

# THIRD QUARTER 2021

## Report to Shareholders

For the period ended July 31, 2021

### THIRD QUARTER 2021 FINANCIAL HIGHLIGHTS (COMPARED WITH THIRD QUARTER 2020)

- Reported net income of \$62.1 million, compared with \$36.2 million.
- Adjusted net income<sup>(1)</sup> of \$59.0 million, compared with \$47.1 million.
- Diluted earnings per share of \$1.32, compared with \$0.77.
- Adjusted diluted earnings per share<sup>(1)</sup> of \$1.25, compared with \$1.02.

Laurentian Bank Financial Group reported net income of \$62.1 million and diluted earnings per share of \$1.32 for the third quarter of 2021, compared with \$36.2 million and \$0.77 for the third quarter of 2020. Return on common shareholders' equity was 9.4% for the third quarter of 2021, compared with 5.8% for the third quarter of 2020. Results for the quarter take into account a net gain on the settlement of pension plans resulting from annuity purchases (or buy-out), as well as lower provisions for credit losses, as detailed below. On an adjusted basis<sup>(1)</sup>, net income was \$59.0 million and diluted earnings per share were \$1.25 for the third quarter of 2021, up from \$47.1 million and \$1.02 for the third quarter of 2020. Adjusted return on common shareholders' equity was 8.9% for the third quarter of 2021, compared with 7.7% a year ago.

For the nine months ended July 31, 2021, reported net income was \$159.9 million and diluted earnings per share were \$3.43, compared with \$77.3 million and \$1.58 for the nine months ended July 31, 2020. Return on common shareholders' equity was 8.4% for the nine months ended July 31, 2021, compared with 3.9% for the nine months ended July 31, 2020. On an adjusted basis<sup>(1)</sup>, net income was \$163.3 million and diluted earnings per share were \$3.51 for the nine months ended July 31, 2021, up from \$95.9 million and \$2.01 for the nine months ended July 31, 2020. Adjusted return on common shareholders' equity was 8.6% for the nine months ended July 31, 2021, compared with 5.0% for the same period a year ago.

"The momentum that we have been building over the first half of the year continued into the third quarter with strong performance in Real Estate Financing, another solid quarter from Capital Markets, lower provision for credit losses and our continued focus on cost discipline. Going forward, we remain focused on enhancing the customer experience while continuing to identify structural cost opportunities. Overall, I am pleased with our progress, and I am excited about the journey ahead as we fully realize the results of our actions," said Rania Llewellyn, President and Chief Executive Officer.

In millions of Canadian dollars, except per share and percentage amounts (Unaudited)	For the three months ended			For the nine months ended		
	July 31, 2021	July 31, 2020	Variance	July 31, 2021	July 31, 2020	Variance
<b>Reported basis</b>						
Net income	\$ 62.1	\$ 36.2	71 %	\$ 159.9	\$ 77.3	107 %
Diluted earnings per share	\$ 1.32	\$ 0.77	71 %	\$ 3.43	\$ 1.58	117 %
Return on common shareholders' equity	9.4 %	5.8 %		8.4 %	3.9 %	
Efficiency ratio	66.8 %	73.9 %		69.7 %	76.5 %	
Common Equity Tier 1 capital ratio	10.3 %	9.4 %				
<b>Adjusted basis<sup>(1)</sup></b>						
Adjusted net income	\$ 59.0	\$ 47.1	25 %	\$ 163.3	\$ 95.9	70 %
Adjusted diluted earnings per share	\$ 1.25	\$ 1.02	23 %	\$ 3.51	\$ 2.01	75 %
Adjusted return on common shareholders' equity	8.9 %	7.7 %		8.6 %	5.0 %	
Adjusted efficiency ratio	68.4 %	68.1 %		69.1 %	73.1 %	

(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.

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE PERIOD ENDED JULY 31, 2021

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition of Laurentian Bank of Canada (the "Group" or the "Bank") as at July 31, 2021 and its operating results for the periods then ended, compared with the corresponding periods shown. This MD&A should be read in conjunction with the Condensed Interim Consolidated Financial Statements. This MD&A is dated August 31, 2021.

Additional information about Laurentian Bank of Canada, including the 2020 Annual Information Form, is available on the Bank's website at [www.lbcfg.ca](http://www.lbcfg.ca) and on the Canadian Securities Administrators' website at [www.sedar.com](http://www.sedar.com).

## BASIS OF PRESENTATION

The financial information reported herein is based on the Condensed Interim Consolidated Financial Statements for the periods ended July 31, 2021, and, unless otherwise indicated, has been prepared in accordance with International Financial Reporting standards (IFRS), as issued by the International Accounting Standards Board (IASB), as well as in accordance with IAS 34, *Interim Financial Reporting*. All amounts are presented in Canadian dollars.

## ABOUT LAURENTIAN BANK 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 to as Laurentian Bank Financial Group (the "Group" or the "Bank").

With more than 2,900 employees guided by the values of proximity, simplicity and honesty, the Group provides a broad range of advice-based solutions and services to its personal, 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 \$44.9 billion in balance sheet assets and \$31.2 billion in assets under administration.

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The Bank may, from time to time, make written or oral forward-looking statements within the meaning of applicable securities legislation, including in this document and the documents incorporated by reference herein, and in other documents filed with Canadian regulatory authorities or in other written or oral communications. Forward-looking statements include, but are not limited to, statements regarding business plans and strategies, priorities and financial objectives, the regulatory environment in which the Bank operates, the anticipated impact of the coronavirus ("COVID-19") pandemic on the Bank's operations, earnings results and financial performance and statements under the headings "Outlook", "COVID-19 Pandemic" and "Risk Appetite and Risk Management Framework" contained in the Bank's 2020 Annual Report, including the Management's Discussion and Analysis for the fiscal year ended October 31, 2020 and other statements that are not historical facts. Forward-looking statements typically are identified with words or phrases such as "believe", "assume", "estimate", "forecast", "outlook", "project", "vision", "expect", "foresee", "anticipate", "plan", "goal", "aim", "target", "may", "should", "could", "would", "will", "intend" or the negative of these terms, variations thereof or similar terminology.

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, both general and specific in nature. Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2020 Annual Report under the heading "Outlook". There is significant risk that the predictions, forecasts, projections or conclusions will prove to be inaccurate, that the Bank's assumptions may not be correct, and that actual results may differ materially from such predictions, forecasts, projections or conclusions.

The Bank cautions readers against placing undue reliance on forward-looking statements, as a number of factors, many of which are beyond its control and the effects of which can be difficult to predict, could influence, individually or collectively, the accuracy of the forward-looking statements and cause actual future results to differ significantly from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These factors include, but are not limited to, risks relating to: the impacts of the COVID-19 pandemic on the Bank, its business, financial condition and prospects (including market, credit, funding and liquidity); technology, information systems and cybersecurity; technological disruption, competition and the Bank's ability to execute on its strategic objectives; the economic climate in the U.S. and Canada; accounting policies, estimates and developments; legal and regulatory compliance; fraud and criminal activity; human capital; insurance; business continuity; business infrastructure; environmental and social risk and climate change; and its ability to manage operational, regulatory, legal, strategic, reputational and model risks, all of which are described in more detail in the section titled "Risk Appetite and Risk Management Framework" beginning on page 43 of the 2020 Annual Report, including the Management's Discussion and Analysis for the fiscal year ended October 31, 2020.

The Bank further cautions that the foregoing list of factors is not exhaustive. Additional risks and uncertainties not currently known to us or that the Bank currently deems to be immaterial may also have a material adverse effect on its financial position, financial performance, cash flows, business or reputation. Any forward-looking statements contained in this document represent the views of Management only as at the date hereof, are presented for the purposes of assisting investors and others in understanding certain key elements of the Bank's current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of the Bank's business and anticipated operating environment, and may not be appropriate for other purposes. The Bank does not undertake to update any forward-looking statements, whether oral or written, made by the Bank or on its behalf whether as a result of new information, future events or otherwise, except to the extent required under applicable securities regulation. Additional information relating to the Bank can be located on the SEDAR website at [www.sedar.com](http://www.sedar.com).

# HIGHLIGHTS

TABLE 1  
FINANCIAL HIGHLIGHTS

In thousands of Canadian dollars, unless otherwise noted, except per share and percentage amounts (Unaudited)	For the three months ended					For the nine months ended		
	July 31, 2021	April 30, 2021	Variance	July 31, 2020	Variance	July 31, 2021	July 31, 2020	Variance
<b>Operating results</b>								
Total revenue	\$ 254,884	\$ 249,768	2 %	\$ 248,609	3 %	\$ 752,026	\$ 727,470	3 %
Net income	\$ 62,064	\$ 53,062	17 %	\$ 36,217	71 %	\$ 159,945	\$ 77,274	107 %
Adjusted net income <sup>(1)</sup>	\$ 59,046	\$ 56,704	4 %	\$ 47,083	25 %	\$ 163,322	\$ 95,895	70 %
<b>Operating performance</b>								
Diluted earnings per share	\$ 1.32	\$ 1.15	15 %	\$ 0.77	71 %	\$ 3.43	\$ 1.58	117 %
Adjusted diluted earnings per share <sup>(1)</sup>	\$ 1.25	\$ 1.23	2 %	\$ 1.02	23 %	\$ 3.51	\$ 2.01	75 %
Return on common shareholders' equity	9.4 %	8.6 %		5.8 %		8.4 %	3.9 %	
Adjusted return on common shareholders' equity <sup>(1)</sup>	8.9 %	9.2 %		7.7 %		8.6 %	5.0 %	
Net interest margin	1.86 %	1.88 %		1.86 %		1.86 %	1.85 %	
Efficiency ratio	66.8 %	71.9 %		73.9 %		69.7 %	76.5 %	
Adjusted efficiency ratio <sup>(1)</sup>	68.4 %	69.9 %		68.1 %		69.1 %	73.1 %	
Operating leverage	7.2 %	(2.2)%		3.4 %		9.2 %	(1.8)%	
Adjusted operating leverage <sup>(1)</sup>	2.2 %	(1.5)%		9.3 %		5.7 %	(0.6)%	
<b>Financial position (\$ millions)</b>								
Loans and acceptances	\$ 32,968	\$ 33,004	— %	\$ 32,807	— %	\$ 32,968	\$ 32,807	— %
Total assets	\$ 44,853	\$ 44,606	1 %	\$ 44,295	1 %	\$ 44,853	\$ 44,295	1 %
Deposits	\$ 23,162	\$ 22,981	1 %	\$ 24,570	(6)%	\$ 23,162	\$ 24,570	(6)%
Common shareholders' equity	\$ 2,463	\$ 2,404	2 %	\$ 2,292	7 %	\$ 2,463	\$ 2,292	7 %
<b>Basel III regulatory capital ratios</b>								
Common Equity Tier 1 (CET1) capital ratio <sup>(2)</sup>	10.3 %	10.1 %		9.4 %		10.3 %	9.4 %	
CET1 risk-weighted assets (\$ millions)	\$ 19,675	\$ 19,698		\$ 19,927		\$ 19,675	\$ 19,927	
<b>Credit quality</b>								
Gross impaired loans as a % of loans and acceptances	0.81 %	0.77 %		0.84 %		0.81 %	0.84 %	
Net impaired loans as a % of loans and acceptances	0.53 %	0.51 %		0.62 %		0.53 %	0.62 %	
Provision for credit losses as a % of average loans and acceptances	0.07 %	0.03 %		0.27 %		0.10 %	0.37 %	
<b>Common share information</b>								
Closing share price <sup>(3)</sup>	\$ 42.40	\$ 42.54	— %	\$ 26.55	60 %	\$ 42.40	\$ 26.55	60 %
Price / earnings ratio	10.0 x	11.6 x		10.7 x		10.0 x	10.7 x	
Book value per share	\$ 56.61	\$ 55.37	2 %	\$ 53.15	7 %	\$ 56.61	\$ 53.15	7 %
Dividends declared per share	\$ 0.40	\$ 0.40	— %	\$ 0.40	— %	\$ 1.20	\$ 1.74	(31)%
Dividend yield	3.8 %	3.8 %		6.0 %		3.8 %	8.7 %	
Dividend payout ratio	30.3 %	34.7 %		52.0 %		34.9 %	109.9 %	
Adjusted dividend payout ratio <sup>(1)</sup>	31.9 %	32.4 %		39.1 %		34.1 %	86.2 %	

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

(2) Using the Standardized Approach in determining credit risk and operational risk.

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

## 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 the settlement of pension plans, restructuring charges and 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. Tables 2 and 3 show adjusting items and their impact on reported results and diluted earnings per share.

TABLE 2  
IMPACT OF ADJUSTING ITEMS ON REPORTED RESULTS

	For the three months ended			For the nine months ended	
	July 31, 2021	April 30, 2021	July 31, 2020	July 31, 2021	July 31, 2020
In thousands of Canadian dollars, except per share amounts (Unaudited)					
<b>Impact on income before income taxes</b>					
Reported income before income taxes	\$ 79,226	\$ 67,807	\$ 42,405	\$ 203,544	\$ 78,637
<b>Adjusting items, before income taxes</b>					
Net gain on the settlement of pension plans resulting from annuity purchases <sup>(1)</sup>	(7,064)	—	—	(7,064)	—
Restructuring charges <sup>(2)</sup>					
Severance charges (recovery)	(83)	(792)	7,047	(613)	10,068
Other restructuring charges	45	2,682	4,020	3,086	4,059
	(38)	1,890	11,067	2,473	14,127
Items related to business combinations					
Amortization of net premium on purchased financial instruments <sup>(3)</sup>	—	—	127	—	538
Amortization of acquisition-related intangible assets <sup>(4)</sup>	2,946	3,014	3,520	9,033	10,461
	2,946	3,014	3,647	9,033	10,999
	(4,156)	4,904	14,714	4,442	25,126
Adjusted income before income taxes	\$ 75,070	\$ 72,711	\$ 57,119	\$ 207,986	\$ 103,763
<b>Impact on net income</b>					
Reported net income	\$ 62,064	\$ 53,062	\$ 36,217	\$ 159,945	\$ 77,274
<b>Adjusting items, net of income taxes</b>					
Net gain on the settlement of pension plans resulting from annuity purchases <sup>(1)</sup>	(5,194)	—	—	(5,194)	—
Restructuring charges <sup>(2)</sup>					
Severance charges (recovery)	(62)	(582)	5,178	(451)	7,398
Other restructuring charges	33	1,972	2,955	2,269	2,984
	(29)	1,390	8,133	1,818	10,382
Items related to business combinations					
Amortization of net premium on purchased financial instruments <sup>(3)</sup>	—	—	93	—	395
Amortization of acquisition-related intangible assets <sup>(4)</sup>	2,205	2,252	2,640	6,753	7,844
	2,205	2,252	2,733	6,753	8,239
	(3,018)	3,642	10,866	3,377	18,621
Adjusted net income	\$ 59,046	\$ 56,704	\$ 47,083	\$ 163,322	\$ 95,895

(1) The net gain on the settlement of pension plans resulting from annuity purchases is related to the purchase of group annuity contracts de-risking the Bank's pension plans (or buy-out) and is included in the Non-interest expenses line item. Refer to the Business Highlights section for further details about this transaction.

(2) In the second quarter of 2021, restructuring charges mainly consisted of charges associated with the resolution of the union grievances and unfair labour practice complaints, including complaints relating to the revocation of the union certification, as well as charges associated with the continued optimization of the Quebec branch network. In the first quarter of 2021, restructuring charges were attributed to the optimization of the Quebec branch network and the related streamlining of certain back-office and corporate functions. In 2020, restructuring charges related mainly to the reorganization of retail brokerage activities and other measures aimed at improving efficiency. Restructuring charges are included in Non-interest expenses and include severance charges, salaries, legal fees, communication expenses, professional fees and charges related to lease contracts.

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

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

TABLE 3  
IMPACT OF ADJUSTING ITEMS ON DILUTED EARNINGS PER SHARE

In thousands of Canadian dollars, except per share amounts (Unaudited)	For the three months ended			For the nine months ended	
	July 31, 2021	April 30, 2021	July 31, 2020	July 31, 2021	July 31, 2020
<b>Impact on diluted earnings per share</b>					
Reported diluted earnings per share	\$ 1.32	\$ 1.15	\$ 0.77	\$ 3.43	\$ 1.58
<b>Adjusting items</b>					
Net gain on the settlement of pension plans resulting from annuity purchases	(0.12)	—	—	(0.12)	—
Restructuring charges	—	0.03	0.19	0.04	0.24
Items related to business combinations	0.05	0.05	0.06	0.16	0.19
	(0.07)	0.08	0.25	0.08	0.43
Adjusted diluted earnings per share <sup>(1)</sup>	\$ 1.25	\$ 1.23	\$ 1.02	\$ 3.51	\$ 2.01

(1) The impact of adjusting items on a per share basis may not add due to rounding.

