 244,038	$ 1,112,204	$ 1,131,742	$ (88)	$ (7,053)	$ 3,220	$ (3,921)	$ 2,484,063

The accompanying notes are an integral part of the condensed interim consolidated financial statements (unaudited).

CONSOLIDATED STATEMENT OF CASH FLOWS[(1)]

In thousands of Canadian dollars (Unaudited)	Notes	For the three months ended July 31 2019	April 30 2019	July 31 2018	For the nine months ended July 31 2019	July 31 2018
Cash flows relating to operating activities						
Net income		**$ 47,798**	$ 43,313	$ 54,903	**$ 131,367**	$ 173,845
Adjustments to determine net cash flows relating to operating activities:						
Provision for credit losses	7	**12,100**	9,200	4,900	**31,800**	26,400
Net gains on disposal of available-for-sale securities	6	**n/a**	n/a	(146)	**n/a**	(2,766)
Net gain on sale of commercial loan portfolios		**—**	—	—	**—**	(5,330)
Deferred income taxes		**691**	(2,572)	396	**(3,276)**	(1,245)
Depreciation of premises and equipment		**1,763**	1,770	1,660	**5,296**	4,995
Amortization of software and other intangible assets		**9,656**	10,264	9,286	**29,393**	26,496
Change in operating assets and liabilities:						
Loans		**219,744**	(22,029)	934,117	**383,084**	889,114
Acceptances		**66,223**	(3,209)	(305,970)	**39,648**	(315,965)
Securities at FVTPL		**102,068**	(207,133)	(21,926)	**58,241**	(217,755)
Securities purchased under reverse repurchase agreements		**13,608**	495,948	658,224	**816,703**	(464,654)
Accrued interest receivable		**21,683**	(23,415)	2,706	**(2,760)**	1,820
Derivative assets		**(33,989)**	(9,637)	2,541	**(74,168)**	4,594
Deposits		**(463,592)**	(1,137,345)	(394,278)	**(1,390,967)**	160,021
Obligations related to securities sold short		**753,118**	(928,769)	716,245	**(86,712)**	976,515
Obligations related to securities sold under repurchase agreements		**(739,406)**	975,274	(301,135)	**(69,116)**	(513,713)
Accrued interest payable		**(4,870)**	20,757	5,118	**(11,692)**	19,480
Derivative liabilities		**(19,730)**	(22,091)	6,359	**(160,392)**	22,821
Debt related to securitization activities		**118,324**	520,203	(636,278)	**190,054**	(416,332)
Other, net		**(61)**	78,324	(12,376)	**65,444**	(139,097)
		105,128	(201,147)	724,346	**(48,053)**	229,244
Cash flows relating to financing activities						
Repurchase of preferred shares	9	**—**	—	—	**—**	(100,000)
Net proceeds from issuance of common shares	9	**(3)**	(3)	(11)	**(10)**	139,123
Dividends		**(25,127)**	(25,584)	(23,604)	**(77,548)**	(65,691)
		(25,130)	(25,587)	(23,615)	**(77,558)**	(26,568)
Cash flows relating to investing activities						
Change in securities at amortized cost						
Acquisitions		**(580,427)**	(688,738)	n/a	**(2,228,041)**	n/a
Proceeds on sale and at maturity		**789,811**	704,086	n/a	**2,499,481**	n/a
Change in securities at FVOCI						
Acquisitions		**(165,499)**	(90,682)	n/a	**(495,009)**	n/a
Proceeds on sale and at maturity		**189,064**	108,217	n/a	**496,134**	n/a
Change in available-for-sale securities						
Acquisitions		**n/a**	n/a	(1,135,943)	**n/a**	(3,543,845)
Proceeds on sale and at maturity		**n/a**	n/a	715,817	**n/a**	3,328,520
Change in held-to-maturity securities						
Acquisitions		**n/a**	n/a	(179,955)	**n/a**	(581,619)
Proceeds at maturity		**n/a**	n/a	110,721	**n/a**	542,065
Proceeds on sale of commercial loan portfolios	7	**—**	—	—	**105,366**	380,106
Additions to premises and equipment and software and other intangible assets		**(16,171)**	(19,756)	(43,914)	**(53,922)**	(114,780)
Change in interest bearing deposits with banks		**(290,791)**	204,172	(168,576)	**(209,844)**	(185,498)
		(74,013)	217,299	(701,850)	**114,165**	(175,051)
Effect of exchange rate changes on cash and non-interest-bearing deposits with other banks		**(1,837)**	1,160	916	**(1,032)**	2,534
Net change in cash and non-interest bearing deposits with banks		**4,148**	(8,275)	(203)	**(12,478)**	30,159
Cash and non-interest bearing deposits with banks at beginning of period		**99,864**	108,139	142,340	**116,490**	111,978
Cash and non-interest bearing deposits with banks at end of period		**$ 104,012**	$ 99,864	$ 142,137	**$ 104,012**	$ 142,137
Supplemental disclosure about cash flows relating to operating activities:						
Interest paid during the period		**$ 226,297**	$ 196,443	$ 199,725	**$ 663,668**	$ 555,118
Interest received during the period		**$ 412,006**	$ 356,987	$ 381,424	**$ 1,152,727**	$ 1,105,103
Dividends received during the period		**$ 3,924**	$ 3,897	$ 2,772	**$ 11,268**	$ 7,893
Income taxes paid (received) during the period		**$ (172)**	$ 19,722	$ 10,375	**$ 38,729**	$ 70,148

The accompanying notes are an integral part of the condensed interim consolidated financial statements (unaudited).

(1) The Consolidated Statement of Cash Flows for the nine months ended July 31, 2019 reflects the adoption of new accounting standards as at November 1, 2018. Refer to Notes 2 and 5 for further information. The comparative information has not been restated.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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 retail, business and institutional customers. The Bank operates primarily across Canada and in the United States.

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

The condensed interim consolidated financial statements (unaudited) for the period ended July 31, 2019 were approved for issuance by the Board of Directors on August 28, 2019.

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 consolidated financial statements also comply with the Bank Act, which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions Canada (OSFI), financial statements are to be prepared in accordance with IFRS.

These consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 31, 2018 prepared in accordance with IFRS. The accounting policies described in Note 3 to the audited annual consolidated financial statements have been applied consistently to all periods presented within these financial statements, except for the changes described in Note 3 to these consolidated financial statements, which have been applied since November 1, 2018 following the Bank's adoption of IFRS 9, *Financial Instruments* (IFRS 9) and IFRS 15*, Revenue from Contracts with Customers* (IFRS 15). Note 5 to these consolidated financial statements shows the impacts of the adoption of new accounting standards as at November 1, 2018. As permitted by IFRS 9, the Bank did not restate comparative amounts for prior periods. The adoption of IFRS 15 had no significant impact on the Bank's Consolidated Financial Statements as at November 1, 2018.

Use of estimates and judgment

The preparation of these consolidated financial statements in accordance with IFRS requires management to make complex judgments that affect the reported amounts of assets, liabilities, net income and other related disclosures, as further described in Note 2 to the audited annual consolidated financial statements. New estimates about impairment of financial assets have been applied since November 1, 2018 following the Bank's adoption of IFRS 9 and are further described in Note 7 to these financial statements. Management has established controls and procedures to ensure these estimates are controlled, reviewed and consistently applied over time. Management believes that the estimates of the value of the Bank's assets and liabilities are appropriate.

3. CURRENT ACCOUNTING POLICY CHANGES

The accounting policies hereafter have been applied as at November 1, 2018 following the adoption of IFRS 9 and IFRS 15, further described in Note 5. The Bank elected not to apply the IFRS 9 hedge accounting requirements and instead continues to apply the IAS 39, *Financial Instruments: Recognition and Measurement* requirements.

3.1 FINANCIAL INSTRUMENTS

Classification and measurement of financial assets

At initial recognition, all financial assets are recorded at fair value on the Consolidated Balance Sheet. After initial recognition, financial assets must be measured as: 1) at amortized cost 2) at FVOCI, or 3) at FVTPL.