## KEY PERFORMANCE MEASURES

Management also uses several financial metrics to assess the Bank's 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 on page 21 of the Bank's 2020 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 and accumulated other comprehensive income (AOCI), excluding cash flow hedge reserves.

The following table shows additional information about return on common shareholders' equity.

TABLE 4  
RETURN ON COMMON SHAREHOLDERS' EQUITY

In thousands of Canadian dollars, except per share amounts (Unaudited)	For the three months ended			For the nine months ended	
	July 31, 2021	April 30, 2021	July 31, 2020	July 31, 2021	July 31, 2020
Reported net income available to common shareholders	\$ 57,387	\$ 49,946	\$ 33,019	\$ 149,035	\$ 67,682
Adjusting items, net of income taxes	(3,018)	3,642	10,866	3,377	18,621
Adjusted net income available to common shareholders	\$ 54,369	\$ 53,588	\$ 43,885	\$ 152,412	\$ 86,303
Average common shareholders' equity	\$ 2,425,424	\$ 2,377,617	\$ 2,276,124	\$ 2,380,043	\$ 2,291,451
Return on common shareholders' equity	9.4 %	8.6 %	5.8 %	8.4 %	3.9 %
Adjusted return on common shareholders' equity	8.9 %	9.2 %	7.7 %	8.6 %	5.0 %

## OUTLOOK

### ECONOMIC OUTLOOK

Acceleration of the COVID-19 vaccination rollout in developed countries is restoring confidence and solidifying the global economic outlook. Canada's vaccination rate is among the highest in the world and as such, reduces the probability of broad lockdown measures as concerns about the fourth wave of the pandemic intensify. Over the Summer, provinces have been gradually reopening as public health measures are being lifted. About 98% of Canadian economic activity that was lost during the pandemic has since been recovered, with half of industries operating at or above pre-COVID levels. However, manufacturing and export activities continue to be restrained by global supply bottlenecks and shortages. Higher vaccination rates and reopening of the economy are encouraging consumers to re-direct their spending towards services and businesses to increase their investment in machinery and equipment. The strong corporate earnings outlook and robust demand for Canadian commodities resulted in the S&P/TSX Composite Index reaching an all-time high.

Labour market conditions have been improving over the Summer as lockdown measures implemented last Spring were eased. The level of full-time employment in occupations suitable to a work-from-home environment remains high while the level of part-time workers is low due to on-going health restrictions. Even certain industries that have been thriving during the pandemic are experiencing labour shortages. The unemployment rate stood at 7.5% in July. This compares to 9.4% at the peak of the second COVID-19 wave last Winter, 13.7% at the peak of the first wave in May 2020 and 5.6% pre-pandemic. The federal government has extended financial assistance programs for businesses and individuals until late October.

Households, particularly homeowners, are benefiting from a positive wealth effect from strong housing price appreciation and record high corporate equity values. Conditions in Canadian resale housing markets are tight. Low mortgage rates, as well as a preference for teleworking and safe socialization are maintaining demand at elevated levels and keeping supply low. Housing starts also hit an all-time high during the first six months of 2021, led by an increase in homebuilding activity outside the greater Toronto, Montreal, and Vancouver areas. Household purchases of recreational vehicles and products continued to be strong during the Spring.

In the U.S., real Gross Domestic Product (GDP) was back to a pre-pandemic level during the second quarter of 2021. Fiscal stimulus has been reinforced by the recent \$1 trillion bipartisan infrastructure deal. The Federal Reserve indicated to markets that further progress in labour market conditions will be required before it begins easing and tapering the pace of asset purchases.

Global interest rates have been declining in recent months despite the improved economic outlook and uncertainty surrounding the persistence of high Consumer Price Index (CPI) inflation. The Bank of Canada signalled to markets that a constructive economic outlook and fading CPI inflation over time could lead to a first policy rate hike in the second half of 2022.

Finally, volatility of the Canadian dollar has recently increased. The reduced pace of asset purchases by the Bank of Canada relative to other central banks and the pullback in selected non-energy commodities have contributed to the Canadian dollar depreciating to US\$0.80.

## **IMPACT OF COVID-19 PANDEMIC**

The highly contagious COVID-19 Delta variant has been spreading around the world, including Canada, creating new health, economic and societal challenges. Governments worldwide have enacted multiple emergency measures to protect their citizens and slow the transmission of the virus. As of August, more than 60% of Canadians have been fully vaccinated. Since the beginning of the outbreak, governments and central banks have implemented relief measures to assist individuals and businesses with some of the negative economic effects. In Canada, households and companies have generally adapted well to the situation, although labour shortages are emerging in Canada while many people remain out of work. As the vaccination program continues to be rolled out and the economy fully reopens, economic activity is expected to continue to improve for the remainder of 2021.

In this context, the Bank's response to the pandemic has focused on ensuring the health and safety of its customers and employees. The measures the Bank has put in place have also provided the foundation to support operations in this period of heightened uncertainty. The Bank continues to work with retail and business customers to manage the impacts of this unprecedented crisis and support them through programs initiated by the federal and provincial governments.

### **Operating results**

The Bank is continuously adapting to this new economic environment. Changes to consumer spending behaviour continues to impact personal loan volumes and retail transaction-driven fees. In addition, targeted loan portfolios were impacted by supply-chain disruption caused by the COVID-19 pandemic. This has weighed on loan volumes and net interest income in the first nine months of 2021, despite a strong contribution from commercial real estate activities. In this quarter, further improvements in forward-looking assumptions resulted in a lower level of provision for credit losses. The continued uncertainty resulting from the ongoing impact of the pandemic may cause future volatility in expected credit losses until we see a more normalized operating environment globally.

While the Bank is taking actions to mitigate the impact of COVID-19 on its daily operations and financial results, the pandemic is expected to continue to impact operating results in the near term. Numerous unpredictable and evolving factors will have to be considered, such as the duration and spread of the pandemic, including the rise of variants; its impact on customers, employees and third-party providers; the response of government authorities to the crisis and global social and economic impacts. As such, it remains challenging to forecast the effects of COVID-19 on the Bank's future results.

The allowance for credit losses is sensitive to the inputs used in models, including macroeconomic variables used in the forward-looking scenarios and their respective weights. The magnitude of the impact of COVID-19 on the Canadian and U.S. economies remains highly uncertain, including assessments of the impact of government and/or regulatory responses to the pandemic. Therefore, it remains difficult to predict whether the higher level of expected credit losses recorded since April 2020 will result in significant write-offs and if the Bank will be required to recognize additional increases in expected credit losses in subsequent periods.

The COVID-19 pandemic may also increase costs as the Bank prioritizes health and safety measures and complies with applicable requirements, and may cause the Bank to reduce, delay or alter initiatives that may otherwise have increased its long-term value.

The Bank's risk management framework provides the necessary mechanisms to manage the impact of the crisis on its business and operations. The core risk factors relating to the Bank's operations are described in the "Risk Appetite and Risk Management Framework" section on page 47 of the Bank's 2020 Annual Report. Refer, also, to page 66 of the Bank's 2020 Annual Report under the "Other risks that may affect future results" section for further details relating to impacts of the COVID-19 pandemic.

### **Capital and liquidity**

The Bank is well positioned to manage capital and liquidity risks. The Common Equity Tier 1 ratio stood at 10.3% as at July 31, 2021, in excess of the minimum regulatory requirement. As the Bank continues to support its customers, and in accordance with regulatory developments and policy responses, the Bank expects its regulatory capital ratio to remain above regulatory and target management levels.

The liquidity coverage ratio remains above industry levels. The Bank's liquidity position was healthy at the onset of the pandemic and remains so today. The Bank will continue to prudently monitor capital and liquidity levels.

## **BUSINESS HIGHLIGHTS**

### **Purchase of group annuity contracts de-risking the Bank's pension plans**

On June 10, 2021, in an effort to reduce its defined benefit pension plan obligation and decrease future pension volatility and risks, the Bank purchased \$346.2 million of group annuity contracts from a Canadian insurer and transferred \$353.4 million in obligations, resulting in a \$7.1 million net settlement gain (\$5.2 million net of income taxes). Under the agreement, the Canadian insurer will issue annuities covering the responsibility for pension benefits owed to approximately 1,900 Laurentian Bank of Canada pensioners. The insurer will begin administering all benefits for these members in October 2021. Following the transaction, benefits for plan participants are protected under Assuris, the life insurance compensation association designated under the Insurance Companies Act of Canada.

For accounting purposes, this buy-out transaction essentially eliminates further legal or constructive obligation for benefits and a settlement occurred.

### **Key executive appointment**

The Bank appointed Beel Yaqub as Executive Vice President and Chief Information Technology Officer (CITO), effective July 12, 2021. As a member of the executive leadership team, Beel will help support the new strategic direction of the Bank.

As Chief Information Technology Officer, Beel will oversee the modernization of the Bank's IT systems as well as the Bank's network infrastructure, cyber security, data privacy and management, application engineering, cloud enablement and IT vendor management. He will also directly contribute to the Bank's ongoing strategic review. He brings more than 20 years of experience and results, leading transformational change and driving performance across multiple technology and business disciplines.

### **Residential mortgage loans end to end process review**

As part of its plan to improve the customer experience and to renew growth in residential mortgage loans, the Bank has initiated an end to end review of its mortgage process. Analysis related to the broker channel origination process initiated in the second quarter is progressing. This led to the launch of a number of pilot projects to improve response times and service levels and eliminate overlapping manual processes. Further phases related to branch mortgage business for both originations and renewals, as well as broker renewals will gradually be rolled out. In the third quarter, to drive greater accountability and cross-functional collaboration, a new Residential Real Estate Secured Lending business unit was created within Personal Banking. New technology tools were also adopted to improve the customer experience, including "DocuSign" for ease, convenience and collection of customer signatures. While improving the performance of the mortgage business is expected to be a multi-year journey, it should gradually yield benefits along the way.

### **Revocation of union certification**

On April 21, 2021, the Bank announced that the Canada Industrial Relations Board (CIRB) had revoked the union certification covering the unionized employees of the Bank, following a vote by the majority of its affected employees in favour of the revocation and withdrawal of the complaints filed by the union. Approximately 20% of the Bank's employees were represented by the union certification prior to its revocation.

## **UPDATE ON KEY INITIATIVES**

Recently, a series of senior executive appointments were announced to help drive a renewed strategic direction for the Bank with a focus on simplifying processes and enhancing digital capabilities, further engaging and empowering the Bank's team members, and creating a more customer-centric culture. The Bank has committed to outlining the new strategic direction by year-end. Over the past few years, the Bank has launched major initiatives. The following section provides an update on these key projects.

### **Core-banking system replacement program**

In 2019, the Bank migrated all of B2B Bank products and most of its loans to business customers to a new core-banking system. Given the impacts of COVID-19 and the review of the strategic plan, the Bank is evaluating this project and its timeline.

### **Quebec branch network optimization**

In 2020, the Bank completed the conversion of its traditional branch network to a 100% Advice model. In 2021, four more branches were merged, including one in the third quarter. Going forward, the Bank will continuously review its branch network adapting to its customer-first culture and to the anticipated rollout of its updated digital strategy.

### **Advanced internal ratings-based approach to credit risk**

As part of its plan to improve the Bank's foundation, the Bank is pursuing the adoption of the AIRB approach to credit risk, subject to regulatory approval. Given the impacts of COVID-19 on its business and the review of the strategic plan, the Bank is evaluating this project and its timeline.



## ANALYSIS OF CONSOLIDATED RESULTS

TABLE 5  
CONDENSED CONSOLIDATED RESULTS – REPORTED BASIS

In thousands of Canadian dollars (Unaudited)	For the three months ended			For the nine months ended	
	July 31, 2021	April 30, 2021	July 31, 2020	July 31, 2021	July 31, 2020
Net interest income	\$ 174,696	\$ 171,476	\$ 173,546	\$ 519,246	\$ 513,078
Other income	80,188	78,292	75,063	232,780	214,392
Total revenue	254,884	249,768	248,609	752,026	727,470
Amortization of net premium on purchased financial instruments	—	—	127	—	538
Provision for credit losses	5,400	2,400	22,300	24,600	92,100
Non-interest expenses	170,258	179,561	183,777	523,882	556,195
Income before income taxes	79,226	67,807	42,405	203,544	78,637
Income taxes	17,162	14,745	6,188	43,599	1,363
Net income	62,064	53,062	36,217	159,945	77,274
Preferred share dividends and limited recourse capital note interest	4,677	3,116	3,198	10,910	9,592
Net income available to common shareholders	\$ 57,387	\$ 49,946	\$ 33,019	\$ 149,035	\$ 67,682

TABLE 6  
CONDENSED CONSOLIDATED RESULTS – ADJUSTED BASIS<sup>(1)</sup>

In thousands of Canadian dollars (Unaudited)	For the three months ended			For the nine months ended	
	July 31, 2021	April 30, 2021	July 31, 2020	July 31, 2021	July 31, 2020
Net interest income	\$ 174,696	\$ 171,476	\$ 173,546	\$ 519,246	\$ 513,078
Other income	80,188	78,292	75,063	232,780	214,392
Total revenue	254,884	249,768	248,609	752,026	727,470
Provision for credit losses	5,400	2,400	22,300	24,600	92,100
Adjusted non-interest expenses <sup>(1)</sup>	174,414	174,657	169,190	519,440	531,607
Adjusted income before income taxes <sup>(1)</sup>	75,070	72,711	57,119	207,986	103,763
Adjusted income taxes <sup>(1)</sup>	16,024	16,007	10,036	44,664	7,868
Adjusted net income <sup>(1)</sup>	59,046	56,704	47,083	163,322	95,895
Preferred share dividends and limited recourse capital note interest	4,677	3,116	3,198	10,910	9,592
Adjusted net income available to common shareholders <sup>(1)</sup>	\$ 54,369	\$ 53,588	\$ 43,885	\$ 152,412	\$ 86,303

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

### THIRD QUARTER OF 2021 COMPARED WITH THIRD QUARTER OF 2020

Net income was \$62.1 million and diluted earnings per share were \$1.32 for the third quarter of 2021, compared with \$36.2 million and \$0.77 for the third quarter of 2020. Adjusted net income was \$59.0 million for the third quarter of 2021, up from \$47.1 million for the third quarter of 2020, and adjusted diluted earnings per share were \$1.25, compared with \$1.02 for the third quarter of 2020. Net income available to common shareholders in the third quarter of 2021 included a final dividend on the Preferred Shares Series 15 redeemed in June 2021 and a partial initial interest charge on the Limited Recourse Capital Notes issued in May 2021.

#### Total revenue

Total revenue was \$254.9 million for the third quarter of 2021, up 3% compared with \$248.6 million for the third quarter of 2020.

*Net interest income* increased by \$1.2 million to \$174.7 million for the third quarter of 2021, compared with \$173.5 million for the third quarter of 2020, despite lower loan volumes. The increase was mainly due to improved funding costs, mostly as the utilization of secured funding increased year-over-year. Net interest margin was 1.86% for the third quarter of 2021, unchanged compared with the third quarter of 2020 for the same reasons, and despite the overall lower interest rate environment. Over the last few months, the impact of the decrease in inventory financing volumes on net interest margin was mostly offset by improved funding costs. However, lower inventory financing volumes are expected to continue to impact net interest income for the remainder of the year, and until supply-chain disruptions are resolved.

*Other income* increased by \$5.1 million or 7% to \$80.2 million for the third quarter of 2021, compared with \$75.1 million for the third quarter of 2020. The increase was mainly due to higher lending fees which improved by \$3.1 million compared with the third quarter of 2020, stemming from the strong performance in real estate lending. Strong revenues from brokerage activities and higher commissions from sales of mutual funds also contributed to the increase.

#### **Provision for credit losses**

The provision for credit losses was \$5.4 million for the third quarter of 2021 compared with \$22.3 million for the third quarter of 2020, a decrease of \$16.9 million as the prior year reflected higher provisions due to the impact of the COVID-19 pandemic. Releases of provisions on performing loans of \$3.6 million also contributed to the improvement. While uncertainty over the impact of the COVID-19 pandemic remains, the releases were largely due to an improving economic outlook.