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

3. CURRENT ACCOUNTING POLICY CHANGES (CONT'D)

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

Business model assessment
The Bank determines its business models based on the objective under which each portfolio of financial assets is managed. The business model reflects how the Bank manages its financial assets and the extent to which the financial asset cash flows are generated by the collection of the contractual cash flows, the sale of financial assets, or both. The Bank determines the business model using scenarios that are reasonably expected to occur. The business model determination requires the use of judgment and consideration of all the relevant evidence available at the date of determination.

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

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

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

As at July 31, 2019 and November 1, 2018, the Bank had not designated any debt instrument as at FVTPL.

In addition, it is permitted to irrevocably designate, at initial recognition, an equity instrument that is neither held for trading nor a contingent consideration recognized in a business combination as at FVOCI.

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

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

The Bank initially recognizes securities at FVOCI on the consolidated balance sheet at the settlement date, including direct and incremental transaction costs.

For debt securities at FVOCI, unrealized gains and losses are subsequently recognized, net of expected credit losses and income taxes, and provided that they are not hedged by derivative financial instruments in a fair value hedging relationship, in Other comprehensive income. When the securities are sold, realized gains or losses, determined on an average cost basis, are reclassified to Income from treasury and financial market operations in the Consolidated Statement of Income. Interest income is recognized in the Consolidated Statement of Income using the effective interest rate method, including the amortization of transaction costs, as well as premium or discounts over the security's expected life.

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

3. CURRENT ACCOUNTING POLICY CHANGES (CONT'D)

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

Securities at FVTPL are initially recorded at fair value on the settlement date on the consolidated balance sheet. Transaction costs and other fees associated with financial instruments at FVTPL are expensed as incurred. Subsequently, these securities are measured at fair value and the realized and unrealized gains and losses are recognized in the Consolidated Statement of Income under Income from treasury and financial market operations or Securities gains on brokerage operations. The amortization of premiums and discounts, calculated using the effective interest rate method, as well as interest income and dividend income, are recognized in Interest income in the Consolidated Statement of Income.

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

Loans at FVOCI
Loans at FVOCI include loans originated or purchased by the Bank that are not classified as measured at FVTPL or designated at FVTPL under the fair value option. These loans are held within a "hold to collect and sell" business model business model whose objective is to collect cash flows that are solely payments of principal and interest on the principal amount outstanding and to sell them to generate a profit. Loans originated by the Bank are recognized at the settlement date on the Consolidated Balance Sheet. Loans are initially measured at fair value plus directly attributable costs. Interest income on loans at FVOCI is recorded using the effective interest rate method in Interest income in the Consolidated Statement of Income. Changes in the fair value of loans classified as at FVOCI are presented, net of income taxes, in Other comprehensive income. When the securities are sold, realized gains or losses, are reclassified to Other Income.

As at July 31, 2019 and November 1, 2018, the Bank had no loans at FVOCI.

Loans at FVTPL
Loans at FVTPL include loans designated at FVTPL under the fair value option and loans for which the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding. These loans are initially recognized at fair value on the Consolidated Balance Sheet excluding any transaction costs which are recorded in Fees and commissions on loans and deposits in the Consolidated Statement of Income. Interest income on loans at FVTPL is recorded in Interest income in the Consolidated Statement of Income. Changes in the fair value of loans classified as at FVTPL and loans designated at FVTPL under the fair value option are recognized in Income from treasury and financial market operations.

As at July 31, 2019 and November 1, 2018, the Bank had no loans at FVTPL.

Classification and measurement of financial liabilities

At initial recognition, all financial liabilities are recorded at fair value at the settlement date on the Consolidated Balance Sheet. After initial recognition, financial liabilities must be measured as: 1) at amortized cost or 2) at FVTPL.

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

Financial liabilities at FVTPL
Financial liabilities at FVTPL are composed of financial instruments held-for-trading including obligations related to securities sold short, derivatives not designated in hedge relationships and financial liabilities designated by the Bank as at FVTPL under the fair value option upon initial recognition. Financial liabilities at FVTPL are initially recorded at fair value at the settlement date on the Consolidated Balance Sheet. Subsequently, these financial instruments are remeasured at fair value and the realized and unrealized gains and losses are immediately recognized in the Consolidated Statement of Income under Income from treasury and financial market or Securities gains - brokerage operations. For financial liabilities designated by the Bank as at FVTPL under the fair value option, changes in the fair value which are attributable to changes in own credit risk are presented in other comprehensive income rather than in the Consolidated Statement of Income, unless it creates a mismatch. Interest expense paid is recognized in the Consolidated Statement of Income. Transaction costs and other fees associated with financial instruments at FVTPL are expensed as incurred.

As at July 31, 2019 and November 1, 2018, the Bank had not designated any financial liabilities at FVTPL.

3. CURRENT ACCOUNTING POLICY CHANGES (CONT'D)

Reclassification of financial assets and financial liabilities

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

Impairment of financial assets

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

In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses. When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off. Interest income is calculated on the gross carrying amount of the financial assets in stages 1 and 2 and on the net carrying amount of the financial assets in stage 3.

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

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

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

The measurement of ECLs is based primarily on the product of the instrument's PD, loss given default (LGD), and exposure at default (EAD). The IFRS 9 ECL calculation has leveraged, where appropriate, the credit risk model parameters used by the Bank for the collective allowance calculation under IAS 39, namely: PD, LGD and EAD. Forward-looking macroeconomic factors such as interest rates, unemployment rates, gross domestic product (GDP) forecasts and housing price indices are incorporated into the risk parameters. The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The Bank incorporates three forward-looking macroeconomic scenarios in its ECL calculation process: a base scenario, an upside scenario, and a downside scenario. Probability-weights are attributed to each scenario. The scenarios and probability weights are reassessed quarterly and subject to management review. The Bank applies experienced credit judgment to adjust the modeled ECL results when it becomes evident that known or expected risk factors and information were not considered in the credit risk rating and modeling process.

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

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

3. CURRENT ACCOUNTING POLICY CHANGES (CONT'D)

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

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

3.2 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

Fees and commissions on loans and deposits

Fees and commissions on loans and deposits include lending fees, deposit service charges, and card service revenues.

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

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

Card service revenues include interchange income, as well as card fees such as annual and transactional fees. The Bank also offers credit card loyalty points programs which affect the timing of recognition of card service revenues.

Interchange income
Interchange income is recognized at a point in time when the transaction is authorized and funded. The Bank is acting as an agent in these arrangements.

When another party is involved in providing services to its customer, the Bank determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Bank is a principal and records revenue on a gross basis if it controls the promised services before transferring them to the customer. However, if the Bank's role is only to arrange for another entity to provide the services, then the Bank is an agent and will record revenue at the net amount that it retains for its agency services.

Card fees
Card fees are recognized as earned at the transaction date with the exception of annual fees, which are recognized over a twelve-month period.

Loyalty points programs
The Bank offers credit card loyalty points programs, which allow customers to accumulate points that can be redeemed for free products or services. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognized as a contract liability until the points are redeemed. Revenue is recognized upon redemption of products or services by the customer.

When estimating the stand-alone selling price of the loyalty points, the Bank considers the likelihood that the customer will redeem the points. The Banks updates its estimates of the points that will be redeemed on a monthly basis and any adjustments to the contract liability balance are charged against revenue.

Fees and commissions - brokerage operations

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

3. CURRENT ACCOUNTING POLICY CHANGES (CONT'D)

Commissions from sales of mutual funds

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

Fees from investment accounts

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

Contract balances

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

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

4. FUTURE ACCOUNTING CHANGES

Except for the adoption of IFRS 9 and IFRS 15 as at November 1, 2018, there have been no significant updates to the future accounting changes disclosed in Note 4 of the audited annual consolidated financial statements for the year ended October 31, 2018.

5. ADOPTION OF NEW ACCOUNTING STANDARDS

5.1 IFRS 9, *FINANCIAL INSTRUMENTS*

The IFRS 9 classification and measurement requirements as well as the impairment requirements have been applied retrospectively through adjustments to Consolidated Balance Sheet amounts on the date of initial application, i.e., November 1, 2018, with no restatement of comparative periods, as is permitted under the standard. The impacts of IFRS 9 adoption were recognized through adjustments to Retained earnings and Accumulated other comprehensive income on November 1, 2018. The following information presents the Consolidated Balance Sheet impacts as at November 1, 2018.