Refer to the "Risk Management" section of the MD&A and to Note 5 to the Condensed Interim Consolidated Financial Statements for more information on provision for credit losses and allowances for credit losses.

#### **Non-interest expenses**

Non-interest expenses amounted to \$170.3 million for the third quarter of 2021, a decrease of \$13.5 million or 7% compared with the third quarter of 2020. Adjusted non-interest expenses amounted to \$174.4 million for the third quarter of 2021, an increase of \$5.2 million or 3% compared with the third quarter of 2020. Adjusted non-interest expenses exclude adjusting items such as a \$7.1 million net gain on the settlement of pension plans resulting from annuity purchases for the third quarter of 2021, as well as the amortization of acquisition-related intangible assets and restructuring charges, as described in the Non-GAAP and Key Performance Measures section above.

*Salaries and employee benefits* amounted to \$89.9 million for the third quarter of 2021, a decrease of \$2.6 million compared with the third quarter of 2020. Salaries and employee benefits for the third quarter of 2021 included the aforementioned \$7.1 million net gain on the settlement of pension plans resulting from annuity purchases. This was partly offset by higher performance-based compensation related to the Bank's improved performance compared with the third quarter of 2020.

*Premises and technology costs* were \$49.2 million for the third quarter of 2021, a decrease of \$0.9 million compared with the third quarter of 2020, mainly as a result of cost discipline.

*Other non-interest expenses* were \$31.2 million for the third quarter of 2021, an increase of \$1.0 million compared with the third quarter of 2020, mainly resulting from higher professional fees.

Restructuring charges were essentially nil for the third quarter of 2021, a decrease of \$11.1 million compared with the third quarter of 2020. Charges in 2020 were mainly related to the streamlining of the branch network, as well as to a reduction in headcount to realign the workforce with operational needs and improve efficiency. Refer to the Non-GAAP and Key Performance Measures section for further details.

#### **Efficiency ratio**

The efficiency ratio on a reported basis was 66.8% for the third quarter of 2021, down from 73.9% for the third quarter of 2020. The adjusted efficiency ratio was 68.4% for the third quarter of 2021, slightly higher than 68.1% for the third quarter of 2020, mainly as a result of the increase in salaries and employee benefits.

#### **Income taxes**

For the quarter ended July 31, 2021, the income tax expense was \$17.2 million, and the effective tax rate was 21.7%. The lower tax rate, compared to the statutory rate, is attributed to a lower taxation level of income from foreign operations, as well as from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income. For the quarter ended July 31, 2020, the income tax expense was \$6.2 million, and the effective tax rate was 14.6%. Year-over-year, the increase in the effective tax rate results from the proportionally higher domestic income.

### **NINE MONTHS ENDED JULY 31, 2021 COMPARED WITH NINE MONTHS ENDED JULY 31, 2020**

Net income was \$159.9 million and diluted earnings per share were \$3.43 for the nine months ended July 31, 2021, compared with \$77.3 million and \$1.58 for the nine months ended July 31, 2020. Adjusted net income was \$163.3 million for the nine months ended July 31, 2021, up from \$95.9 million for the nine months ended July 31, 2020, and adjusted diluted earnings per share were \$3.51 for the nine months ended July 31, 2021, up from \$2.01 for the nine months ended July 31, 2020.

#### **Total revenue**

Total revenue was \$752.0 million for the nine months ended July 31, 2021 up 3% compared with \$727.5 million for the nine months ended July 31, 2020.

*Net interest income* increased by \$6.2 million to \$519.2 million for the nine months ended July 31, 2021, compared with \$513.1 million for the nine months ended July 31, 2020. The increase was mainly due to improved funding costs, as the utilization of secured funding increased year-over-year, partly offset by lower loan volumes. Net interest margin increased by 1 bp to 1.86% for the nine months ended July 31, 2021, compared with 1.85% for the nine months ended July 31, 2020, essentially for the same reasons.

Other income increased by \$18.4 million or 9% to \$232.8 million for the nine months ended July 31, 2021, compared with \$214.4 million for the nine months ended July 31, 2020. The increase was mainly due to the contribution from capital markets and treasury operations,

which increased by \$11.3 million compared with the nine months ended July 31, 2020. Higher lending fees and higher commissions from sales of mutual funds further contributed to the increase and also benefited from the economic recovery and strong financial markets. This was partly offset by a decrease in service charges and card service revenues compared with the nine months ended July 31, 2020 due to ongoing changes to the retail banking environment, exacerbated by the COVID-19 pandemic.

#### **Provision for credit losses**

The provision for credit losses decreased by \$67.5 million to \$24.6 million for the nine months ended July 31, 2021 compared with \$92.1 million for the nine months ended July 31, 2020, as the prior year reflected higher provisions on performing loans due to the impact of the COVID-19 pandemic. Releases of provisions on performing loans of \$14.4 million and lower provisions on impaired loans in the first nine months of 2021 also contributed to the decrease.

Refer to the "Risk Management" section of the MD&A and to Note 5 to the Condensed Interim Consolidated Financial Statements for more information on provision for credit losses and allowances for credit losses.

#### **Non-interest expenses**

Non-interest expenses decreased by \$32.3 million or 6% to \$523.9 million for the nine months ended July 31, 2021, compared with \$556.2 million for the nine months ended July 31, 2020. Adjusted non-interest expenses decreased by \$12.2 million or 2% to \$519.4 million for the nine months ended July 31, 2021, compared with \$531.6 million for the nine months ended July 31, 2020. Adjusted non-interest expenses exclude adjusting items such as a \$7.1 million net gain on the settlement of pension plans resulting from annuity purchases for the nine months ended July 31, 2021, as well as the amortization of acquisition-related intangible assets and restructuring charges, as described in the Non-GAAP and Key Performance Measures section above.

*Salaries and employee benefits* were essentially unchanged and amounted to \$282.7 million for the nine months ended July 31, 2021, compared with the nine months ended July 31, 2020. Salaries and employee benefits for 2021 include the aforementioned \$7.1 million net gain on the settlement of pension plans resulting from annuity purchases. Excluding this special item, the year-over-year increase is mostly due to higher performance-based compensation related to the Bank's improved performance, partly offset by a decrease in salaries reflecting the headcount reduction implemented in 2020.

*Premises and technology costs* decreased by \$3.0 million to \$147.6 million for the nine months ended July 31, 2021, compared with the nine months ended July 31, 2020, mainly as a result of cost discipline.

*Other non-interest expenses* decreased by \$18.7 million to \$91.1 million for the nine months ended July 31, 2021, compared with the nine months ended July 31, 2020. The improvement mainly resulted from lower regulatory costs, as well as lower advertising, business development and travel expenses, ensuing from efficiency measures and the current economic conditions.

Restructuring charges decreased by \$11.7 million to \$2.5 million for the nine months ended July 31, 2021, compared with \$14.1 million for the nine months ended July 31, 2020, mainly as a result of charges, incurred in 2020, related to the streamlining of the branch network and to a reduction in headcount, as noted above. Refer to the Non-GAAP and Key Performance Measures section for further details.

#### **Efficiency ratio**

The efficiency ratio, on a reported basis, was 69.7% for the nine months ended July 31, 2021, down from 76.5% for the nine months ended July 31, 2020. The adjusted efficiency ratio was 69.1% for the nine months ended July 31, 2021, down from 73.1% for the nine months ended July 31, 2020, as a result of lower adjusted non-interest expenses and an increase in total revenue. The adjusted operating leverage was positive year-over-year.

#### **Income taxes**

For the nine months ended July 31, 2021, the income tax expense was \$43.6 million and the effective tax rate was 21.4%. The lower tax rate, compared to the statutory rate, is attributed to a lower taxation level of income from foreign operations, as well as from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income. For the nine months ended July 31, 2020, the income tax expense was \$1.4 million and the effective tax rate was 1.7%, given the lower level of income from Canadian operations stemming from the COVID-19 pandemic.

### **THIRD QUARTER OF 2021 COMPARED WITH SECOND QUARTER OF 2021**

Net income was \$62.1 million and diluted earnings per share were \$1.32 for the third quarter of 2021, compared with \$53.1 million and \$1.15 for the second quarter of 2021. Adjusted net income was \$59.0 million and adjusted diluted earnings per share were \$1.25 for the third quarter of 2021, compared with \$56.7 million and \$1.23 for the second quarter of 2021.

Total revenue increased by \$5.1 million to \$254.9 million for the third quarter of 2021, compared with \$249.8 million for the previous quarter.

Net interest income increased by \$3.2 million sequentially to \$174.7 million. The increase mainly reflects the positive impact of three additional days in the third quarter, partly offset by slightly lower interest margins. Net interest margin was 1.86% for the third quarter of 2021, a decrease of 2 basis points compared with 1.88% for the second quarter of 2021, mainly as a result of a change in the business mix.

Other income amounted to \$80.2 million for the third quarter of 2021, an increase of \$1.9 million compared with \$78.3 million for the previous quarter, mainly as a result of higher lending fees stemming from the strong performance in real estate lending.

Provision for credit losses was \$5.4 million for the third quarter of 2021, an increase of \$3.0 million compared with \$2.4 million for the second quarter of 2021. Lower releases of provisions on performing loans, partly offset by lower provisions on impaired loans in the quarter, contributed to the increase. Refer to the "Risk Management" section for additional information.

Non-interest expenses decreased by \$9.3 million to \$170.3 million for the third quarter of 2021 from \$179.6 million in the second quarter of 2021. Lower salaries and employee benefits, as a result of the aforementioned \$7.1 million net gain on the settlement of pension plans and lower performance-based compensation, as well as lower restructuring charges contributed to the decrease sequentially. Adjusted non-interest expenses amounted to \$174.4 million in the third quarter of 2021 and were essentially unchanged compared with the second quarter of 2021.

## ANALYSIS OF FINANCIAL CONDITION

TABLE 7  
CONDENSED BALANCE SHEET

In thousands of Canadian dollars (Unaudited)	As at July 31, 2021	As at October 31, 2020
<b>Assets</b>		
Cash and deposits with banks	\$ 748,400	\$ 672,842
Securities	6,771,129	5,799,216
Securities purchased under reverse repurchase agreements	2,987,769	3,140,228
Loans and acceptances, net	32,792,084	33,019,603
Other assets	1,553,687	1,535,771
	<b>\$ 44,853,069</b>	<b>\$ 44,167,660</b>
<b>Liabilities and Shareholders' Equity</b>		
Deposits	\$ 23,161,529	\$ 23,920,203
Other liabilities	7,810,303	7,102,277
Debt related to securitization activities	10,784,325	10,184,497
Subordinated debt	349,696	349,442
Shareholders' equity	2,747,216	2,611,241
	<b>\$ 44,853,069</b>	<b>\$ 44,167,660</b>

As at July 31, 2021, total assets amounted to \$44.9 billion, a 2% increase from \$44.2 billion as at October 31, 2020, mostly due to the higher level of liquid assets.

### Liquid assets

Liquid assets consist of cash, deposits with banks, securities and securities purchased under reverse repurchase agreements. As at July 31, 2021, these assets amounted to \$10.5 billion, an increase of \$0.9 billion compared with \$9.6 billion as at October 31, 2020.

The Bank continues to prudently manage its level of liquid assets. The Bank's funding sources remain well diversified and sufficient to meet all liquidity requirements. Liquid assets represented 23% of total assets as at July 31, 2021, in line with October 31, 2020.

### Loans

Loans and bankers' acceptances, net of allowances, stood at \$32.8 billion as at July 31, 2021, a decrease of \$0.2 billion or 1% since October 31, 2020. During the first nine months of 2021, commercial loan growth resumed, while personal loans and residential mortgage loans declined.

Commercial loans and acceptances amounted to \$13.5 billion as at July 31, 2021, an increase of 6% since October 31, 2020. Real estate lending accounted for most of the increase and continued to show resilience during the COVID-19 pandemic amidst the lower interest rate environment. This strong performance was partly offset by lower inventory financing volumes since October 31, 2020 due to continued supply chain challenges to sustain the high consumer demand for recreational products.

Personal loans amounted to \$3.8 billion as at July 31, 2021, a decrease of \$0.3 billion or 8% since October 31, 2020, mainly as a result of the continued decline in the investment loan portfolio.

Residential mortgage loans amounted to \$15.7 billion as at July 31, 2021, a decrease of \$0.6 billion or 4% since October 31, 2020. The acquisition of mortgage loans from third parties, as part of the Bank's program to optimize the usage of the National Housing Act mortgage-backed securities allocations, has contributed to mitigating the impact of repayments.

## Other assets

Other assets stood at \$1.6 billion as at July 31, 2021, unchanged compared with October 31, 2020.

## LIABILITIES

### Deposits

Deposits decreased by \$0.8 billion or 3% to \$23.2 billion as at July 31, 2021 compared with \$23.9 billion as at October 31, 2020, mainly as the Bank optimized its funding sources to align with its asset levels. Personal deposits stood at \$18.2 billion as at July 31, 2021, down \$0.6 billion compared with October 31, 2020. The decrease mainly resulted from lower term deposits sourced through intermediaries, managed down as the Bank increased its debt related to securitization activities to optimize funding costs, partly offset by growth in personal notice and demand deposits of \$0.8 billion or 15% over the same period.

Personal deposits represented 79% of total deposits as at July 31, 2021, in line with October 31, 2020, and contributed to the Bank's good liquidity position.

Business and other deposits decreased by \$0.2 billion over the same period to \$5.0 billion, mostly due to a decrease in wholesale funding as the Bank optimized its funding costs as outlined above. Business and other deposits now include the Bank's covered bonds.

### Covered bonds

In April 21, 2021, the Bank received approval from Canada Mortgage and Housing Corporation ("CMHC") to establish a \$2.0 billion legislative covered bond programme ("Programme") pursuant to Canadian Registered Covered Bond Programs Guide. On May 6, 2021, the Bank issued its inaugural \$250.0 million covered bonds which bear interest at an annual coupon of 1.603%, payable semi-annually. The Programme further diversifies the Bank's funding sources, reduces the cost of funding and is expected to help the Bank deliver competitively priced products to its customers.

### Other liabilities

Other liabilities increased to \$7.8 billion as at July 31, 2021 from \$7.1 billion as at October 31, 2020. The year-over-year increase resulted mainly from higher obligations related to securities sold under repurchase agreements associated with trading activities.

### Debt related to securitization activities

Debt related to securitization activities increased by \$0.6 billion or 6% compared with October 31, 2020 and stood at \$10.8 billion as at July 31, 2021, contributing to the improvement in funding costs. Since the beginning of the year, mortgage loan securitization through the CMHC programs, supplemented by other secured funding, more than offset maturities of liabilities related to the Canada Mortgage Bond program, as well as normal repayments.

### Subordinated debt

Subordinated debt stood at \$349.7 million as at July 31, 2021, essentially unchanged compared with October 31, 2020. Subordinated debt is an integral part of the Bank's regulatory capital and affords its depositors additional protection.

## SHAREHOLDERS' EQUITY

Shareholders' equity amounted to \$2,747.2 million as at July 31, 2021, compared with \$2,611.2 million as at October 31, 2020. Compared to October 31, 2020, retained earnings increased by \$152.2 million, mainly as a result of the net income contribution of \$159.9 million, as well as to other gains related to employee benefit plans and equity securities designated at fair value through other comprehensive income of \$58.2 million. These increases were partly offset by dividends amounting to \$62.9 million since the beginning of the year. Accumulated other comprehensive income decreased by \$28.8 million, mainly as a result of a reduction in the cumulative foreign currency translation amount. During the third quarter, the Bank also redeemed the Non-Cumulative Class A Preferred Shares, Series 15 (Non-Viability Contingent Capital (NVCC)) and issued Limited Recourse Capital Notes, as detailed below. For additional information, please refer to the Consolidated Statement of Changes in Shareholders' Equity in the Condensed Interim Consolidated Financial Statements.

The Bank's book value per common share was \$56.61 as at July 31, 2021 compared to \$53.74 as at October 31, 2020.

### Limited recourse capital notes

On May 7, 2021, the Bank issued Limited Recourse Capital Notes, Series 1 (Non-Viability Contingent Capital (NVCC)) (Subordinated Indebtedness) ("LRCN") for an aggregate principal amount of \$125 million. LRCN bear interest at a rate of 5.30% annually, payable semi-annually, for the initial period from the date of issue to June 15, 2026. LRCN were classified as equity on the balance sheet and fully qualify as Additional Tier 1 capital under the Basel III capital adequacy framework and the CAR Guideline as they include mandatory non-viability contingency capital provisions.

In connection with the issuance of LRCN, the Bank also issued Non-Cumulative 5-Year Fixed Rate Reset Class A Preferred Shares, Series 17 (Non-Viability Contingent Capital (NVCC)) ("Preferred Shares Series 17") to Computershare Trust Company of Canada as trustee for a newly formed trust (the "Limited Recourse Trust"). In case of non-payment of principal or interest on LRCN when due, the recourse of each noteholder will be limited to that holder's proportionate share of the Limited Recourse Trust's assets which, except in limited circumstances, will consist of Preferred Shares Series 17. The Preferred Shares Series 17 are treasury shares eliminated on the Bank's consolidated balance sheet prior to a recourse event. The net proceeds of the issuance were used to redeem the Bank's

outstanding 5,000,000 Non-Cumulative Class A Preferred Shares, Series 15 (Non-Viability Contingent Capital (NVCC)) on June 15, 2021, at an aggregate redemption price of \$125 million.

## CAPITAL MANAGEMENT

### REGULATORY CAPITAL

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

Certain banks in Canada have been designated by OSFI as Domestic Systemically Important Banks (D-SIBs). The Bank has not been designated as a D-SIB.

#### Regulatory capital developments

##### *Changes to Capital, Leverage and Liquidity Requirements and related Disclosures.*

On March 11, 2021, OSFI released for public consultation revisions to the Capital Adequacy Requirements (CAR) Guideline, Leverage Requirements (LR) Guideline, and Liquidity Adequacy Requirements (LAR) Guideline (together, "the Guidelines") applicable as of November 1, 2022. The proposed revisions to the CAR and LR Guidelines reflect OSFI's domestic implementation of the final Basel III reforms as set out in the consolidated Basel Framework published by the BCBS. In addition, proposed revisions to these guidelines, as well as those proposed to the LAR Guideline, include changes to reflect specific capital and liquidity requirements applicable to small and medium sized deposit-taking institutions (SMSBs). These changes align to the draft new SMSB Capital and Liquidity Requirements Guideline (the SMSB Capital and Liquidity Guideline) that was also released on the same date for public consultation.

Concurrent with the consultation, OSFI is consulting on proposed changes to the Pillar 3 Disclosure Guideline applicable to Domestic Systemically Important Banks (D-SIBs) as of November 1, 2022. These enhanced disclosure requirements incorporate revisions to the Guidelines to support transparency and promote market discipline.

On August, 5, 2021, continuing its initiative to develop tailored requirements for the Canadian Small and Medium-Sized Banks (SMSBs), OSFI issued for Public Consultation the Draft Pillar 3 Disclosure Guideline for SMSBs. The Draft Guideline lists the disclosures required by SMSBs and their respective implementation dates.

The Bank will continue to monitor and prepare for developments impacting regulatory capital requirements.

##### *OSFI consultation on enhanced assurance expectations*

On April 13, 2021, OSFI launched a ten-week consultation with the publication of a discussion paper, Assurance on Capital, Leverage and Liquidity Returns for federally regulated insurers (FRIs) and deposit-taking institutions (DTIs). The paper focuses on enhancing and aligning assurance expectations given the increasing complexity arising from the evolving regulatory reporting framework. OSFI proposes to have assurance expectations apply to capital, leverage and liquidity returns of all federally regulated DTIs.

##### *Regulatory capital developments in support of COVID-19 efforts*

In the second quarter of 2020, OSFI announced several measures to afford financial institutions further flexibility in addressing current conditions due to COVID-19. These measures are discussed in the section "Regulatory capital developments in support of COVID-19 efforts" of the Bank's Annual Report 2020, on page 40. No other significant regulatory development specific to this topic has occurred during the first nine months of 2021.

Table 8 outlines regulatory capital and regulatory capital ratios. The Bank complied with OSFI's capital requirements throughout the year.

TABLE 8  
REGULATORY CAPITAL

In thousands of Canadian dollars, except percentage amounts (Unaudited)	As at July 31, 2021	As at October 31, 2020
<b>Regulatory capital<sup>(1)</sup></b>		
Common Equity Tier 1 capital	\$ 2,033,984	\$ 1,893,079
Tier 1 capital	\$ 2,279,704	\$ 2,137,117
Total capital	\$ 2,712,304	\$ 2,571,212
<b>Total risk-weighted assets<sup>(2)</sup></b>	<b>\$ 19,675,022</b>	<b>\$ 19,669,263</b>
<b>Regulatory capital ratios</b>		
Common Equity Tier 1 capital ratio	10.3 %	9.6 %
Tier 1 capital ratio	11.6 %	10.9 %
Total capital ratio	13.8 %	13.1 %

(1) The Common Equity Tier 1, Tier 1 and Total capital ratios excluding the ECL transitional arrangements were 10.3%, 11.5% and 13.8% respectively as at July 31, 2021.

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

The Common Equity Tier 1 capital ratio stood at 10.3% as at July 31, 2021, compared with 9.6% as at October 31, 2020. The increase compared with October 31, 2020 mainly results from internal capital generation and other gains related to employee benefit plans and equity securities designated at fair value through other comprehensive income. This level of capital provides the Bank with the necessary operational flexibility to resume growth and to pursue key initiatives prudently, considering economic conditions.

#### Outstanding share data

As at August 25, 2021, the number of outstanding common shares was 43,506,218 and the number of stock options was 983,012.

NVCC provisions require the conversion of the capital instrument into a variable number of common shares in the event that OSFI deems a bank to be non-viable or a federal or provincial government in Canada publicly announces that a bank has accepted or agreed to accept a capital injection. If a NVCC trigger event were to occur, NVCC capital instruments as at July 31, 2021, which are the Class A Preferred Shares Series 13, the subordinated debentures due on June 22, 2022, as well as the LRCN Series 1 (see above) would be converted into common shares pursuant to an automatic conversion formula with a conversion price based on the greater of: (i) a contractual floor price of \$5.00, and (ii) the current market price of the Bank's common shares at the time of the trigger event (10-day weighted average). Based on a floor price of \$5.00 and assuming no accrued interest and no declared and unpaid dividends, these NVCC capital instruments would convert into a maximum of 120,000,000 common shares, in aggregate, which would represent a dilution impact of 73.4% based on the number of common shares outstanding as at July 31, 2021.

#### 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 always meets or exceeds 3%. The leverage ratio is defined as the Tier 1 capital divided by unweighted on-balance sheet assets and off-balance sheet commitments, derivatives and securities financing transactions, as defined within the requirements.

As detailed in the table below, the leverage ratio stood at 5.1% as at July 31, 2021 and exceeded regulatory requirements.

TABLE 9  
BASEL III LEVERAGE RATIO

In thousands of Canadian dollars, except percentage amounts (Unaudited)	As at July 31, 2021	As at October 31, 2020
Tier 1 capital	\$ 2,279,704	\$ 2,137,117
Total exposures	\$ 44,741,677	\$ 44,452,632
Basel III leverage ratio <sup>(1)</sup>	5.1 %	4.8 %

(1) The Basel III leverage ratio excluding the ECL transitional arrangements was 5.1% as at July 31, 2021.

#### DIVIDENDS

On August 31, 2021, the Board of Directors declared a quarterly dividend of \$0.40 per common share, payable on November 1, 2021 to shareholders of record on October 1, 2021. Shares attributed under the Bank's Shareholder Dividend Reinvestment and Share Purchase Plan will continue to be made in common shares issued from Corporate Treasury at a 2% discount.

# RISK MANAGEMENT

The Bank is exposed to various types of risks owing to its activities, mainly as it relates to the use of financial instruments. In order to manage these risks, various risk management policies and risk limits, as well as other controls have been implemented. These measures aim to optimize return considering risk in all operating segments. Refer to the section "Risk Appetite and Risk Management Framework" on page 43 of the Bank's 2020 Annual Report for additional information on the Bank's risk management framework.

## CREDIT RISK

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

### COVID-19 impact on credit risk and measurement uncertainty of expected credit loss estimates

To consider the evolving impact of the pandemic, as well as other changes to the Bank's environment, the Bank updated its economic scenarios to assess collective provisions as at July 31, 2021. The three scenarios, "base", "downside" and "upside", were probability weighted as part of the Bank's approach to determining the expected credit losses as at July 31, 2021 and are further described in Note 5 to the Condensed Interim Consolidated Financial Statements.

Collective allowances are sensitive to model inputs, including macroeconomic variables in the forward-looking scenarios and their respective probability weighting, among other factors. When possible, the Bank's ECL models were adapted to consider measures introduced by governments, central banks and regulators to promote liquidity and ease financial stress to individuals and businesses. To better assess loan losses, the Bank also applied expert judgment given this unprecedented situation. The COVID-19 pandemic led to significant changes to this forward-looking information in 2020, resulting in an increase in expected credit losses. In this quarter, improvements in forward-looking assumptions resulted in a decrease in expected credit losses. The overall uncertainty with respect to the continuing impact of the pandemic may result in future volatility in expected credit losses until the eventual return to a more normalized worldwide operating environment.

The magnitude of the impact of COVID-19 on the Canadian and U.S. economies remains highly uncertain including assessments of the impact of government and/or regulatory responses to the pandemic. Therefore, it remains difficult to predict whether the increase in expected credit losses will result in significant write-offs or if the Bank will need to recognize additional increases in expected credit losses in subsequent periods.

### Provision for credit losses

#### *Third quarter of 2021 compared with third quarter of 2020*

Total provision for credit losses of \$5.4 million decreased by \$16.9 million or 76% compared with the third quarter of 2020, as the prior year reflected higher provisions on impaired loans due to the impact of COVID-19. Releases of provisions on performing loans of \$3.6 million also contributed to the improvement. The provision for credit losses as a percentage of average loans and acceptances stood at 7 bps for the quarter, compared to 27 bps for the same quarter a year ago.

The provision for credit losses on performing loans was a recovery of \$3.6 million for the third quarter of 2021 compared with a charge of \$2.2 million for the third quarter of 2020, primarily reflecting releases of provisions on commercial loans and personal loans. While uncertainty over the impact of the COVID-19 pandemic remains, the releases were largely due an improving economic outlook in the current quarter.

The provision for credit losses on impaired loans of \$9.0 million decreased by \$11.1 million, due to releases of provisions on residential mortgage loans and lower provisions on personal loans.

#### *Nine months ended July 31, 2021 compared with nine months ended July 31, 2020*

Total provision for credit losses of \$24.6 million decreased by \$67.5 million or 73% compared with the nine months ended July 31, 2020, as the prior year reflected higher provisions on performing loans due to the impact of COVID-19. Releases of provisions on performing loans of \$14.4 million and lower provisions on impaired loans in the first nine months of 2021 also contributed to the improvement. The provision for credit losses as a percentage of average loans and acceptances of 10 bps for the nine months ended July 31, 2021 improved by 27 bps.

The provision for credit losses on performing loans was a recovery of \$14.4 million for the nine months ended July 31, 2021 compared with a charge of \$32.0 million for the nine months ended July 31, 2020, primarily reflecting releases of provisions of commercial loans and personal loans. While uncertainty over the impact of the COVID-19 pandemic remains, the releases were largely due to an improving economic outlook in the second and third quarters of 2021.

The provision for credit losses on impaired loans of \$39.0 million decreased by \$21.1 million, due to lower provisions on personal and commercial loans.

#### *Third quarter of 2021 compared with second quarter of 2021*

Total provision for credit losses of \$5.4 million increased by \$3.0 million or 125% compared with the second quarter of 2021. Lower releases of provisions on performing loans partly offset by lower provisions on impaired loans in the quarter contributed to the increase. The provision for credit losses as a percentage of average loans and acceptances of 7 bps increased by 4 bps.

The provision for credit losses on performing loans was a recovery of \$3.6 million for the third quarter of 2021 compared with a recovery of \$9.9 million for the second quarter of 2021, primarily reflecting releases of provisions of commercial loans and personal loans. While



uncertainty over the impact of the COVID-19 pandemic remains, the releases were largely due an improving economic outlook in the current quarter.

The provision for credit losses on impaired loans of \$9.0 million decreased by \$3.3 million, due to releases of provisions on residential mortgage loans, partly offset by higher provisions on commercial loans.

TABLE 10  
PROVISION FOR CREDIT LOSSES

In thousands of Canadian dollars, except percentage amounts (Unaudited)	For the three months ended			For the nine months ended	
	July 31, 2021	April 30, 2021	July 31, 2020	July 31, 2021	July 31, 2020
<b>Personal loans</b>					
Performing (Stage 1 and 2)	\$ (1,765)	\$ (1,466)	\$ (6,095)	\$ (3,538)	\$ 537
Impaired (Stage 3)	3,301	2,700	8,207	8,599	22,984
	1,536	1,234	2,112	5,061	23,521
<b>Residential mortgage loans</b>					
Performing (Stage 1 and 2)	866	(2,854)	1,468	(209)	2,654
Impaired (Stage 3)	(4,240)	5,332	1,483	3,390	3,173
	(3,374)	2,478	2,951	3,181	5,827
<b>Commercial loans<sup>(1)</sup></b>					
Performing (Stage 1 and 2)	(2,695)	(5,595)	6,830	(10,649)	28,786
Impaired (Stage 3)	9,933	4,283	10,407	27,007	33,966
	7,238	(1,312)	17,237	16,358	62,752
<b>Total loans</b>					
Performing (Stage 1 and 2)	(3,594)	(9,915)	2,203	(14,396)	31,977
Impaired (Stage 3)	8,994	12,315	20,097	38,996	60,123
Provision for credit losses	\$ 5,400	\$ 2,400	\$ 22,300	\$ 24,600	\$ 92,100
As a % of average loans and acceptances	0.07 %	0.03 %	0.27 %	0.10 %	0.37 %

(1) Including customers' liabilities under acceptances.

#### Impaired loans

Gross impaired loans amounted to \$265.9 million as at July 31, 2021, down \$6.9 million or 3% compared with October 31, 2020, mainly due to decreases in personal impaired loans.

Allowances for loan losses on impaired loans increased by \$13.6 million compared with October 31, 2020, mainly with regards to the commercial loan portfolio. Allowances for loan losses on performing loans amounted to \$85.8 million as at July 31, 2021, down \$11.3 million compared with October 31, 2020, driven by the Bank's most recent assumptions relating to the impact of the COVID-19 pandemic. The Bank remains cautious in the current environment, as government support decreases, and while most payment deferral measures have ended.

See Note 5 to the Condensed Interim Consolidated Financial Statements for additional information.

TABLE 11  
IMPAIRED LOANS

In thousands of Canadian dollars, except percentage amounts (Unaudited)	As at July 31, 2021	As at October 31, 2020
<b>Gross impaired loans</b>		
Personal	\$ 18,111	\$ 36,105
Residential mortgages	62,616	65,846
Commercial <sup>(1)</sup>	185,158	170,786
	<b>265,885</b>	<b>272,737</b>
<b>Allowances for loan losses on impaired loans (Stage 3)</b>	<b>(90,043)</b>	<b>(76,435)</b>
<b>Net impaired loans</b>	<b>\$ 175,842</b>	<b>\$ 196,302</b>
<b>Impaired loans as a % of loans and acceptances</b>		
Gross	0.81 %	0.82 %
Net	0.53 %	0.59 %
<b>Allowances for loan losses against performing loans</b>		
Stage 1	\$ (51,963)	\$ (56,866)
Stage 2	(33,836)	(40,221)
	<b>\$ (85,799)</b>	<b>\$ (97,087)</b>

(1) Including customers' liabilities under acceptances.

### Payment relief programs

Loans subject to payment relief programs still outstanding amounted to \$38.1 million or 0.1% of the loan portfolio as at July 31, 2021 and consisted of commercial loans (\$219.7 million mainly consisting of residential mortgage loans or 0.7% of the loan portfolio as at October 31, 2020). The Bank is monitoring the accounts which no longer benefit from the programs and its current assessment of the COVID-19 situation is that underlying losses should remain manageable. Refer to the section "Payment relief programs" on page 52 of the Bank's 2020 Annual Report and to Note 5 to the Consolidated Financial Statements for additional information.