Classification and measurement of financial instruments at the date of initial application of IFRS 9

The following tables show the measurement categories and carrying amounts of the Bank's financial assets and financial liabilities, as previously established in accordance with IAS 39 as at October 31, 2018, as well as the new measurement categories and new carrying amounts established in accordance with IFRS 9 as at November 1, 2018 and the impact of IFRS 9 adoption on shareholders' equity.

With respect to financial instruments for which the measurement method has changed, additional information is provided hereafter.

5. ADOPTION OF NEW ACCOUNTING STANDARDS (CONT'D)

Impact of IFRS 9 adoption on financial assets

As at November 1, 2018	IAS 39 measurement category	IFRS 9 measurement category	Carrying amount under IAS 39	Classification	Measurement	Carrying amount under IFRS 9	
Financial assets							
Cash and non-interest-bearing deposits with other banks	Loans and receivables	Amortized cost	$ 116,490	$ —	$ —	$ 116,490	
Interest-bearing deposits with other banks	Loans and receivables	Amortized cost	374,237	—	—	374,237	
Securities	Available-for-sale	n/a	2,710,249	(2,710,249)	—	—	
		Amortized cost	—	2,333,880	(140)	2,333,740	(1)
		FVOCI (debt securities)	—	156,804	(60)	156,744	
		FVOCI (designated equity securities)		180,058	—	180,058	(2)
		FVTPL	—	39,507	—	39,507	(3)
	Held-to-maturity	n/a	655,757	(655,757)	—	—	
		Amortized cost	—	655,757	—	655,757	
	Held-for-trading	n/a	2,695,138	(2,695,138)	—	—	
		Amortized cost	—	13,159	—	13,159	(4)
		FVTPL	—	2,681,979	—	2,681,979	
			6,551,871	—	(200)	6,551,671	(5)
Securities purchased under reverse repurchase agreements	Loans and receivables	Amortized cost	3,652,498	—	—	3,652,498	
Loans							
Personal	Loans and receivables	Amortized cost	5,372,468	—	—	5,372,468	
Residential mortgage	Loans and receivables	Amortized cost	16,986,338	—	—	16,986,338	
Commercial	Loans and receivables	Amortized cost	11,839,106	—	—	11,839,106	
Customers' liabilities under acceptances	Loans and receivables	Amortized cost	196,776	—	—	196,776	
			34,394,688	—	—	34,394,688	
Allowances for loan losses			(93,026)	—	(6,578)	(99,604)	(5)
			34,301,662	—	(6,578)	34,295,084	
Derivatives	FVTPL	FVTPL	94,285	—	—	94,285	
Other financial assets	Loans and receivables	Amortized cost	226,674	—	—	226,674	
Sub-total – Impact of IFRS 9 adoption on financial assets, before income taxes			n/a	$ —	$ (6,778)	n/a	

(1) As at October 31, 2018, these debt securities were classified as available-for-sale. They were being recognized at fair value with changes in fair value being recorded in Other comprehensive income. On November 1, 2018, under IFRS 9, the Bank reclassified these debt securities as at amortized cost, since (1) the financial assets are held within a business model whose objective is achieved by collecting contractual cash flows and (2) the contractual terms of these debt securities give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The fair value of these debt securities as at October 31, 2018 was treated as their new gross carrying amount or amortized cost, respectively, as at November 1, 2018. Had the Bank not reclassified these debt securities as at amortized cost, the change in fair value that would have been recognized in Other comprehensive income would have been a loss of $0.3 million for the three months ended July 31, 2019 and a gain of $0.8 million for the nine months ended July 31, 2019.

(2) As at October 31, 2018, these equity securities were classified as available-for-sale. They were being recognized at fair value with changes in fair value being recorded in Other comprehensive income. On November 1, 2018, and as permitted by the IFRS 9 transitional provisions, the Bank made an irrevocable election to designate these equity securities held in non-trading portfolios at FVOCI with no subsequent reclassification of gains and losses to net income.

(3) As at October 31, 2018, these debt securities were classified as available-for-sale. They were being recognized at fair value with changes in fair value being recorded in Other comprehensive income. On November 1, 2018, under IFRS 9, the Bank reclassified these debt securities as at FVTPL, since the financial assets are not held within a "hold to collect" business model nor a "hold to collect and sell" business model.

(4) As at October 31, 2018, these debt securities were classified as held-for-trading. They were being recognized at fair value with changes in fair value being recorded in profit or loss. On November 1, 2018, under IFRS 9, the Bank reclassified these debt securities as at amortized cost, since (1) the financial assets are now held within a business model whose objective is achieved by collecting contractual cash flows and (2) the contractual terms of these debt securities give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The fair value of these debt securities as at October 31 2018 was treated as their new gross carrying amount or amortized cost, respectively, as at November 1, 2018. Had the Bank not reclassified these debt securities as at amortized cost, changes in fair value that would have been recognized in the Consolidated Statement of Income would have been negligible for the three and nine-month periods ended July 31, 2019.

(5) Refer to the Reconciliation of allowances for credit losses at transition date table below for further details.

5. ADOPTION OF NEW ACCOUNTING STANDARDS (CONT'D)

Impact of IFRS 9 adoption on financial liabilities and shareholders' equity

As at November 1, 2018	IAS 39 measurement category	IFRS 9 measurement category	Carrying amount under IAS 39	Classification	Measurement	Carrying amount under IFRS 9	
Financial liabilities							
Deposits	Amortized cost	Amortized cost	$ 28,006,572	$ —	$ —	$ 28,006,572	
Obligations related to securities sold short	FVTPL	FVTPL	3,008,666	—	—	3,008,666	
Obligations related to securities sold under repurchase agreements	Amortized cost	Amortized cost	2,515,823	—	—	2,515,823	
Acceptances	Amortized cost	Amortized cost	196,776	—	—	196,776	
Derivatives	FVTPL	FVTPL	285,492	—	—	285,492	
Other financial liabilities	Amortized cost	Amortized cost	628,822	—	3,655	632,477	(1)
Debt related to securitization activities	Amortized cost	Amortized cost	7,787,753	—	—	7,787,753	
Subordinated debt	Amortized cost	Amortized cost	348,762	—	—	348,762	
Sub-total – Impact of IFRS 9 adoption on financial liabilities, before income taxes			n/a	—	3,655	n/a	
Total – Impact of IFRS 9 adoption, before income taxes			n/a	—	(10,433)	n/a	
Shareholders' equity							
Total Accumulated other comprehensive income, after income taxes			(15,990)	6,408	—	(9,582)	(2)
Total Retained earnings, after income taxes			1,152,470	(6,408)	(7,679)	1,138,383	(2),(3)
Total Shareholders' equity, after income taxes			$ 2,496,202	$ —	$ (7,679)	$ 2,488,523	(3)

(1) Refer to the Reconciliation of allowances for credit losses at transition date table below for further details.
(2) Classification amount represents the impact after income taxes ($8.5 million before income taxes) that resulted from the reclassification of debt securities from available-for-sale under IAS 39 to amortized cost under IFRS 9.
(3) Measurement amount represents the impact after income taxes ($10.4 million before income taxes) of the adoption of the impairment provisions of IFRS 9.

Reconciliation of allowances for credit losses at transition date

The following table presents a reconciliation of the allowances for credit losses amounts established in accordance with IAS 39 as at October 31, 2018 with those established in accordance with IFRS 9 as at November 1, 2018.