### MARKET RISK

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

The purpose of ALM activities is to control 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 interest rate risk is intended to maximize the Bank's profitability while preserving the economic value of common shareholders' equity.

The table below provides a measure of the sensitivity to changes in interest rates of the Bank as at July 31, 2021. As presented, the effect on the economic value of common shareholders' equity and on net interest income before taxes of a sudden and sustained 1% increase in interest rates was as follows.

TABLE 12  
SENSITIVITY ANALYSIS OF THE STRUCTURAL INTEREST RATE RISK

In thousands of Canadian dollars (Unaudited)	As at July 31, 2021	As at October 31, 2020
<b>Effect of a 1% increase in interest rates</b>		
Increase in net interest income before taxes over the next 12 months	\$ 12,231	\$ 23,476
Decrease in the economic value of common shareholders' equity (net of income taxes)	\$ (39,093)	\$ (36,690)

### LIQUIDITY AND FUNDING RISK

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

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

The Bank monitors cash resources daily and ensures that liquidity indicators are within established limits, paying particular attention to deposit and loan maturities, as well as to funding availability and demand when planning financing. A reserve of unencumbered liquid assets that are readily available to face contingencies is maintained and constitutes the Bank's liquidity buffer. This reserve does not

factor in the availability of the central bank's emergency liquidity facilities. Requirements are based on scenarios evaluating required liquid assets necessary to cover predetermined rates of withdrawal of wholesale financing and retail deposits over specified periods.

The Bank originates deposits from Personal, Business and Institutional customers, and has access to wholesale financing from diversified sources. Personal deposits are sourced through multiple channels including the Quebec Retail Network, Advisors and Brokers, as well as the Digital Channel. Wholesale funding options include loan securitization and the issuance of equity or debt instruments through capital markets. Limits on funding sources are monitored by the Asset-Liability Committee, the Executive Committee and the Board of Directors.

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

The Bank remained compliant with the LAR Guideline throughout the nine months ended July 31, 2021.

### Credit ratings

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

Changes to credit ratings could also impact the Bank's involvement with other operational banking arrangements. The Bank regularly monitors the impact of a hypothetical downgrade of its credit rating on collateral requirements. As at July 31, 2021, additional collateral that would be required in the event of a one-to-three-notch rating downgrade was not significant.

On April 15, 2021, DBRS revised its long-term rating trends on the Bank to stable from negative and affirmed the Bank's "A (low)" and "R1 (low)" long and short term issuer credit ratings. On April 16, 2021, S&P revised its long-term rating outlook on the Bank to stable from negative and affirmed the Bank's "BBB" and "A-2" long and short term issuer credit ratings.

Table 13 presents the Bank's credit ratings as established by the rating agencies.

TABLE 13  
CREDIT RATINGS

As at August 25, 2021

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

[1] Rating trends provide guidance in respect of DBRS's opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories: "Positive", "Stable", or "Negative". The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed. A positive or negative trend is not an indication that a rating change is imminent. Generally, the conditions that lead to the assignment of a negative or positive trend are resolved within a 12 month period.

[2] An S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future action. The S&P rating outlooks have the following meanings: "Positive" means that a rating may be raised; "Negative" means that a rating may be lowered; "Stable" means that a rating is not likely to change; "Developing" means a rating may be raised or lowered.

### Contractual maturities of assets and liabilities

The following tables provide remaining contractual maturity profiles of assets and liabilities at their carrying value (e.g., amortized cost or fair value) as at the following balance sheet dates. Details of contractual maturities are a source of information for the management of liquidity risk.

TABLE 14  
CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

As at July 31, 2021

In thousands of Canadian dollars (Unaudited)	Term								Total
	0 to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specific maturity	
<b>Assets</b>									
Cash and non-interest-bearing deposits with banks	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 71,806	\$ 71,806
Interest-bearing deposits with banks	558,983	—	—	25,000	—	—	—	92,611	676,594
Securities	534,850	488,549	43,769	445,587	1,108,712	2,012,755	1,788,609	348,298	6,771,129
Securities purchased under reverse repurchase agreements	2,440,226	—	311,441	94,118	141,984	—	—	—	2,987,769
<b>Loans<sup>(1)</sup></b>									
Personal loans	36,203	38,601	11,864	17,462	95,392	41,761	8,492	3,522,765	3,772,540
Residential mortgages	785,991	991,811	817,831	1,103,107	2,248,968	9,588,014	68,836	114,878	15,719,436
Commercial loans	2,553,428	974,633	974,208	995,759	2,341,496	2,505,770	1,357,495	1,753,161	13,455,950
Customers' liabilities under acceptances	20,000	—	—	—	—	—	—	—	20,000
Allowances for loan losses	—	—	—	—	—	—	—	(175,842)	(175,842)
	3,395,622	2,005,045	1,803,903	2,116,328	4,685,856	12,135,545	1,434,823	5,214,962	32,792,084
Others	886	2,551	595	1,466	480	450	—	1,547,259	1,553,687
<b>Total assets</b>	<b>\$6,930,567</b>	<b>\$2,496,145</b>	<b>\$2,159,708</b>	<b>\$2,682,499</b>	<b>\$5,937,032</b>	<b>\$14,148,750</b>	<b>\$3,223,432</b>	<b>\$ 7,274,936</b>	<b>\$44,853,069</b>
<b>Liabilities and equity</b>									
<b>Deposits</b>									
Personal deposits <sup>(1)</sup>	\$1,466,759	\$1,845,992	\$1,684,945	\$1,748,052	\$3,371,195	\$ 2,058,667	\$ 28,251	\$ 6,003,691	\$18,207,552
Business, Banks and other deposits <sup>(1)</sup>	144,637	72,812	175,898	232,298	107,169	40,515	1,070	1,728,369	2,502,768
Wholesale deposits	498,168	354,800	—	255,187	748,672	345,845	—	—	2,202,672
Covered bonds	—	—	—	—	—	248,537	—	—	248,537
	2,109,564	2,273,604	1,860,843	2,235,537	4,227,036	2,693,564	29,321	7,732,060	23,161,529
Obligations related to securities sold short <sup>(2)</sup>	69,794	20,413	174,914	6,189	393,009	938,041	1,418,466	—	3,020,826
Obligations related to securities sold under repurchase agreements	2,177,001	—	627,061	189,494	333,787	—	—	—	3,327,343
Other liabilities	23,654	3,579	3,533	3,472	25,461	23,541	94,544	1,284,350	1,462,134
Debt related to securitization activities <sup>(3)</sup>	262,954	578,215	170,772	515,748	1,469,675	6,160,256	1,478,966	147,739	10,784,325
Subordinated debt	—	—	—	349,696	—	—	—	—	349,696
Equity	—	—	—	—	—	—	—	2,747,216	2,747,216
<b>Total liabilities and equity</b>	<b>\$4,642,967</b>	<b>\$2,875,811</b>	<b>\$2,837,123</b>	<b>\$3,300,136</b>	<b>\$6,448,968</b>	<b>\$ 9,815,402</b>	<b>\$3,021,297</b>	<b>\$11,911,365</b>	<b>\$44,853,069</b>

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

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

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

In thousands of Canadian dollars (Unaudited)	Term								Total
	0 to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	No specific maturity	
<b>Assets</b>									
<b>Cash and non-interest-bearing deposits with banks</b>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 69,661	\$ 69,661
<b>Interest-bearing deposits with banks</b>	482,960	—	—	25,000	—	—	—	95,221	603,181
<b>Securities</b>	652,671	268,379	109,515	252,828	751,986	2,074,340	1,352,518	336,979	5,799,216
<b>Securities purchased under reverse repurchase agreements</b>	2,173,297	639,005	—	79,634	248,292	—	—	—	3,140,228
<b>Loans<sup>(1)</sup></b>									
Personal loans	18,583	17,726	14,713	33,193	91,301	104,487	12,224	3,828,648	4,120,875
Residential mortgages	1,087,848	1,083,096	1,216,124	968,575	3,871,161	7,948,695	50,837	115,554	16,341,890
Commercial loans	2,342,341	919,009	1,172,762	758,031	2,421,636	2,027,004	1,097,008	1,992,569	12,730,360
Customers' liabilities under acceptances	—	—	—	—	—	—	—	—	—
Allowances for loan losses	—	—	—	—	—	—	—	(173,522)	(173,522)
	3,448,772	2,019,831	2,403,599	1,759,799	6,384,098	10,080,186	1,160,069	5,763,249	33,019,603
<b>Others</b>	2,924	604	615	688	4,041	685	—	1,526,214	1,535,771
<b>Total assets</b>	\$ 6,760,624	\$ 2,927,819	\$ 2,513,729	\$ 2,117,949	\$ 7,388,417	\$ 12,155,211	\$ 2,512,587	\$ 7,791,324	\$ 44,167,660
<b>Liabilities and equity</b>									
<b>Deposits</b>									
Personal deposits <sup>(1)</sup>	\$ 2,166,644	\$ 2,105,253	\$ 1,671,329	\$ 1,461,809	\$ 3,358,456	\$ 2,774,267	\$ 28,893	\$ 5,229,499	\$ 18,796,150
Business, Banks and other deposits <sup>(1)</sup>	244,701	160,147	206,613	146,803	170,395	46,704	844	1,663,364	2,639,571
Institutional deposits	416,900	648,000	—	238,450	778,610	402,522	—	—	2,484,482
	2,828,245	2,913,400	1,877,942	1,847,062	4,307,461	3,223,493	29,737	6,892,863	23,920,203
<b>Obligations related to securities sold short<sup>(2)</sup></b>	752,043	66,222	5,873	50,886	162,715	754,313	1,227,405	1,252	3,020,709
<b>Obligations related to securities sold under repurchase agreements</b>	343,343	1,404,868	—	159,793	503,645	—	—	—	2,411,649
<b>Other liabilities</b>	3,048	3,610	3,552	3,531	23,208	31,695	92,018	1,509,257	1,669,919
<b>Debt related to securitization activities<sup>(3)</sup></b>	536,301	362,566	708,099	290,437	1,637,102	5,406,786	1,092,918	150,288	10,184,497
<b>Subordinated debt</b>	—	—	—	—	349,442	—	—	—	349,442
<b>Equity<sup>(4)</sup></b>	—	—	—	—	—	—	—	2,611,241	2,611,241
<b>Total liabilities and equity</b>	\$ 4,462,980	\$ 4,750,666	\$ 2,595,466	\$ 2,351,709	\$ 6,983,573	\$ 9,416,287	\$ 2,442,078	\$ 11,164,901	\$ 44,167,660

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

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

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

(4) Equity amounts have been reclassified in order to conform with the current year presentation.

## ADDITIONAL FINANCIAL INFORMATION - QUARTERLY RESULTS

TABLE 15

### ADDITIONAL FINANCIAL INFORMATION - QUARTERLY RESULTS

In thousands of Canadian dollars, except per share and percentage amounts (Unaudited)	July 31, 2021	April 30, 2021	January 31, 2021	October 31, 2020	July 31, 2020	April 30, 2020	January 31, 2020	October 31, 2019
Net interest income	\$ 174,696	\$ 171,476	\$ 173,074	\$ 169,346	\$ 173,546	\$ 170,747	\$ 168,785	\$ 173,205
Other income	80,188	78,292	74,300	74,193	75,063	69,401	69,928	68,433
Total revenue	254,884	249,768	247,374	243,539	248,609	240,148	238,713	241,638
Amortization of net premium on purchased financial instruments	—	—	—	100	127	179	232	284
Provision for credit losses	5,400	2,400	16,800	24,200	22,300	54,900	14,900	12,600
Non-interest expenses	170,258	179,561	174,063	177,592	183,777	183,516	188,902	180,828
Income before income taxes	79,226	67,807	56,511	41,647	42,405	1,553	34,679	47,926
Income taxes	17,162	14,745	11,692	4,836	6,188	(7,332)	2,507	6,583
Net income	\$ 62,064	\$ 53,062	\$ 44,819	\$ 36,811	\$ 36,217	\$ 8,885	\$ 32,172	\$ 41,343
Earnings per share								
Basic	\$ 1.32	\$ 1.15	\$ 0.96	\$ 0.79	\$ 0.77	\$ 0.13	\$ 0.68	\$ 0.90
Diluted	\$ 1.32	\$ 1.15	\$ 0.96	\$ 0.79	\$ 0.77	\$ 0.13	\$ 0.68	\$ 0.90

## CORPORATE GOVERNANCE AND CHANGES TO INTERNAL CONTROL OVER FINANCIAL REPORTING

During the third quarter ended July 31, 2021, there have been no changes to internal control over financial reporting that affected materially or are reasonably likely to materially affect ICFR.

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

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies followed by the Bank are outlined in Notes 2 and 3 to the 2020 Annual Consolidated Financial Statements. The Condensed Interim Consolidated Financial Statements for the third quarter ended July 31, 2021 have been prepared in accordance with these accounting policies.

Some of these accounting policies are deemed critical as they require management to apply judgment in order to make particularly significant estimates that, by their very nature, involve uncertainties. Changes in these estimates could materially affect the Bank's Consolidated Financial Statements. Refer to the section "Critical Accounting Policies and Estimates" of the Bank's 2020 Annual Report, as well as to Notes 2 and 3 to the 2020 Annual Consolidated Financial Statements, for additional information.

### COVID-19 impact on judgments, estimates and assumptions

The preparation of financial information requires the use of estimates and judgments about future economic conditions. The global pandemic related to an outbreak of COVID-19 has amplified uncertainty on the assumptions used by management in making its judgments and estimates. The full extent of the impact that COVID-19, including government and/or regulatory responses to the pandemic, will have on the Canadian and U.S. economies and the Bank's business is highly uncertain and difficult to predict at this time. Accordingly, there is a higher level of uncertainty with respect to management's judgments and estimates. Refer to the section "Critical Accounting Policies and Estimations" of the Bank's 2020 Annual Report, as well as to Notes 2 and 3 to the 2020 Annual Consolidated Financial Statements.

## FUTURE CHANGES TO ACCOUNTING POLICIES

The IASB has issued new standards and amendments to existing standards which are applicable for the Bank in various annual periods beginning on November 1, 2021. Except for the adoption of the Conceptual Framework for Financial Reporting as at November 1, 2020, there have been no significant updates to the future accounting changes disclosed in Note 4 of the 2020 Annual Consolidated Financial Statements and in the section "Future Accounting Changes" of the Bank's 2020 Annual Report.