	IAS 39/IAS 37				IFRS 9			
As at November 1, 2018	Individual Allowances	Collective Allowances[1]	Total	Transition Adjustments	Stage 1	Stage 2	Stage 3	Total
Debt securities								
At amortized cost[2]	$ —	$ —	$ —	$ 140	$ 140	$ —	$ —	$ 140
At FVOCI[3]	—	—	—	60	60	—	—	60
	—	—	—	200	200	—	—	200
Loans at amortized cost								
Personal	—	23,509	23,509	11,215	9,214	20,582	4,928	34,724
Residential mortgage	—	9,920	9,920	(5,214)	2,435	1,828	443	4,706
Commercial[4]	28,442	31,155	59,597	577	19,536	8,004	32,634	60,174
	28,442	64,584	93,026	6,578	31,185	30,414	38,005	99,604
Off-balance sheet exposures[5]	—	3,396	3,396	3,655	4,523	2,176	352	7,051
Total allowances for credit losses	$ 28,442	$ 67,980	$ 96,422	$ 10,433	$ 35,908	$ 32,590	$ 38,357	$ 106,855

(1) Includes collective allowances for impaired loans and for other loans.
(2) Previously available-for-sale and held-to-maturity securities under IAS 39.
(3) Previously available-for-sale debt securities under IAS 39.
(4) Including customers' liabilities under acceptances.
(5) Including letters of guarantee and certain undrawn amounts under approved credit facilities, established under IAS 37 as at October 31, 2018.

5. ADOPTION OF NEW ACCOUNTING STANDARDS (CONT'D)

5.2 IFRS 15, *REVENUE FROM CONTRACTS WITH CUSTOMERS*

IFRS 15, *Revenue from Contracts with Customers* establishes a comprehensive framework for the recognition, measurement and disclosure of revenues. IFRS 15 applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments) and replaces, among others, the previous revenue standard IAS 18, *Revenue* and the related interpretation on revenue recognition IFRIC 13, *Customer Loyalty Programmes*.

IFRS 15 requires that revenue recognised from contracts with customers must be disclosed separately from its other sources of revenue. As such, income from brokerage operations previously presented on a single line item on the consolidated statement of income is now presented separately under two line items: Fees and commissions – brokerage operations and Securities gains – brokerage operations. This change in presentation was applied retrospectively.

The adoption of IFRS 15 had no significant impact on the Bank's Consolidated Financial Statements as at November 1, 2018.

6. SECURITIES

Credit quality

As at July 31, 2019, debt securities at amortized cost and at FVOCI are classified in Stage 1, with their credit facility falling mainly in the "Low risk" category according the Bank's internal risk-rating categories. As at July 31, 2019, allowances for credit losses amounted to $0.1 million for debt securities at amortized cost and $0.1 million for debt securities at FVOCI.

Securities at amortized cost

		As at July 31, 2019
Securities issued or guaranteed		
by Canada[1]	$	1,513,023
by provinces		1,137,942
by municipalities		34,205
Other debt securities		46,044
	$	2,731,214

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

Securities at FVOCI

Accumulated unrealized gains and losses recognized in other comprehensive income

		Amortized cost		Unrealized gains		Unrealized losses		Fair value[1]
								As at July 31, 2019
Securities issued or guaranteed								
by Canada[2]	$	26,497	$	121	$	11	$	26,607
by provinces		4,245		73		—		4,318
by municipalities		66,288		213		85		66,416
Other debt securities		24,959		435		26		25,368
Asset-backed securities		1,260		1		—		1,261
Preferred shares		193,626		435		26,933		167,128
Common shares and other securities		25,660		1,913		469		27,104
	$	342,535	$	3,191	$	27,524	$	318,202

(1) The allowances for credit losses on debt securities at FVOCI, amounting to $0.1 million as at July 31, 2019, are reported in Accumulated other comprehensive income.
(2) Including mortgage-backed securities that are fully guaranteed by the Canada Mortgage and Housing Corporation pursuant to the National Housing Act.

6. SECURITIES (CONT'D)

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.

For the three months ended July 31, 2019, an amount of $2.6 million in dividend income was recognized on these investments ($2.7 million for the three months ended April 30, 2019 and $7.7 million for the nine months ended July 31, 2019), including a negligible amount for investments that were sold during the three months ended July 31, 2019 (negligible amount for the three months ended April 30, 2019 and for the nine months ended July 31, 2019).

		For the nine months ended July 31, 2019
Fair value as at November 1, 2018	$	**180,058**
Change in fair value		**(17,746)**
Designated at FVOCI		**66,050**
Sales or redemptions		**(34,129)**
Fair value as at July 31, 2019	**$**	**194,233**

Available-for-sale securities

Gains and losses recognized in income from treasury and financial market operations on the portfolio of available-for-sale securities

		For the three months ended		For the nine months ended
		July 31 2018		July 31 2018
Realized net gains	$	146	$	2,766

Accumulated unrealized gains and losses recognized in other comprehensive income on the portfolio of available-for-sale securities

								As at October 31, 2018
		Amortized cost		Unrealized gains		Unrealized losses		Fair value
Securities issued or guaranteed								
by Canada[1]	$	1,028,739	$	351	$	445	$	1,028,645
by provinces		1,327,856		181		618		1,327,419
by municipalities		127,212		—		1,997		125,215
Other debt securities		39,342		5		1,027		38,320
Asset-backed securities		2,453		—		2		2,451
Preferred shares		184,651		8		7,350		177,309
Common shares and other securities		10,658		256		24		10,890
	$	2,720,911	$	801	$	11,463	$	2,710,249

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

7. LOANS AND ALLOWANCES FOR CREDIT LOSSES

As at July 31, 2019, loans are recognized on the Consolidated Balance Sheet at amortized cost as outlined in Note 3 using the financial asset classification criteria defined in IFRS 9. The following information is presented in accordance with IFRS 9 as at July 31, 2019 and in accordance with IAS 39 as at October 31, 2018. For additional information on the adoption of IFRS 9, see Note 5 to these consolidated financial statements.

Determining and measuring expected credit losses (ECL)

Expected Credit Losses

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

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

Governance and controls

The Bank's risk management framework is applied to the determination of expected credit losses. The Bank has policies and procedures that govern impairments arising from credit risk. These policies are documented and periodically reviewed by the risk management function. A validation team independent of the team that prepares the calculations reviews the expected credit losses calculations. Complex questions on measurement methodologies and assumptions are reviewed by a group of experts from various functions. Furthermore, the inputs and assumptions used to determine expected credit losses are reviewed on a regular basis by the risk management function.

Measurement of expected credit losses

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

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

Inputs, assumptions and estimation techniques used

The Bank's approach to calculating expected credit losses for IFRS 9 purposes leverages credit risk models based on the internal risk rating of credit facilities by adjusting parameters.

PD estimates

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

LGD estimates

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

EAD estimates

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

Expected life

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

7. LOANS AND ALLOWANCES FOR CREDIT LOSSES (CONT'D)

Incorporation of forward-looking information
The Bank's Economy and Strategy group is responsible for developing three macroeconomic scenarios (base scenario, upside scenario and downside scenario) and for recommending probability weights for each scenario. Macroeconomic scenarios are not developed for specific portfolios, as the Economy and Strategy group provides a set of variables for each of the defined scenarios. ECL inputs and models rely on forward-looking macroeconomic factors (interest rates, unemployment rates, GDP forecasts, housing price indices, etc.). The Bank considers other relevant factors that may not be adequately reflected in the information used to calculate the ECL (including late payments and whether the financial asset is subject to additional monitoring such as the watch list for commercial loan portfolios).

Assessment of significant changes in credit risk
To assess whether the credit risk of a financial instrument has increased significantly, the 12-month PD at the reporting date is compared with the 12-month PD at the date of initial recognition, and reasonable and supportable information indicative of significant increases in credit risk since initial recognition is considered. The Bank has included relative and absolute thresholds in the definition of significant increase in credit risk and a backstop of 30 days past due. All financial instruments that are 30 days past due are migrated to stage 2 even if other metrics do not indicate that a significant increase in credit risk has occurred.

Similarly, the Bank determines whether credit risk has decreased significantly for loans that have been migrated to stage 2 or stage 3, using those same factors.

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

Credit quality of loans

The following tables present information about credit risk rating grades in accordance with credit risk management.

Credit risk rating grades
Personal credit exposures
The Bank uses behaviour scoring models to manage and monitor personal credit exposures. The table below shows the PD categories along with the associated credit qualities of the personal credit portfolios.

PD (%)	Description
0.00-0.33	Very low risk
0.34-0.84	Low risk
0.85-14.98	Medium risk
14.99-99.99	High risk
100	Default

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

Ratings	PD (%)	Standard & Poor's	DBRS	Description
1-7	0.00-0.43	AAA to BB+	AAA to BB (high)	Very low risk
8-10	0.44-1.63	BB to BB-	BB to B (high)	Low risk
11-13	1.64-11.38	B+ to B-	B to CCC (high)	Medium risk
14-16	11.39-99.99	CCC+ to C	CC (high) to CCC	High risk
17-19	100	D	D	Default

7. LOANS AND ALLOWANCES FOR CREDIT LOSSES (CONT'D)

Credit risk exposure

The table below presents the gross and net carrying amounts of loans and acceptances and off-balance sheet exposures as at July 31, 2019, according to credit quality and ECL impairment stage of each loan category at amortized cost.

				As at July 31, 2019
	Stage 1	Stage 2	Stage 3[1]	Total
Personal loans				
Very low risk	$ 2,917,952	$ 72,820	$ —	$ 2,990,772
Low risk	656,349	236,422	—	892,771
Medium risk	550,518	356,817	—	907,335
High risk	3,398	32,526	—	35,924
Default	—	—	27,301	27,301
Gross carrying amount	4,128,217	698,585	27,301	4,854,103
Allowances for loan losses	6,980	16,602	9,087	32,669
Net carrying amount	$ 4,121,237	$ 681,983	$ 18,214	$ 4,821,434
Residential mortgage loans				
Very low risk	$ 7,233,970	$ 3,233	$ —	$ 7,237,203
Low risk	4,774,738	232,756	—	5,007,494
Medium risk	2,954,712	825,962	—	3,780,674
High risk	8,082	64,655	—	72,737
Default	—	—	66,840	66,840
Gross carrying amount	14,971,502	1,126,606	66,840	16,164,948
Allowances for loan losses	2,056	1,183	1,417	4,656
Net carrying amount	$ 14,969,446	$ 1,125,423	$ 65,423	$ 16,160,292
Commercial loans[2]				
Very low risk	$ 1,939,475	$ 34,501	$ —	$ 1,973,976
Low risk	7,616,913	219,351	—	7,836,264
Medium risk	2,473,404	348,497	—	2,821,901
High risk	—	131,535	—	131,535
Default	—	—	104,435	104,435
Gross carrying amount	12,029,792	733,884	104,435	12,868,111
Allowances for loan losses	20,887	7,617	36,494	64,998
Net carrying amount	$ 12,008,905	$ 726,267	$ 67,941	$ 12,803,113
Total loans				
Gross carrying amount	$ 31,129,511	$ 2,559,075	$ 198,576	$ 33,887,162
Allowances for loan losses	29,923	25,402	46,998	102,323
Net carrying amount	$ 31,099,588	$ 2,533,673	$ 151,578	$ 33,784,839
Off-balance sheet exposures[3]				
Very low risk	$ 1,193,224	$ 43,484	$ —	$ 1,236,708
Low risk	1,144,818	86,130	—	1,230,948
Medium risk	445,779	68,032	—	513,811
High risk	28	3,638	—	3,666
Default	—	—	—	—
Total off-balance sheet exposures	2,783,849	201,284	—	2,985,133
Allowances for off-balance sheet exposures losses	3,939	2,037	—	5,976
Total off-balance sheet exposures, net	$ 2,779,910	$ 199,247	$ —	$ 2,979,157

(1) As of the adoption of IFRS 9, all loans classified in Stage 3 of the ECL model as at July 31, 2019 are impaired loans, including $26.0 million of insured residential mortgage loans. Under IAS 39, loans were considered impaired according to different criteria.
(2) Including customers' liabilities under acceptances.
(3) Including letters of guarantee and certain undrawn amounts under approved credit facilities.

7. LOANS AND ALLOWANCES FOR CREDIT LOSSES (CONT'D)

Impaired loans[1]

			As at July 31, 2019
	Gross impaired loans	**Allowances against impaired loans**	**Net impaired loans**
Personal loans	**$ 27,301**	**$ 9,087**	**$ 18,214**
Residential mortgage loans	**66,840**	**1,417**	**65,423**
Commercial loans[2]	**104,435**	**36,494**	**67,941**
	$ 198,576	**$ 46,998**	**$ 151,578**

				As at October 31, 2018
	Gross impaired loans	Individual allowances	Collective allowances against impaired loans	Net impaired loans
Personal loans	$ 19,805	$ —	$ 4,844	$ 14,961
Residential mortgage loans	37,134	—	2,104	35,030
Commercial loans[2]	124,331	28,442	2,788	93,101
	$ 181,270	$ 28,442	$ 9,736	$ 143,092

(1) As of the adoption of IFRS 9, all loans classified in Stage 3 of the ECL model are impaired loans, including $26.0 million of insured residential mortgage loans. Under IAS 39, loans were considered impaired according to different criteria.
(2) Including customers' liabilities under acceptances.

Loans past due but not impaired

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

				As at July 31, 2019
	1 day-31 days	**32 days-90 days**	**Over 90 days[1]**	**Total**
Personal loans	**$ 80,964**	**$ 24,936**	**$ —**	**$ 105,900**
Residential mortgage loans	**248,939**	**43,822**	**—**	**292,761**
	$ 329,903	**$ 68,758**	**$ —**	**$ 398,661**

				As at October 31, 2018
	1 day-31 days	32 days-90 days	Over 90 days	Total
Personal loans	$ 64,649	$ 21,856	$ 6,301	$ 92,806
Residential mortgage loans	252,403	48,542	16,642	317,587
	$ 317,052	$ 70,398	$ 22,943	$ 410,393

(1) As of the adoption of IFRS 9, loans more than 90 days past due are considered impaired (Stage 3).

7. LOANS AND ALLOWANCES FOR CREDIT LOSSES (CONT'D)

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.

	For the three months ended July 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Personal				
Balance at beginning of period	$ 9,329	$ 19,523	$ 8,587	$ 37,439
Transfers:				
to Stage 1	3,900	(3,735)	(165)	—
to Stage 2	(699)	1,247	(548)	—
to Stage 3	(27)	(1,081)	1,108	—
Originations	139	—	—	139
Derecognitions	(242)	(814)	(1,990)	(3,046)
Net remeasurements of allowances	(3,815)	2,886	7,431	6,502
Provision for (reversal of) credit losses	(744)	(1,497)	5,836	3,595
Write-offs	—	—	(6,615)	(6,615)
Recoveries	—	—	1,500	1,500
Foreign exchange and other	—	—	(221)	(221)
Balance at the end of period	$ 8,585	$ 18,026	$ 9,087	$ 35,698
Total allowances for loan losses	$ 6,980	$ 16,602	$ 9,087	$ 32,669
Total allowances for off-balance sheet exposures	1,605	1,424	—	3,029
Total allowances for credit losses	$ 8,585	$ 18,026	$ 9,087	$ 35,698
Residential mortgage				
Balance at beginning of period	$ 1,978	$ 1,427	$ 545	$ 3,950
Transfers:				
to Stage 1	383	(379)	(4)	—
to Stage 2	(71)	235	(164)	—
to Stage 3	(9)	(150)	159	—
Originations	108	—	—	108
Derecognitions	(76)	(85)	(96)	(257)
Net remeasurements of allowances	(248)	140	2,339	2,231
Provision for (reversal of) credit losses	87	(239)	2,234	2,082
Write-offs	—	—	(1,548)	(1,548)
Recoveries	—	—	568	568
Foreign exchange and other	—	—	(382)	(382)
Balance at end of period	$ 2,065	$ 1,188	$ 1,417	$ 4,670
Total allowances for loan losses	$ 2,056	$ 1,183	$ 1,417	$ 4,656
Total allowances for off-balance sheet exposures	9	5	—	14
Total allowances for credit losses	$ 2,065	$ 1,188	$ 1,417	$ 4,670