# LAURENTIAN BANK OF CANADA

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS AT AND FOR THE PERIOD ENDED JULY 31, 2021

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## CONSOLIDATED BALANCE SHEET

In thousands of Canadian dollars (Unaudited)	Notes	As at July 31, 2021	As at October 31, 2020
<b>Assets</b>			
<b>Cash and non-interest bearing deposits with banks</b>		<b>\$ 71,806</b>	<b>\$ 69,661</b>
<b>Interest-bearing deposits with banks</b>		<b>676,594</b>	<b>603,181</b>
<b>Securities</b>	<b>4 and 6</b>		
At amortized cost		3,168,783	3,109,698
At fair value through profit or loss (FVTPL)		3,314,833	2,414,939
At fair value through other comprehensive income (FVOCI)		287,513	274,579
		<b>6,771,129</b>	<b>5,799,216</b>
<b>Securities purchased under reverse repurchase agreements</b>		<b>2,987,769</b>	<b>3,140,228</b>
<b>Loans</b>	<b>5 and 6</b>		
Personal		3,772,540	4,120,875
Residential mortgage		15,719,436	16,341,890
Commercial		13,455,950	12,730,360
Customers' liabilities under acceptances		20,000	—
		<b>32,967,926</b>	<b>33,193,125</b>
Allowances for loan losses		(175,842)	(173,522)
		<b>32,792,084</b>	<b>33,019,603</b>
<b>Other</b>			
Derivatives		268,839	295,122
Premises and equipment		190,830	199,869
Software and other intangible assets		358,830	380,259
Goodwill		113,710	117,286
Deferred tax assets		27,877	62,216
Other assets		593,601	481,019
		<b>1,553,687</b>	<b>1,535,771</b>
		<b>\$ 44,853,069</b>	<b>\$ 44,167,660</b>
<b>Liabilities and shareholders' equity</b>			
<b>Deposits</b>	<b>7</b>		
Personal		\$ 18,207,552	\$ 18,796,150
Business, banks and other		4,953,977	5,124,053
		<b>23,161,529</b>	<b>23,920,203</b>
<b>Other</b>			
Obligations related to securities sold short		3,020,826	3,020,709
Obligations related to securities sold under repurchase agreements		3,327,343	2,411,649
Acceptances		20,000	—
Derivatives		104,452	127,412
Deferred tax liabilities		55,125	55,333
Other liabilities	<b>14</b>	1,282,557	1,487,174
		<b>7,810,303</b>	<b>7,102,277</b>
<b>Debt related to securitization activities</b>	<b>6</b>	<b>10,784,325</b>	<b>10,184,497</b>
<b>Subordinated debt</b>		<b>349,696</b>	<b>349,442</b>
<b>Shareholders' equity</b>			
Preferred shares	<b>8</b>	122,071	244,038
Limited recourse capital notes	<b>8</b>	123,649	—
Common shares	<b>8</b>	1,169,432	1,159,488
Retained earnings		1,305,156	1,152,973
Accumulated other comprehensive income		23,384	52,215
Share-based compensation reserve	<b>9</b>	3,524	2,527
		<b>2,747,216</b>	<b>2,611,241</b>
		<b>\$ 44,853,069</b>	<b>\$ 44,167,660</b>

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



## CONSOLIDATED STATEMENT OF INCOME

In thousands of Canadian dollars, except per share amounts (Unaudited)	Notes	For the three months ended			For the nine months ended	
		July 31, 2021	April 30, 2021	July 31, 2020	July 31, 2021	July 31, 2020
<b>Interest and dividend income</b>	<b>13</b>					
Loans		\$ 279,614	\$ 277,124	\$ 307,888	\$ 845,555	\$ 998,056
Securities		11,005	11,404	13,230	34,162	47,136
Deposits with banks		506	463	152	1,396	4,013
Other, including derivatives		20,561	21,987	26,604	67,921	42,472
		<b>311,686</b>	<b>310,978</b>	<b>347,874</b>	<b>949,034</b>	<b>1,091,677</b>
<b>Interest expense</b>	<b>13</b>					
Deposits		86,588	91,648	124,809	282,087	419,188
Debt related to securitization activities		45,139	42,551	43,911	131,598	137,399
Subordinated debt		3,835	3,710	3,825	11,373	11,398
Other, including derivatives		1,428	1,593	1,783	4,730	10,614
		<b>136,990</b>	<b>139,502</b>	<b>174,328</b>	<b>429,788</b>	<b>578,599</b>
<b>Net interest income</b>		<b>174,696</b>	<b>171,476</b>	<b>173,546</b>	<b>519,246</b>	<b>513,078</b>
<b>Other income</b>						
Lending fees		18,720	17,048	15,607	51,865	45,702
Fees and securities brokerage commissions		16,132	17,098	12,634	47,340	35,460
Commissions from sales of mutual funds		12,522	11,856	10,666	36,013	31,802
Service charges		7,855	7,961	7,947	23,053	25,752
Income from financial instruments		8,445	6,552	12,905	24,088	24,646
Card service revenues		6,455	6,610	6,464	19,764	21,738
Fees on investment accounts		3,865	4,529	3,310	12,149	12,154
Insurance income, net		2,570	2,942	3,182	8,201	8,331
Other		3,624	3,696	2,348	10,307	8,807
		<b>80,188</b>	<b>78,292</b>	<b>75,063</b>	<b>232,780</b>	<b>214,392</b>
<b>Total revenue</b>		<b>254,884</b>	<b>249,768</b>	<b>248,609</b>	<b>752,026</b>	<b>727,470</b>
<b>Amortization of net premium on purchased financial instruments</b>		—	—	127	—	538
<b>Provision for credit losses</b>	<b>5</b>	<b>5,400</b>	<b>2,400</b>	<b>22,300</b>	<b>24,600</b>	<b>92,100</b>
<b>Non-interest expenses</b>						
Salaries and employee benefits	<b>9 and 10</b>	89,884	97,455	92,483	282,745	281,724
Premises and technology		49,231	49,869	50,091	147,556	150,580
Other		31,181	30,347	30,136	91,108	109,764
Restructuring charges	<b>15</b>	(38)	1,890	11,067	2,473	14,127
		<b>170,258</b>	<b>179,561</b>	<b>183,777</b>	<b>523,882</b>	<b>556,195</b>
<b>Income before income taxes</b>		<b>79,226</b>	<b>67,807</b>	<b>42,405</b>	<b>203,544</b>	<b>78,637</b>
Income taxes		17,162	14,745	6,188	43,599	1,363
<b>Net income</b>		<b>\$ 62,064</b>	<b>\$ 53,062</b>	<b>\$ 36,217</b>	<b>\$ 159,945</b>	<b>\$ 77,274</b>
Preferred share dividends and limited recourse capital note interest		4,677	3,116	3,198	10,910	9,592
<b>Net income available to common shareholders</b>		<b>\$ 57,387</b>	<b>\$ 49,946</b>	<b>\$ 33,019</b>	<b>\$ 149,035</b>	<b>\$ 67,682</b>
<b>Weighted-average number of common shares outstanding (in thousands)</b>						
Basic		43,451	43,370	43,001	43,365	42,826
Diluted		43,586	43,430	43,001	43,430	42,851
<b>Earnings per share</b>	<b>11</b>					
Basic		\$ 1.32	\$ 1.15	\$ 0.77	\$ 3.44	\$ 1.58
Diluted		\$ 1.32	\$ 1.15	\$ 0.77	\$ 3.43	\$ 1.58
<b>Dividends declared per share</b>						
Common share		\$ 0.40	\$ 0.40	\$ 0.40	\$ 1.20	\$ 1.74
Preferred share - Series 13		\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.77	\$ 0.77
Preferred share - Series 15		\$ 0.37	\$ 0.37	\$ 0.37	\$ 1.10	\$ 1.10

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of Canadian dollars (Unaudited)	For the three months ended			For the nine months ended	
	July 31, 2021	April 30, 2021	July 31, 2020	July 31, 2021	July 31, 2020
<b>Net income</b>	<b>\$ 62,064</b>	<b>\$ 53,062</b>	<b>\$ 36,217</b>	<b>\$ 159,945</b>	<b>\$ 77,274</b>
<b>Other comprehensive income, net of income taxes</b>					
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	85	(1,156)	683	(1,054)	1,585
Reclassification of net (gains) losses on debt securities at FVOCI to net income	40	(35)	(57)	(199)	(50)
	125	(1,191)	626	(1,253)	1,535
Net change in value of derivatives designated as cash flow hedges	(14,733)	10,887	(8,345)	(5,179)	25,653
Net foreign currency translation adjustments					
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	7,422	(18,859)	(19,119)	(30,714)	7,160
Net gains (losses) on hedges of investments in foreign operations	(3,510)	5,346	6,413	8,315	1,062
	3,912	(13,513)	(12,706)	(22,399)	8,222
	(10,696)	(3,817)	(20,425)	(28,831)	35,410
Items that may not subsequently be reclassified to the Statement of Income					
Remeasurement gains (losses) on employee benefit plans	9,887	11,905	(801)	26,412	(12,379)
Net gains (losses) on equity securities designated at FVOCI	4,172	12,358	9,344	31,773	(10,323)
	14,059	24,263	8,543	58,185	(22,702)
Total other comprehensive income, net of income taxes	3,363	20,446	(11,882)	29,354	12,708
<b>Comprehensive income</b>	<b>\$ 65,427</b>	<b>\$ 73,508</b>	<b>\$ 24,335</b>	<b>\$ 189,299</b>	<b>\$ 89,982</b>

### INCOME TAXES — OTHER COMPREHENSIVE INCOME

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

In thousands of Canadian dollars (Unaudited)	For the three months ended			For the nine months ended	
	July 31, 2021	April 30, 2021	July 31, 2020	July 31, 2021	July 31, 2020
Net change in debt securities at FVOCI					
Unrealized net gains (losses) on debt securities at FVOCI	\$ 31	\$ (417)	\$ 247	\$ (380)	\$ 572
Reclassification of net (gains) losses on debt securities at FVOCI to net income	15	(13)	(21)	(72)	(18)
	46	(430)	226	(452)	554
Net change in value of derivatives designated as cash flow hedges	(5,305)	3,919	(3,010)	(1,867)	9,251
Net foreign currency translation adjustments					
Net gains (losses) on hedges of investments in foreign operations	(82)	15	—	(153)	102
Remeasurement gains (losses) on employee benefit plans	3,560	4,287	(289)	9,511	(4,464)
Net gains (losses) on equity securities designated at FVOCI	1,504	4,456	3,371	11,456	(3,725)
	\$ (277)	\$ 12,247	\$ 298	\$ 18,495	\$ 1,718

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

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine months ended July 31

In thousands of Canadian dollars (Unaudited)	Preferred shares (Note 8)	Limited recourse capital notes (Note 8)	Common shares (Note 8)	Retained earnings	Accumulated Other Comprehensive Income			Share-based compensation reserve	Total shareholders' equity	
					Debt securities at FVOCI	Cash flow hedges	Translation of foreign operations			
Balance as at October 31, 2020	\$ 244,038	\$ —	\$ 1,159,488	\$ 1,152,973	\$ 1,784	\$ 43,593	6,838	\$ 52,215	\$ 2,527	\$ 2,611,241
Net income				159,945						159,945
Other comprehensive income, net of income taxes										
Unrealized net losses on debt securities at FVOCI					(1,054)			(1,054)		(1,054)
Reclassification of net gains on debt securities at FVOCI to net income					(199)			(199)		(199)
Net change in value of derivatives designated as cash flow hedges						(5,179)		(5,179)		(5,179)
Net unrealized foreign currency translation losses on investments in foreign operations							(30,714)	(30,714)		(30,714)
Net gains on hedges of investments in foreign operations							8,315	8,315		8,315
Remeasurement gains on employee benefit plans				26,412						26,412
Net gains on equity securities designated at FVOCI				31,773						31,773
Comprehensive income				218,130	(1,253)	(5,179)	(22,399)	(28,831)		189,299
Issuance of share capital			9,944							9,944
Issuance of limited recourse capital notes		123,649								123,649
Repurchase of share capital	(121,967)			(3,033)						(125,000)
Share-based compensation									997	997
Dividends and other										
Preferred shares and limited recourse capital notes				(10,910)						(10,910)
Common shares				(52,004)						(52,004)
Balance as at July 31, 2021	\$ 122,071	\$ 123,649	\$ 1,169,432	\$ 1,305,156	\$ 531	\$ 38,414	\$ (15,561)	\$ 23,384	\$ 3,524	\$ 2,747,216

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

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

In thousands of Canadian dollars (Unaudited)	For the nine months ended July 31									
	Preferred shares (Note 8)	Common shares (Note 8)	Retained earnings	Accumulated Other Comprehensive Income			Total	Share-based compensation reserve	Total shareholders' equity	
				Debt securities at FVOCI	Cash flow hedges	Translation of foreign operations				
Balance as at November 1, 2019	\$ 244,038	\$ 1,139,193	\$ 1,154,412	\$ 328	\$ 21,049	\$ (430)	\$ 20,947	\$ 1,815	\$ 2,560,405	
Net income			77,274						77,274	
Other comprehensive income, net of income taxes										
Unrealized net gains on debt securities at FVOCI				1,585			1,585		1,585	
Reclassification of net gains on debt securities at FVOCI to net income				(50)			(50)		(50)	
Net change in value of derivatives designated as cash flow hedges					25,653		25,653		25,653	
Net unrealized foreign currency translation gains on investments in foreign operations						7,160	7,160		7,160	
Net gains on hedges of investments in foreign operations						1,062	1,062		1,062	
Remeasurement losses on employee benefit plans			(12,379)						(12,379)	
Net losses on equity securities designated at FVOCI			(10,323)						(10,323)	
Comprehensive income			54,572	1,535	25,653	8,222	35,410		89,982	
Issuance of share capital		15,724							15,724	
Share-based compensation								617	617	
Dividends										
Preferred shares, including applicable taxes			(9,592)						(9,592)	
Common shares			(74,380)						(74,380)	
Balance as at July 31, 2020	\$ 244,038	\$ 1,154,917	\$ 1,125,012	\$ 1,863	\$ 46,702	\$ 7,792	\$ 56,357	\$ 2,432	\$ 2,582,756	

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of Canadian dollars (Unaudited)	Notes	For the three months ended			For the nine months ended	
		July 31, 2021	April 30, 2021	July 31, 2020	July 31, 2021	July 31, 2020
<b>Cash flows relating to operating activities</b>						
Net income		\$ 62,064	\$ 53,062	\$ 36,217	\$ 159,945	\$ 77,274
Adjustments to determine net cash flows relating to operating activities:						
Provision for credit losses	5	5,400	2,400	22,300	24,600	92,100
Deferred income taxes		25,539	89	(1,849)	26,168	(15,042)
Depreciation of premises and equipment		5,688	5,903	6,306	17,515	18,114
Amortization of software and other intangible assets		10,218	10,329	10,639	30,912	31,090
Change in operating assets and liabilities:						
Loans		27,802	217,000	908,177	206,310	830,283
Acceptances		(19,200)	39,200	(278,790)	20,000	(185,192)
Securities at FVTPL		(442,896)	158,777	539,812	(899,894)	71,377
Securities purchased under reverse repurchase agreements		190,166	326,999	(58,323)	152,459	(251,845)
Accrued interest receivable		8,175	4,849	38,715	18,397	38,469
Derivative assets		89,294	(38,556)	55,398	26,283	(203,312)
Deposits		180,270	(626,093)	(734,491)	(758,674)	(1,082,829)
Obligations related to securities sold short		(67,930)	(584,282)	(274,206)	117	497,217
Obligations related to securities sold under repurchase agreements		419,785	188,997	69,927	915,694	39,809
Accrued interest payable		(33,716)	(19,970)	(13,019)	(111,601)	(26,027)
Derivative liabilities		(18,712)	19,369	(111,647)	(22,960)	47,647
Debt related to securitization activities		(118,753)	319,429	83,969	599,828	448,359
Other, net		4,505	(82,964)	155,025	(206,853)	144,631
		327,699	(5,462)	454,160	198,246	572,123
<b>Cash flows relating to financing activities</b>						
Payment of lease liabilities		(5,523)	(4,750)	(5,260)	(14,949)	(13,889)
Repurchase of preferred shares	8	(125,000)	—	—	(125,000)	—
Net proceeds from issuance of limited recourse capital notes	8	123,649	—	—	123,649	—
Net proceeds from issuance of common shares	8	2	25	12	27	23
Dividends and other distributions		(17,088)	(31,291)	(15,525)	(51,437)	(88,929)
		(23,960)	(36,016)	(20,773)	(67,710)	(102,795)
<b>Cash flows relating to investing activities</b>						
Change in securities at amortized cost						
Acquisitions		(661,752)	(703,132)	(1,431,962)	(1,675,059)	(2,698,914)
Proceeds on sale and at maturity		525,720	573,995	916,360	1,615,972	2,291,401
Change in securities at FVOCI						
Acquisitions		(316,788)	(170,796)	(39,663)	(567,827)	(200,459)
Proceeds on sale and at maturity		329,701	165,825	83,494	596,616	222,120
Additions to premises and equipment and software and other intangible assets		(8,465)	(8,307)	(6,653)	(21,477)	(39,153)
Change in interest-bearing deposits with banks		(147,819)	152,186	56,564	(73,413)	(51,638)
		(279,403)	9,771	(421,860)	(125,188)	(476,643)
Effect of exchange rate changes on cash and non-interest-bearing deposits with banks		1,694	(1,550)	(4,632)	(3,203)	4,256
Net change in cash and non-interest bearing deposits with banks		26,030	(33,257)	6,895	2,145	(3,059)
Cash and non-interest bearing deposits with banks at beginning of period		45,776	79,033	80,704	69,661	90,658
<b>Cash and non-interest bearing deposits with banks at end of period</b>		<b>\$ 71,806</b>	<b>\$ 45,776</b>	<b>\$ 87,599</b>	<b>\$ 71,806</b>	<b>\$ 87,599</b>
<b>Supplemental disclosure about cash flows relating to operating activities:</b>						
Interest paid during the period		\$ 172,626	\$ 159,308	\$ 183,553	\$ 547,438	\$ 606,304
Interest received during the period		\$ 324,600	\$ 310,793	\$ 368,510	\$ 970,321	\$ 1,100,327
Dividends received during the period		\$ 3,176	\$ 3,345	\$ 3,391	\$ 9,811	\$ 11,327
Income taxes paid during the period		\$ (4,062)	\$ 14,677	\$ (17,829)	\$ 34,481	\$ (10,831)

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

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

### 1. GENERAL INFORMATION

Laurentian Bank of Canada (the Bank) provides financial services to its personal, 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, with a registered office in Toronto, Canada. The Bank's common shares (stock symbol: LB) are listed on the Toronto Stock Exchange.