7. LOANS AND ALLOWANCES FOR CREDIT LOSSES (CONT'D)

	For the three months ended July 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Commercial				
Balance at beginning period	$ 23,358	$ 8,953	$ 35,451	$ 67,762
Transfers:				
to Stage 1	1,007	(942)	(65)	—
to Stage 2	(417)	492	(75)	—
to Stage 3	(34)	(1,864)	1,898	—
Originations	4,620	—	—	4,620
Derecognitions	(2,869)	(295)	(1,571)	(4,735)
Net remeasurements	(2,382)	1,883	7,037	6,538
Provision for (reversal of) credit losses	(75)	(726)	7,224	6,423
Write-offs	—	—	(6,417)	(6,417)
Recoveries	—	—	824	824
Foreign exchange and other	(71)	(2)	(588)	(661)
Balance at end of period	$ 23,212	$ 8,225	$ 36,494	$ 67,931
Total allowances for loan losses	$ 20,887	$ 7,617	$ 36,494	$ 64,998
Total allowances for off-balance sheet exposures	2,325	608	—	2,933
Total allowances for credit losses	$ 23,212	$ 8,225	$ 36,494	$ 67,931
Total				
Total allowances for loan losses	$ 29,923	$ 25,402	$ 46,998	$ 102,323
Total allowances for off-balance sheet exposures	3,939	2,037	—	5,976
Total allowances for credit losses	$ 33,862	$ 27,439	$ 46,998	$ 108,299

7. LOANS AND ALLOWANCES FOR CREDIT LOSSES (CONT'D)

				For the nine months ended July 31, 2019
	Stage 1	Stage 2	Stage 3	Total
Personal				
Balance at beginning of period	$ 11,070	$ 22,498	$ 4,934	$ 38,502
Transfers:				
to Stage 1	6,602	(6,340)	(262)	—
to Stage 2	(1,171)	1,402	(231)	—
to Stage 3	(104)	(1,274)	1,378	—
Originations	509	—	—	509
Derecognitions	(772)	(2,432)	(1,588)	(4,792)
Net remeasurements of allowances	(7,549)	4,172	19,963	16,586
Provision for (reversal of) credit losses	(2,485)	(4,472)	19,260	12,303
Write-offs	—	—	(19,070)	(19,070)
Recoveries	—	—	4,647	4,647
Foreign exchange and other	—	—	(684)	(684)
Balance at the end of period	$ 8,585	$ 18,026	$ 9,087	$ 35,698
Total allowances for loan losses	$ 6,980	$ 16,602	$ 9,087	$ 32,669
Total allowances for off-balance sheet exposures	1,605	1,424	—	3,029
Total allowances for credit losses	$ 8,585	$ 18,026	$ 9,087	$ 35,698
Residential mortgage				
Balance at beginning of period	$ 2,446	$ 1,840	$ 443	$ 4,729
Transfers:				
to Stage 1	634	(565)	(69)	—
to Stage 2	(103)	224	(121)	—
to Stage 3	(30)	(138)	168	—
Originations	238	—	—	238
Derecognitions	(206)	(188)	(241)	(635)
Net remeasurements of allowances	(914)	15	3,830	2,931
Provision for (reversal of) credit losses	(381)	(652)	3,568	2,535
Write-offs	—	—	(3,342)	(3,342)
Recoveries	—	—	1,892	1,892
Foreign exchange and other	—	—	(1,144)	(1,144)
Balance at end of period	$ 2,065	$ 1,188	$ 1,417	$ 4,670
Total allowances for loan losses	$ 2,056	$ 1,183	$ 1,417	$ 4,656
Total allowances for off-balance sheet exposures	9	5	—	14
Total allowances for credit losses	$ 2,065	$ 1,188	$ 1,417	$ 4,670

7. LOANS AND ALLOWANCES FOR CREDIT LOSSES (CONT'D)

For the nine months ended July 31, 2019								
		Stage 1		Stage 2		Stage 3		Total
Commercial								
Balance at beginning period	$	22,192	$	8,252	$	32,980	$	63,424
Transfers:								
to Stage 1		1,600		(1,252)		(348)		—
to Stage 2		(1,079)		1,450		(371)		—
to Stage 3		(102)		(975)		1,077		—
Originations		6,830		—		—		6,830
Derecognitions		(4,922)		(2,648)		(2,099)		(9,669)
Net remeasurements		(1,293)		3,399		17,695		19,801
Provision for (reversal of) credit losses		1,034		(26)		15,954		16,962
Write-offs		—		—		(12,521)		(12,521)
Recoveries		—		—		1,559		1,559
Foreign exchange and other		(14)		(1)		(1,478)		(1,493)
Balance at end of period	$	23,212	$	8,225	$	36,494	$	67,931
Total allowances for loan losses	$	20,887	$	7,617	$	36,494	$	64,998
Total allowances for off-balance sheet exposures		2,325		608		—		2,933
Total allowances for credit losses	$	23,212	$	8,225	$	36,494	$	67,931
Total								
Total allowances for loan losses	$	29,923	$	25,402	$	46,998	$	102,323
Total allowances for off-balance sheet exposures		3,939		2,037		—		5,976
Total allowances for credit losses	$	33,862	$	27,439	$	46,998	$	108,299

For the nine months ended July 31, 2018												
		Balance at beginning of period		Provision for credit losses		Write-offs		Recoveries and other[1]		Interest accrued on impaired loans		Balance at end of period
Personal	$	30,600	$	17,061	$	(24,552)	$	5,090	$	(776)	$	27,423
Residential mortgage		10,818		2,485		(760)		(922)		(1,106)		10,515
Commercial[2]		63,474		6,854		(16,668)		242		(1,578)		52,324
Total allowances for credit losses	$	104,892	$	26,400	$	(41,980)	$	4,410	$	(3,460)	$	90,262
Individual allowances	$	24,801	$	7,361	$	(15,622)	$	(5)	$	(810)	$	15,725
Collective allowances against impaired loans		17,828		19,407		(26,358)		4,415		(2,650)		12,642
Collective allowances against other loans		56,557		1,980		—		—		—		58,537
Total allowances for loan losses	$	99,186	$	28,748	$	(41,980)	$	4,410	$	(3,460)	$	86,904
Allowances for off-balance sheet exposures[3]		5,706		(2,348)		—		—		—		3,358
Total allowances for credit losses	$	104,892	$	26,400	$	(41,980)	$	4,410	$	(3,460)	$	90,262

(1) Includes impact of foreign exchange movements.
(2) Including customers' liabilities under acceptances.
(3) The allowances for off-balance sheet exposures, such as letters of guarantee and certain undrawn amounts under approved credit facilities, are recognized in other liabilities.

7. LOANS AND ALLOWANCES FOR CREDIT LOSSES (CONT'D)

Sale of commercial loans

During the three months ended January 31, 2019, the Bank sold commercial loans amounting to $105.4 million and recognized a net gain of nil in other income. No such sales occurred during the three months ended April 30, 2019 and July 31, 2019. During the nine months ended July 31, 2018, the Bank sold a $380.0 million agricultural commercial loan portfolio and recognized a $5.3 million gain in other income.

Finance lease receivables

The Commercial loans line item includes net investment in leases of $990.0 million as at July 31, 2019 ($878.7 million as at October 31, 2018).

8. SECURITIZATION AND STRUCTURED ENTITIES

8.1 TRANSFER OF FINANCIAL ASSETS

The Bank sells mortgage loans to 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 a multi-seller conduit set up by another Canadian bank.

Financial assets not qualifying for derecognition and associated financial liabilities

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

	As at July 31 2019	As at October 31 2018
Residential mortgage loans	**$ 6,322,901**	$ 6,238,035
Replacement Assets[1]	**734,631**	1,111,898
Debt related to securitization activities	**$ (7,158,644)**	$ (7,276,779)

(1) Includes cash and deposits with banks, securities purchased under reverse repurchase agreements and securities acquired as part of the principal reinvestment account that is required to be maintained for the Bank to participate in the program.

In addition, as at July 31, 2019, the Bank has also securitized other residential mortgage loans for a total amount of $556.7 million ($599.7 million as at October 31, 2018) as part of the NHA MBS program, of which $46.7 million ($244.7 million as at October 31, 2018) was pledged as collateral with the Bank of Canada and $510.0 million ($355.0 million as at October 31, 2018) was available to be pledged as collateral. The resulting NHA MBS are presented as part of residential mortgage loans.

8.2 STRUCTURED ENTITIES SECURITIZATON VEHICLES

The Bank sells loans and finance lease receivables to 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 and the related interest-bearing liabilities issued by the Partnerships are recorded as debt related to securitization activities involving structured entities.

Financial assets securitized through other structured entities

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

	As at July 31 2019	As at October 31 2018
Personal loans	**$ 1,136,310**	$ 1,022,791
Commercial loans[1]	**475,650**	351,943
Debt related to securitization activities involving structured entities	**$ (819,163)**	$ (510,974)

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

9. SHARE CAPITAL

Preferred shares

The variation and outstanding number and amounts of preferred shares was as follows.

	For the nine months ended			
		July 31 2019		July 31 2018
	Number of shares	**Amount**	Number of shares	Amount
Non-Cumulative Class A Preferred Shares				
Series 11				
Outstanding at beginning of period	**—**	**$ —**	4,000,000	$ 97,562
Repurchase of shares	**—**	**—**	(4,000,000)	(97,562)
Outstanding at the end of period	**—**	**—**	—	—
Series 13				
Outstanding at beginning and end of period	**5,000,000**	**$ 122,071**	5,000,000	$ 122,071
Series 15				
Outstanding at beginning and end of period	**5,000,000**	**$ 121,967**	5,000,000	$ 121,967
	10,000,000	**$ 244,038**	10,000,000	$ 244,038

There were no outstanding Non-Cumulative Class A Preferred Shares Series 14 and Series 16 as at July 31, 2019 (no outstanding preferred shares Series 14 and Series 16 as at July 31, 2018, October 31, 2018 and October 31, 2017).

Conversion of preferred shares
On June 17, 2019, none of the outstanding Non-Cumulative Class A Preferred Shares, Series 13 (the "Preferred Shares Series 13") were converted into Non-Cumulative Class A Preferred Shares, Series 14 of the Bank (the "Preferred Shares Series 14"). As a result, no Preferred Shares Series 14 were issued on June 17, 2019 and holders of Preferred Shares Series 13 retained their shares. The dividend rate for the Preferred Shares Series 13 for the five-year period commencing on June 15, 2019, and ending on June 14, 2024, was set at 4.123% per annum.

Common shares

The variation and outstanding number and amounts of common shares was as follows.

	For the nine months ended			
		July 31 2019		July 31 2018
	Number of shares	**Amount**	Number of shares	Amount
Common shares				
Outstanding at beginning of period	**42,075,284**	**$ 1,115,416**	38,966,473	$ 953,536
Issuance under a public offering	**—**	**—**	2,624,300	143,812
Issuance under the Shareholder Dividend Reinvestment and Share Purchase Plan	**387,999**	**16,631**	404,861	19,594
Net issuance costs	**n/a**	**(61)**	n/a	(4,738)
	42,463,283	**$ 1,131,986**	41,995,634	$ 1,112,204

Shareholder Dividend Reinvestment and Share Purchase Plan

The Bank determined that as of August 28, 2019, reinvestments related to the dividend declared would be made in common shares issued from treasury at a 2% discount.

Dividends declared

On August 13, 2019, the Board of Directors declared the regular dividend on the various series of preferred shares to shareholders of record on September 7, 2019.

On August 28, 2019, the Board of Directors declared a quarterly dividend of $0.66 per common share, payable on November 1, 2019, to shareholders of record on October 1, 2019.

9. SHARE CAPITAL (CONT'D)

Capital management

Regulatory capital
OSFI requires banks to meet minimum risk-based capital ratios drawn on the BCBS capital framework, commonly referred to as Basel III. Under OSFI's Capital Adequacy Requirements guideline, minimum Common Equity Tier 1, Total Tier 1 and Total capital ratios were set at 7.0%, 8.5% and 10.5% respectively for 2019 including the 2.5% capital conservation buffer.

Under OSFI's Leverage Requirements Guideline, federally regulated deposit-taking institutions are expected to maintain a Basel III leverage ratio that meets or exceeds 3% at all times. 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 requirements throughout the nine-month period ended July 31, 2019. Regulatory capital is detailed below.

	As at July 31 2019	As at October 31 2018
Common shares	**$ 1,131,986**	$ 1,115,416
Retained earnings	**1,158,824**	1,152,470
Accumulated other comprehensive income, excluding cash flow hedge reserve	**571**	(3,746)
Share-based compensation reserve	**1,539**	268
Deductions from Common Equity Tier 1 capital[1]	**(449,590)**	(452,401)
Common Equity Tier 1 capital	**1,843,330**	1,812,007
Qualifying preferred shares	**244,038**	244,038
Additional Tier 1 capital	**244,038**	244,038
Tier 1 capital	**2,087,368**	2,056,045
Qualifying subordinated debt	**349,016**	348,762
Collective allowances	**61,501**	67,981
Deductions from Tier 2 capital	**(364)**	—
Tier 2 capital	**410,153**	416,743
Total capital	**$ 2,497,521**	$ 2,472,788
Common Equity Tier 1 capital ratio	**9.0%**	9.0%
Tier 1 capital ratio	**10.2%**	10.2%
Total capital ratio	**12.2%**	12.2%

(1) Comprised of deductions for software and other intangible assets, goodwill, pension plan assets and other.

10. SHARE-BASED COMPENSATION

Share purchase option plan

Old Stock Option Purchase Plan
On October 31, 2018, the Bank awarded 124,962 stock options under the Old Stock Option Purchase Plan. The average fair value of the options of $5.64 per option was determined as at December 6, 2018 upon the determination of the exercise price of $38.97. The average fair value of the options awarded was estimated using the Black-Scholes model, as well as the assumptions presented in the table below.

New Stock Option Plan
In December 2018, the Bank established the New Stock Option Plan. The New Stock Option Plan was approved at the Annual General Meeting of shareholders on April 9, 2019. The terms and conditions of the New Stock Option Plan govern the stock options granted by the Board of Directors on December 4, 2018 described thereafter.

Officers, senior executives and other employees of the Bank or its subsidiaries are eligible participants in the New Stock Option Plan. Under this plan, the exercise price of options for the purchase of common shares cannot be below the market value of the Bank's share at the date of grant. Stock options granted will vest 50% after three years and 50% after four years and the options may be exercised at any time up to ten years after they have been granted. The Bank reserved 1,666,000 common shares under this New Stock Option Plan, of which 1,282,674 were still available as at July 31, 2019.

10. SHARE-BASED COMPENSATION (CONT'D)

On December 4, 2018, the Bank awarded 383,326 stock options under this New Stock Option Plan with an exercise price of $38.97. In accordance with applicable accounting guidance, the fair value of the options was adjusted upon the approval of this New Stock Option Plan by shareholders on April 9, 2019. The weighted-average fair value of the stock options was estimated at $6.78 using the Black-Scholes model, as well as the assumptions presented in the table below.

Information relating to outstanding number of options is as follows. None of these options were exercisable.

	As at July 31 2019	As at October 31 2018
Number of share purchase options outstanding under the Old Stock Option Purchase Plan	**124,962**	124,962
Number of share purchase options outstanding under the New Stock Option Plan	**383,326**	n/a

Assumptions related to the stock options valuations are as follows.

	2019 grant	2018 grant
Risk free interest rate	**1.61%**	2.05%
Expected life of options	**8 years**	8 years
Expected volatility	**22%**	20%
Expected dividend yield	**5.20%**	5.20%

Performance-based share unit plans

Effective November 1, 2018, the Bank modified the characteristics of its performance-based share unit (PSU) plan for eligible members of its senior management. All rights to the new PSUs vest over three years with no guaranteed minimum vesting. The number of units vesting will be based on the Bank's total shareholder return relative to the average of a peer group of Canadian financial institutions and on the adjusted return on equity of the Bank relative to budgets. During the vesting period, dividend equivalents accrue to the participants in the form of additional share units. All PSUs are cash settled at fair value at the maturity date. A deferred version of the plan exists under which the participant is paid on termination of employment rather than at the end of the three-year period.

During the first quarter of 2019, the Bank granted 130,620 PSUs valued at $40.88 each. The rights to these units will vest in December 2021 and upon meeting the aforementioned criteria.