The Condensed Interim Consolidated Financial Statements for the period ended July 31, 2021 were approved for issuance by the Board of Directors on August 31, 2021.

### 2. BASIS OF PRESENTATION

These Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), as well as in accordance with IAS 34, *Interim Financial Reporting*. These Condensed Interim Consolidated Financial Statements also comply with the Bank Act, 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 Condensed Interim Consolidated Financial Statements should be read in conjunction with the Annual Consolidated Financial Statements for the year ended October 31, 2020 prepared in accordance with IFRS. The accounting policies described in Note 3 to the Annual Consolidated Financial Statements have been applied consistently to all periods presented within these financial statements.

These Condensed Interim Consolidated Financial Statements were prepared under a historical cost basis, except for certain items carried at fair value as discussed in Note 3 to the Annual Consolidated Financial Statements for the year ended October 31, 2020.

Unless otherwise indicated, all amounts are expressed in Canadian dollars, which is the Bank's functional and presentation currency.

#### 2.1 ACCOUNTING POLICY CHANGES

##### Conceptual Framework for Financial Reporting

In March 2018, the IASB issued a comprehensive set of concepts for financial reporting, the revised *Conceptual Framework for Financial Reporting* (Conceptual Framework), replacing the previous version of the Conceptual Framework issued in 2010. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the IASB in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors.

The revised Conceptual Framework was effective for annual reporting periods beginning on or after January 1, 2020 for companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction.

The adoption of the revised Conceptual Framework had no significant impact on the Bank's Consolidated Financial Statements as at November 1, 2020.

#### 2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Significant accounting judgments, estimates and assumptions have been made specifically in the following areas and are further discussed in the Annual Consolidated Financial Statements for the year ended October 31, 2020 as follows:

Fair value of financial instruments	Notes 3 and 23	Post-employment benefits	Notes 3 and 19
Allowances for credit losses	Notes 3 and 7	Income taxes	Notes 3 and 20
Goodwill and other intangible assets	Notes 3, 10 and 11	Provisions and contingent liabilities	Notes 3 and 30

In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of the items listed above, it is possible that the outcomes in future reporting periods could differ from those on which management's estimates are based. This could result in materially different estimates and judgments from those reached by management for the purposes of the Condensed Interim Consolidated Financial Statements.

### COVID-19 impact on judgments, estimates and assumptions

The preparation of financial information requires the use of estimates and judgments about future economic conditions. The global pandemic related to an outbreak of a coronavirus (COVID-19) has amplified uncertainty on the assumptions used by management in making its judgments and estimates. The full extent of the impact that COVID-19, including government and/or regulatory responses to the pandemic, will have on the Canadian and U.S. economies and the Bank's business is highly uncertain and difficult to predict at this time. Accordingly, there is a higher level of uncertainty with respect to management's judgments and estimates.

### 3. FUTURE ACCOUNTING CHANGES

The IASB has issued new standards and amendments to existing standards which are applicable for the Bank in various annual periods beginning on November 1, 2021. Except for the adoption of the Conceptual Framework for Financial Reporting as at November 1, 2020, there have been no significant updates to the future accounting changes disclosed in Note 4 of the 2020 Annual Consolidated Financial Statements.

### 4. SECURITIES

#### Credit quality

As at July 31, 2021, debt securities at amortized cost and at FVOCI are classified in Stage 1, with their credit rating falling mainly in the "Low risk" category according to the Bank's internal risk-rating categories. As at July 31, 2021, allowances for credit losses amounted to \$0.2 million (\$0.2 million as at October 31, 2020) for debt securities at amortized cost and \$0.2 million (\$0.2 million as at October 31, 2020) for debt securities at FVOCI.

#### Securities at amortized cost

	As at July 31, 2021	As at October 31, 2020
Securities issued or guaranteed		
by Canada <sup>(1)</sup>	\$ 1,165,309	\$ 1,048,606
by provinces	1,780,260	1,550,127
by municipalities	135,855	117,993
Other debt securities	87,359	392,972
	<b>\$ 3,168,783</b>	<b>\$ 3,109,698</b>

(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 are detailed as follows:

	As at July 31, 2021			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value <sup>(1)</sup>
Securities issued or guaranteed				
by Canada <sup>(2)</sup>	\$ 33,888	\$ 39	\$ 8	\$ 33,919
by provinces	4,917	—	6	4,911
by municipalities	42,269	434	2	42,701
Other debt securities	13,857	568	11	14,414
Asset-backed securities	489	1	—	490
Preferred shares	165,017	15,619	1,624	179,012
Common shares and other securities	12,066	—	—	12,066
	<b>\$ 272,503</b>	<b>\$ 16,661</b>	<b>\$ 1,651</b>	<b>\$ 287,513</b>

(1) The allowances for credit losses on debt securities at FVOCI, amounting to \$0.2 million as at July 31, 2021 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.

As at October 31, 2020

	Amortized cost	Unrealized gains	Unrealized losses	Fair value <sup>(1)</sup>
Securities issued or guaranteed				
by Canada <sup>(2)</sup>	\$ 16,405	\$ 482	\$ 8	\$ 16,879
by provinces	9,692	435	—	10,127
by municipalities	49,302	1,009	—	50,311
Other debt securities	25,471	904	9	26,366
Asset-backed securities	730	10	—	740
Preferred shares	177,122	2,171	28,025	151,268
Common shares and other securities	19,460	805	1,377	18,888
	\$ 298,182	\$ 5,816	\$ 29,419	\$ 274,579

(1) The allowances for credit losses on debt securities at FVOCI, amounting to \$0.2 million as at October 31, 2020 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.

#### *Equity securities designated at FVOCI*

The Bank designated certain equity securities, the business objective of which is mainly to generate dividend income, at FVOCI without subsequent reclassification of gains and losses to net income.

Dividend income recognized in earnings on these investments was \$1.8 million for the three months ended July 31, 2021 (\$2.5 million for the three months ended April 30, 2021 and \$2.4 million for three months ended July 31, 2020) and \$6.6 million for the nine months ended July 31, 2021 (\$7.7 million for the nine months ended July 31, 2020), including a negligible amount for investments that were sold during all such periods.

	For the nine months ended	
	July 31, 2021	July 31, 2020
Fair value at beginning of period	\$ 170,157	\$ 189,716
Change in fair value	40,435	(4,105)
Designated at FVOCI	42,374	33,234
Sales or redemptions	(61,888)	(53,196)
Fair value at end of period	\$ 191,078	\$ 165,649

## 5. LOANS AND ALLOWANCES FOR CREDIT LOSSES

As at July 31, 2021 and July 31, 2020, loans are recognized on the Consolidated Balance Sheet at amortized cost as outlined in Note 3 to the Annual Consolidated Financial Statements for the year ended October 31, 2020.

#### **Determining and measuring expected credit losses (ECL)**

For additional information on the measurement of expected credit losses, see Note 7 to the Annual Consolidated Financial Statements for the year ended October 31, 2020.



## Credit risk exposure

The following table shows the gross and net carrying amounts of loans and acceptances and off-balance sheet exposures as at July 31, 2021 and October 31, 2020, according to credit quality and ECL impairment stage of each loan category at amortized cost.

	As at July 31, 2021				As at October 31, 2020			
	Performing		Impaired		Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Personal loans</b>								
Very low risk	\$ 2,851,564	\$ 321	\$ —	\$ 2,851,885	\$ 2,931,558	\$ 9,080	\$ —	\$ 2,940,638
Low risk	378,664	72,947	—	451,611	445,747	104,585	—	550,332
Medium risk	266,438	174,737	—	441,175	331,779	246,309	—	578,088
High risk	—	9,758	—	9,758	—	15,712	—	15,712
Default	—	—	18,111	18,111	—	—	36,105	36,105
Gross carrying amount	3,496,666	257,763	18,111	3,772,540	3,709,084	375,686	36,105	4,120,875
Allowances for loan losses	6,475	15,931	12,053	34,459	6,996	17,330	17,212	41,538
Net carrying amount	\$ 3,490,191	\$ 241,832	\$ 6,058	\$ 3,738,081	\$ 3,702,088	\$ 358,356	\$ 18,893	\$ 4,079,337
<b>Residential mortgage loans</b>								
Very low risk	\$10,479,606	\$ 170	\$ —	\$10,479,776	\$10,008,099	\$ 103,223	\$ —	\$10,111,322
Low risk	2,932,963	45,053	—	2,978,016	3,225,724	178,993	—	3,404,717
Medium risk	1,764,406	359,409	—	2,123,815	1,914,807	722,156	—	2,636,963
High risk	—	75,213	—	75,213	—	123,042	—	123,042
Default	—	—	62,616	62,616	—	—	65,846	65,846
Gross carrying amount	15,176,975	479,845	62,616	15,719,436	15,148,630	1,127,414	65,846	16,341,890
Allowances for loan losses	5,938	4,207	4,939	15,084	5,158	5,001	3,605	13,764
Net carrying amount	\$15,171,037	\$ 475,638	\$ 57,677	\$15,704,352	\$15,143,472	\$ 1,122,413	\$ 62,241	\$16,328,126
<b>Commercial loans<sup>(1)</sup></b>								
Very low risk	\$ 3,140,989	\$ 3,341	\$ —	\$ 3,144,330	\$ 2,506,784	\$ 32,093	\$ —	\$ 2,538,877
Low risk	7,246,061	138,039	—	7,384,100	6,768,408	186,369	—	6,954,777
Medium risk	2,302,231	295,957	—	2,598,188	2,630,411	309,950	—	2,940,361
High risk	—	164,174	—	164,174	—	125,559	—	125,559
Default	—	—	185,158	185,158	—	—	170,786	170,786
Gross carrying amount	12,689,281	601,511	185,158	13,475,950	11,905,603	653,971	170,786	12,730,360
Allowances for loan losses	39,550	13,698	73,051	126,299	44,712	17,890	55,618	118,220
Net carrying amount	\$12,649,731	\$ 587,813	\$ 112,107	\$13,349,651	\$11,860,891	\$ 636,081	\$ 115,168	\$12,612,140
<b>Total loans</b>								
Gross carrying amount	\$31,362,922	\$ 1,339,119	\$ 265,885	\$32,967,926	\$30,763,317	\$ 2,157,071	\$ 272,737	\$33,193,125
Allowances for loan losses	51,963	33,836	90,043	175,842	56,866	40,221	76,435	173,522
Net carrying amount	\$31,310,959	\$ 1,305,283	\$ 175,842	\$32,792,084	\$30,706,451	\$ 2,116,850	\$ 196,302	\$33,019,603
<b>Off-balance sheet exposures<sup>(2)</sup></b>								
Very low risk	\$ 1,036,270	\$ 232	\$ —	\$ 1,036,502	\$ 1,345,872	\$ 28,402	\$ —	\$ 1,374,274
Low risk	1,384,208	25,218	—	1,409,426	1,374,916	53,877	—	1,428,793
Medium risk	457,289	41,734	—	499,023	459,632	43,183	—	502,815
High risk	—	7,394	—	7,394	—	7,527	—	7,527
Default	—	—	—	—	—	—	—	—
Total exposure	2,877,767	74,578	—	2,952,345	3,180,420	132,989	—	3,313,409
Allowances for off-balance sheet exposures losses	5,867	1,620	—	7,487	8,324	3,124	—	11,448
Total exposure, net	\$ 2,871,900	\$ 72,958	\$ —	\$ 2,944,858	\$ 3,172,096	\$ 129,865	\$ —	\$ 3,301,961

(1) Including customers' liabilities under acceptances.

(2) Including letters of guarantee and certain undrawn amounts under approved credit facilities.

## Impaired loans

	As at July 31, 2021			As at October 31, 2020		
	Gross impaired loans	Allowances against impaired loans	Net impaired loans	Gross impaired loans	Allowances against impaired loans	Net impaired loans
Personal loans	\$ 18,111	\$ 12,053	\$ 6,058	\$ 36,105	\$ 17,212	\$ 18,893
Residential mortgage loans	62,616	4,939	57,677	65,846	3,605	62,241
Commercial loans <sup>(1)</sup>	185,158	73,051	112,107	170,786	55,618	115,168
	<b>\$ 265,885</b>	<b>\$ 90,043</b>	<b>\$ 175,842</b>	<b>\$ 272,737</b>	<b>\$ 76,435</b>	<b>\$ 196,302</b>

(1) Including customers' liabilities under acceptances.

## Payment relief programs

In response to the COVID-19 pandemic, the Bank has established payment relief programs during the second quarter of 2020 to help its customers mainly through payment deferrals for residential mortgage loans, as well as for some personal and commercial loans. Payment deferrals have not been granted in connection with loans that had been identified as impaired (Stage 3). The Bank continued to accrue and recognize interest income on loans where payment deferrals were granted.

Loans subject to payment relief programs still outstanding amounted to \$38.1 million or 0.1% of the loan portfolio as at July 31, 2021 and consisted of commercial loans (\$219.7 million mainly consisting of residential mortgage loans or 0.7% of the loan portfolio as at October 31, 2020).

## Loans past due but not impaired

The following table shows personal and residential mortgage loans that are past due but not classified as impaired. The Commercial loans past due but not impaired are not significant. Loans granted payment deferrals are not considered past due if the new contractual terms are respected.

	As at July 31, 2021			As at October 31, 2020		
	1 day-31 days	32 days-90 days	Total	1 day-31 days	32 days-90 days	Total
Personal loans	\$ 48,445	\$ 16,573	\$ 65,018	\$ 51,919	\$ 20,796	\$ 72,715
Residential mortgage loans	137,392	33,139	170,531	172,001	34,298	206,299
	<b>\$ 185,837</b>	<b>\$ 49,712</b>	<b>\$ 235,549</b>	<b>\$ 223,920</b>	<b>\$ 55,094</b>	<b>\$ 279,014</b>

## Reconciliation of allowances for credit losses

The following table presents the reconciliation of allowances for credit losses for each exposure category at amortized cost according to ECL impairment stage.