Restricted share unit plans

During the first quarter of 2019, under the restricted share unit plan, annual bonuses for certain employees amounting to $1.9 million were converted into 45,451 entirely vested restricted share units. Simultaneously, the Bank also granted 152,544 additional restricted share units valued at $40.88 each that will vest in December 2021.

During the first quarter of 2019, under the restricted share unit plan for employees of the Capital Markets sector, annual bonuses for certain employees amounting to $1.4 million were converted into 33,057 entirely vested restricted share units. This plan does not provide for any employer contribution and a third of these restricted share units are redeemed in December at each of the first three anniversary dates of the grant.

Share-based compensation plans' expense and related liability

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

	For the three months ended			For the nine months ended	
	July 31 2019	April 30 2019	July 31 2018	**July 31 2019**	July 31 2018
Expense arising from share-based compensation plans	**$ 6,323**	$ 2,145	$ (398)	**$ 15,874**	$ (5,170)
Effect of hedges	**(3,248)**	1,399	1,867	**(4,211)**	9,347
	$ 3,075	$ 3,544	$ 1,469	**$ 11,663**	$ 4,177

With a view to reducing volatility in the share-based compensation plans' expense, the Bank enters into total return swap contracts with third parties, the value of which is linked to the Bank's share price. Changes in fair value of these derivative instruments partially offset the share-based compensation plans' expense related to the share price variations over the period in which the swaps are in effect.

The carrying amount of the liability relating to the cash-settled plans was $44.8 million as at July 31, 2019 ($33.4 million as at October 31, 2018). The intrinsic value of the total liability related to fully vested rights and units was $26.5 million as at July 31, 2019 ($20.7 million as at October 31, 2018).

11. POST-EMPLOYMENT BENEFITS

Expense for post-employment benefits

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

	For the three months ended			For the nine months ended	
	July 31 2019	April 30 2019	July 31 2018	**July 31 2019**	July 31 2018
Defined benefit pension plans	**$ 3,241**	$ 3,277	$ 4,330	**$ 9,979**	$ 12,850
Defined contribution pension plans	**2,005**	2,005	2,037	**6,040**	5,928
Other plans	**218**	210	219	**646**	650
	$ 5,464	$ 5,492	$ 6,586	**$ 16,665**	$ 19,428

During the second quarter of 2019, the Bank announced its intention to optimize its Retail Services operations, as well as to streamline certain back-office and corporate functions. These measures led to a reduction of the workforce and in the curtailment of one of the Bank's pension plans. This curtailment resulted in a $3.9 million gain. In addition, these measures generated $0.9 million gains to other post-employment benefits obligations. These gains were recorded in the second quarter of 2019 on the Restructuring charges line item in the Consolidated Statement of Income, as further described in Note 16.

12. EARNINGS PER SHARE

Basic and diluted earnings per share is detailed as follows.

	For the three months ended			For the nine months ended	
	July 31 2019	April 30 2019	July 31 2018	**July 31 2019**	July 31 2018
Earnings per share – basic					
Net income	**$ 47,798**	$ 43,313	$ 54,903	**$ 131,367**	$ 173,845
Preferred share dividends, including applicable taxes	**3,257**	3,256	3,253	**9,770**	10,785
Net income attributable to common shareholders	**$ 44,541**	$ 40,057	$ 51,650	**$ 121,597**	$ 163,060
Average number of outstanding common shares (in thousands)	**42,370**	42,235	41,894	**42,240**	41,030
Earnings per share – basic	**$ 1.05**	$ 0.95	$ 1.23	**$ 2.88**	$ 3.97
Earnings per share – diluted					
Net income attributable to common shareholders	**$ 44,541**	$ 40,057	$ 51,650	**$ 121,597**	$ 163,060
Average number of outstanding common shares (in thousands)	**42,370**	42,235	41,894	**42,240**	41,030
Dilutive share purchase options (in thousands)	**59**	39	—	**39**	—
Diluted weighted average number of outstanding common shares (in thousands)	**42,429**	42,274	41,894	**42,279**	41,030
Earnings per share – diluted	**$ 1.05**	$ 0.95	$ 1.23	**$ 2.88**	$ 3.97

There has been no transaction involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these consolidated financial statements which would require the restatement of earnings per share.

13. FINANCIAL INSTRUMENTS – FAIR VALUE

Determining fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of financial instruments is best evidenced by an independent quoted market price for the same instrument in an active market when available. Otherwise, fair value is measured using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of valuation inputs (Level 1, 2 or 3). Additional information on the fair value hierarchy and the valuation methodologies used by the Bank to measure the fair value of financial instruments can be found in Note 22 of the 2018 audited annual consolidated financial statements. There were no changes in fair value measurement methods in the period.

13. FINANCIAL INSTRUMENTS – FAIR VALUE (CONT'D)

Financial instruments recorded at fair value in the financial statements are classified in Level 2 of the fair value hierarchy, except for securities of $384.8 million which are classified in Level 1 as at July 31, 2019 ($355.1 million as at October 31, 2018). 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.

14. INTEREST AND DIVIDEND INCOME FROM SECURITIES

Interest and dividend income arising from selected securities is detailed as follows.

	For the three months ended		For the nine months ended
	July 31, 2019	April 30, 2019	**July 31, 2019**
Interest income - debt securities			
At amortized cost	**$ 13,629**	$ 15,129	**$ 42,911**
At FVOCI	**$ 686**	$ 567	**$ 2,105**
Dividend income - equity securities	**$ 3,903**	$ 3,953	**$ 11,644**

15. CONTINGENT LIABILITIES

In the ordinary course of business, the Bank and its subsidiaries are involved in various legal and regulatory actions and claims. These matters mainly relate to class actions involving numerous other financial institutions and pertaining to charges on credit cards and banking accounts and to mortgage prepayment fees, as well as other claims in respect to portfolio administration by trustee and cross-claims from clients following the Bank's recovery actions on loans. While there is inherent difficulty in predicting the outcome of legal proceedings, based on current knowledge and in consultation with legal counsel, the outcome of these matters is not expected to have a material adverse effect on the consolidated financial statements. However, the outcome of these matters, individually or in aggregate, may be material to operating results for a particular reporting period.

16. RESTRUCTURING CHARGES

The following table shows the change in the provision for restructuring charges, included in the Other liabilities line item in the Consolidated Balance Sheet.

	For the nine months ended	
	July 31 2019	July 31 2018
Balance at beginning of the period	**$ 4,754**	$ 9,411
Restructuring charges incurred during the period[1]	**12,057**	4,912
Payments made during the period	**(13,213)**	(8,429)
Balance at end of the period	**$ 3,598**	$ 5,894

(1) Excluding a $4.8 million curtailment gain on pension plans and other post-employment benefits obligations presented on the Restructuring charges line-item in the Consolidated Statement of Income.

At the end of February 2019, we reiterated our intention to optimize our Retail Services operations and announced the streamlining of certain back-office and corporate functions. As a result, restructuring charges of $1.8 million incurred during the third quarter of 2019 and of $7.2 million incurred during the nine-month period ended July 31, 2019 mainly included expenses related to these measures. Additional costs are expected to be incurred as the changes are implemented.

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SHAREHOLDER INFORMATION

Corporate offices
Montreal
1360 René-Lévesque Blvd West,
Suite 600
Montreal, Quebec H3G 0E5
www.lbcfg.ca

Toronto
199 Bay St, Suite 600
Toronto, Ontario M5L 0A2
www.lbcfg.ca

Ombudsman's office
1360 René-Lévesque Blvd West
Suite 600
Montreal, Quebec H3G 0E5
ombudsman@lbcfg.ca
Tel.: 514-284-7192
or 1-800-479-1244

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
or 1-800-564-6253

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 secretary.office@lbcfg.ca or by calling 514-284-4500 ext. 40448.

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 or by calling 514-284-4500 ext. 40452.

Media
Journalists may contact the Bank's Executive Office at media@lbcfg.ca or by calling 514-284-4500 ext. 40015.

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 at 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
Series 15	51925D 79 1 / LB.PR.J	**	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.