### Quarterly reconciliation of allowances for credit losses

	For the three months ended July 31, 2021				For the three months ended July 31, 2020			
	Performing		Impaired		Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Personal loans</b>								
Balance at beginning of period	\$ 8,081	\$ 18,436	\$ 13,175	\$ 39,692	\$ 9,204	\$ 26,435	\$ 10,042	\$ 45,681
Transfers:								
to Stage 1	2,579	(2,264)	(315)	—	5,894	(5,760)	(134)	—
to Stage 2	(447)	1,649	(1,202)	—	(396)	748	(352)	—
to Stage 3	(22)	(920)	942	—	(31)	(971)	1,002	—
Originations	105	—	—	105	181	—	—	181
Derecognitions	(144)	(567)	(3,429)	(4,140)	(114)	(454)	(1,201)	(1,769)
Net remeasurement of allowances	(2,580)	846	7,305	5,571	(5,811)	619	8,892	3,700
Provision for (reversal of) credit losses	(509)	(1,256)	3,301	1,536	(277)	(5,818)	8,207	2,112
Write-offs	—	—	(6,311)	(6,311)	—	—	(4,482)	(4,482)
Recoveries	—	—	2,109	2,109	—	—	1,042	1,042
Foreign exchange and other	—	—	(221)	(221)	—	—	(221)	(221)
Balance at end of period	\$ 7,572	\$ 17,180	\$ 12,053	\$ 36,805	\$ 8,927	\$ 20,617	\$ 14,588	\$ 44,132
Total allowances for loan losses	\$ 6,475	\$ 15,931	\$ 12,053	\$ 34,459	\$ 7,173	\$ 18,562	\$ 14,588	\$ 40,323
Total allowances for off-balance sheet exposures	1,097	1,249	—	2,346	1,754	2,055	—	3,809
<b>Total allowances for credit losses</b>	<b>\$ 7,572</b>	<b>\$ 17,180</b>	<b>\$ 12,053</b>	<b>\$ 36,805</b>	<b>\$ 8,927</b>	<b>\$ 20,617</b>	<b>\$ 14,588</b>	<b>\$ 44,132</b>
<b>Residential mortgage loans</b>								
Balance at beginning of period	\$ 5,079	\$ 4,295	\$ 9,847	\$ 19,221	\$ 2,758	\$ 2,199	\$ 1,056	\$ 6,013
Transfers:								
to Stage 1	3,889	(1,054)	(2,835)	—	1,101	(626)	(475)	—
to Stage 2	(198)	752	(554)	—	(66)	159	(93)	—
to Stage 3	(13)	(131)	144	—	(6)	(105)	111	—
Originations	588	—	—	588	97	—	—	97
Derecognitions	(379)	(475)	(863)	(1,717)	(100)	(149)	(101)	(350)
Net remeasurement of allowances	(2,942)	829	(132)	(2,245)	(198)	1,361	2,041	3,204
Provision for (reversal of) credit losses	945	(79)	(4,240)	(3,374)	828	640	1,483	2,951
Write-offs	—	—	(584)	(584)	—	—	(932)	(932)
Recoveries	—	—	299	299	—	—	320	320
Foreign exchange and other	—	—	(383)	(383)	—	—	(381)	(381)
Balance at end of period	\$ 6,024	\$ 4,216	\$ 4,939	\$ 15,179	\$ 3,586	\$ 2,839	\$ 1,546	\$ 7,971
Total allowances for loan losses	\$ 5,938	\$ 4,207	\$ 4,939	\$ 15,084	\$ 3,449	\$ 2,805	\$ 1,546	\$ 7,800
Total allowances for off-balance sheet exposures	86	9	—	95	137	34	—	171
<b>Total allowances for credit losses</b>	<b>\$ 6,024</b>	<b>\$ 4,216</b>	<b>\$ 4,939</b>	<b>\$ 15,179</b>	<b>\$ 3,586</b>	<b>\$ 2,839</b>	<b>\$ 1,546</b>	<b>\$ 7,971</b>
<b>Commercial loans</b>								
Balance at beginning of period	\$ 41,589	\$ 19,557	\$ 65,431	\$ 126,577	\$ 43,671	\$ 11,746	\$ 48,577	\$ 103,994
Transfers:								
to Stage 1	574	(560)	(14)	—	2,062	(1,995)	(67)	—
to Stage 2	(278)	280	(2)	—	(3,112)	3,433	(321)	—
to Stage 3	(80)	(1,805)	1,885	—	(55)	(702)	757	—
Originations	4,182	—	—	4,182	2,324	—	—	2,324
Derecognitions	(5,522)	(5,603)	(3,291)	(14,416)	(4,299)	(829)	(4,651)	(9,779)
Net remeasurement of allowances	3,883	2,234	11,355	17,472	3,478	6,525	14,689	24,692
Provision for (reversal of) credit losses	2,759	(5,454)	9,933	7,238	398	6,432	10,407	17,237
Write-offs	—	—	(1,924)	(1,924)	—	—	(2,945)	(2,945)
Recoveries	—	—	226	226	—	—	191	191
Foreign exchange and other	(114)	(43)	(615)	(772)	(400)	(63)	(913)	(1,376)
Balance at end of period	\$ 44,234	\$ 14,060	\$ 73,051	\$ 131,345	\$ 43,669	\$ 18,115	\$ 55,317	\$ 117,101
Total allowances for loan losses	\$ 39,550	\$ 13,698	\$ 73,051	\$ 126,299	\$ 38,944	\$ 17,537	\$ 55,317	\$ 111,798
Total allowances for off-balance sheet exposures	4,684	362	—	5,046	4,725	578	—	5,303
<b>Total allowances for credit losses</b>	<b>\$ 44,234</b>	<b>\$ 14,060</b>	<b>\$ 73,051</b>	<b>\$ 131,345</b>	<b>\$ 43,669</b>	<b>\$ 18,115</b>	<b>\$ 55,317</b>	<b>\$ 117,101</b>
<b>Total exposure</b>								
Total allowances for loan losses	\$ 51,963	\$ 33,836	\$ 90,043	\$ 175,842	\$ 49,566	\$ 38,904	\$ 71,451	\$ 159,921
Total allowances for off-balance sheet exposures	5,867	1,620	—	7,487	6,616	2,667	—	9,283
<b>Total allowances for credit losses</b>	<b>\$ 57,830</b>	<b>\$ 35,456</b>	<b>\$ 90,043</b>	<b>\$ 183,329</b>	<b>\$ 56,182</b>	<b>\$ 41,571</b>	<b>\$ 71,451</b>	<b>\$ 169,204</b>

Year-to-date reconciliation of allowances for credit losses

	For the nine months ended July 31, 2021					For the nine months ended July 31, 2020				
	Performing		Impaired		Total	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3	Stage 1		Stage 2	Stage 3			
<b>Personal loans</b>										
Balance at beginning of period	\$ 8,758	\$ 19,532	\$ 17,212	\$ 45,502	\$ 7,297	\$ 21,710	\$ 4,732	\$ 33,739		
Transfers:										
to Stage 1	5,711	(4,677)	(1,034)	—	6,877	(6,753)	(124)	—		
to Stage 2	(833)	2,903	(2,070)	—	(919)	1,297	(378)	—		
to Stage 3	(148)	(1,072)	1,220	—	(436)	(1,579)	2,015	—		
Originations	659	—	—	659	1,616	—	—	1,616		
Derecognitions	(632)	(1,947)	(8,134)	(10,713)	(538)	(2,304)	(2,129)	(4,971)		
Net remeasurement of allowances	(5,943)	2,441	18,617	15,115	(4,970)	8,246	23,600	26,876		
Provision for (reversal of) credit losses	(1,186)	(2,352)	8,599	5,061	1,630	(1,093)	22,984	23,521		
Write-offs	—	—	(20,274)	(20,274)	—	—	(16,484)	(16,484)		
Recoveries	—	—	7,180	7,180	—	—	4,020	4,020		
Foreign exchange and other	—	—	(664)	(664)	—	—	(664)	(664)		
Balance at end of period	\$ 7,572	\$ 17,180	\$ 12,053	\$ 36,805	\$ 8,927	\$ 20,617	\$ 14,588	\$ 44,132		
Total allowances for loan losses	\$ 6,475	\$ 15,931	\$ 12,053	\$ 34,459	\$ 7,173	\$ 18,562	\$ 14,588	\$ 40,323		
Total allowances for off-balance sheet exposures	1,097	1,249	—	2,346	1,754	2,055	—	3,809		
Total allowances for credit losses	\$ 7,572	\$ 17,180	\$ 12,053	\$ 36,805	\$ 8,927	\$ 20,617	\$ 14,588	\$ 44,132		
<b>Residential mortgage loans</b>										
Balance at beginning of period	\$ 5,401	\$ 5,048	\$ 3,605	\$ 14,054	\$ 2,032	\$ 1,824	\$ 1,050	\$ 4,906		
Transfers:										
to Stage 1	3,026	(2,232)	(794)	—	1,161	(725)	(436)	—		
to Stage 2	(427)	1,165	(738)	—	(226)	390	(164)	—		
to Stage 3	(147)	(501)	648	—	(5)	(113)	118	—		
Originations	1,596	—	—	1,596	484	—	—	484		
Derecognitions	(1,099)	(997)	(1,174)	(3,270)	(273)	(301)	(345)	(919)		
Net remeasurement of allowances	(2,326)	1,733	5,448	4,855	498	1,764	4,000	6,262		
Provision for (reversal of) credit losses	623	(832)	3,390	3,181	1,639	1,015	3,173	5,827		
Write-offs	—	—	(2,079)	(2,079)	—	—	(3,485)	(3,485)		
Recoveries	—	—	951	951	—	—	1,954	1,954		
Foreign exchange and other	—	—	(928)	(928)	(85)	—	(1,146)	(1,231)		
Balance at end of period	\$ 6,024	\$ 4,216	\$ 4,939	\$ 15,179	\$ 3,586	\$ 2,839	\$ 1,546	\$ 7,971		
Total allowances for loan losses	\$ 5,938	\$ 4,207	\$ 4,939	\$ 15,084	\$ 3,449	\$ 2,805	\$ 1,546	\$ 7,800		
Total allowances for off-balance sheet exposures	86	9	—	95	137	34	—	171		
Total allowances for credit losses	\$ 6,024	\$ 4,216	\$ 4,939	\$ 15,179	\$ 3,586	\$ 2,839	\$ 1,546	\$ 7,971		
<b>Commercial loans</b>										
Balance at beginning of period	\$ 51,031	\$ 18,765	\$ 55,618	\$ 125,414	\$ 24,160	\$ 8,828	\$ 35,160	\$ 68,148		
Transfers:										
to Stage 1	2,921	(2,677)	(244)	—	2,059	(1,247)	(812)	—		
to Stage 2	(1,860)	2,686	(826)	—	(3,082)	3,702	(620)	—		
to Stage 3	(291)	(2,524)	2,815	—	(334)	(3,019)	3,353	—		
Originations	8,872	—	—	8,872	9,615	—	—	9,615		
Derecognitions	(13,326)	(4,893)	(4,573)	(22,792)	(4,823)	(2,646)	(7,144)	(14,613)		
Net remeasurement of allowances	(2,494)	2,937	29,835	30,278	16,007	12,554	39,189	67,750		
Provision for (reversal of) credit losses	(6,178)	(4,471)	27,007	16,358	19,442	9,344	33,966	62,752		
Write-offs	—	—	(9,091)	(9,091)	—	—	(13,135)	(13,135)		
Recoveries	—	—	1,575	1,575	—	—	1,008	1,008		
Foreign exchange and other	(619)	(234)	(2,058)	(2,911)	67	(57)	(1,682)	(1,672)		
Balance at end of period	\$ 44,234	\$ 14,060	\$ 73,051	\$ 131,345	\$ 43,669	\$ 18,115	\$ 55,317	\$ 117,101		
Total allowances for loan losses	\$ 39,550	\$ 13,698	\$ 73,051	\$ 126,299	\$ 38,944	\$ 17,537	\$ 55,317	\$ 111,798		
Total allowances for off-balance sheet exposures	4,684	362	—	5,046	4,725	578	—	5,303		
Total allowances for credit losses	\$ 44,234	\$ 14,060	\$ 73,051	\$ 131,345	\$ 43,669	\$ 18,115	\$ 55,317	\$ 117,101		
<b>Total exposure</b>										
Total allowances for loan losses	\$ 51,963	\$ 33,836	\$ 90,043	\$ 175,842	\$ 49,566	\$ 38,904	\$ 71,451	\$ 159,921		
Total allowances for off-balance sheet exposures	5,867	1,620	—	7,487	6,616	2,667	—	9,283		
Total allowances for credit losses	\$ 57,830	\$ 35,456	\$ 90,043	\$ 183,329	\$ 56,182	\$ 41,571	\$ 71,451	\$ 169,204		

## Main macroeconomic factors

The following tables show the main macroeconomic factors used to estimate the collective allowances for credit losses as at July 31, 2021 and as at October 31, 2020.

	As at July 31, 2021					
	Base scenario		Upside scenario		Downside scenario	
	Next 12 months <sup>(1)</sup>	Remaining forecast period <sup>(2)</sup>	Next 12 months <sup>(1)</sup>	Remaining forecast period <sup>(2)</sup>	Next 12 months <sup>(1)</sup>	Remaining forecast period <sup>(2)</sup>
<b>Main macroeconomic factors</b>						
GDP growth	4.5%	4.8%	6.3%	4.9%	1.1%	6.0%
Average unemployment rate (percentage points)	6.9	6.1	6.2	5.6	8.7	8.1
Housing price index growth	3.7%	4.5%	6.5%	5.5%	(1.3)%	3.7%
S&P/TSX index growth <sup>(3)</sup>	6.1%	9.8%	9.9%	9.5%	(9.8)%	18.9%

	As at October 31, 2020					
	Base scenario		Upside scenario		Downside scenario	
	Next 12 months <sup>(1)</sup>	Remaining forecast period <sup>(2)</sup>	Next 12 months <sup>(1)</sup>	Remaining forecast period <sup>(2)</sup>	Next 12 months <sup>(1)</sup>	Remaining forecast period <sup>(2)</sup>
<b>Main macroeconomic factors</b>						
GDP growth	4.8%	4.3%	6.5%	4.8%	0.2%	5.8%
Average unemployment rate (percentage points)	9.5	7.0	8.5	6.6	11.1	8.8
Housing price index growth (decrease)	0.2%	4.8%	3.2%	5.9%	(11.8)%	2.0%
S&P/TSX index growth <sup>(3)</sup>	11.8%	12.0%	19.9%	12.8%	0.1%	15.5%

(1) Expected variation over the next 12 months for growth indicators and average unemployment rate over the next 12 months. These factors are used for Stage 1 ECL calculations.

(2) Expected variation over the remaining forecast period of 24 months for growth indicators and average unemployment rate over the remaining forecast period of 24 months. These factors are used for Stage 2 and Stage 3 ECL calculations.

(3) Main stock index in Canada.

The main macroeconomic factors used for the personal and residential mortgage loan portfolios are the unemployment rate, the housing price index and the S&P/TSX growth. The main macroeconomic factors used for the commercial loan portfolio is the GDP growth. An increase in unemployment will generally correlate with higher allowances for credit losses, whereas an increase in the other macroeconomic factors (GDP growth, S&P/TSX growth and housing price index growth) will generally correlate with lower allowances for credit losses.

### Description of scenarios

In the base scenario, progress in vaccination rates fosters confidence, prevents a material increase in hospitalizations and limits broad lockdown measures despite a new pandemic wave building up this summer and peaking this fall. Consumers are more willing to spend accumulated savings. The re-orientation of household spending in services activities eases global supply bottlenecks and Consumer Price Index (CPI) inflation. The federal government's emergency programs end this fall without creating major financial frictions. The solidified outlook leads businesses to invest and hire additional staff. Housing conditions remain dynamic, immigration resumes in 2022 as progress in vaccination in emerging markets in late 2021 lowers infection rates, and central banks gradually withdraw asset purchases and increase policy rates in late 2022.

In the downside scenario, the pandemic wave leads to broad lockdown measures in emerging markets and exacerbates global supply disruptions, pushing CPI inflation to multi-years highs. Market confidence is shaken by the persistence of elevated inflation softening the pace of the recovery. Nominal bond yields rise sharply due to inflation concerns, stoking economic growth and cooling housing market conditions. Furthermore, the end of the federal government's emergency programs weighs down severely on corporate earnings. Central banks mitigate the economic slowdown and market risk aversion by accelerating asset purchases. The large pandemic wave delays a sustainable recovery and return of immigration in 2023.

In the upside scenario, the pandemic wave building up in the late summer fades quickly. Fast vaccination progress in emerging markets lowers transmission rates and the COVID-19 pandemic ends. The confidence boost leads consumers to spend a large portion of excess savings. Business investment soars and hiring increases at a fast pace while housing conditions tighten further. Strong immigration resumes in late 2021 and the robust acceleration in economic momentum fuels market risk appetite further. North American central banks rapidly end asset purchase programs and increase policy rates in mid-2022.

## Sensitivity analysis of allowances for credit losses on non-impaired loans

The following table shows a comparison of the Bank's allowances for credit losses on performing loans (Stages 1 and 2) under IFRS 9 as at July 31, 2021, including off-balance sheet exposures, with the estimated allowances for credit losses that would result if the base scenario was weighted at 100% or if all these performing loans were in Stage 1.

	Allowances for credit losses on performing loans	
Under IFRS 9	\$	93,286
<b>Simulations</b>		
100% base scenario	\$	66,210
Performing loans if they were all in Stage 1	\$	75,649

## Finance lease receivables

The Commercial loans line item includes net investment in leases of \$962.1 million as at July 31, 2021 (\$961.6 million as at October 31, 2020).

## Loans not recognized on balance sheet

### Canada Emergency Business Account Program

Under the Canada Emergency Business Account (CEBA) Program, the Bank provides interest-free loans of up to \$60,000 to its eligible business customers. The funding for the CEBA Program is provided to the Bank by the Government of Canada. In addition, all loans are guaranteed by the Government of Canada. As such, the Bank is not assuming risks related to the loans and only acts as an administrator of the CEBA Program. The Bank receives an administration fee to recover the costs to administer the program for the Government of Canada. Accordingly, loans issued under the program are not recognized on the Bank's Consolidated Balance Sheet, since the conditions of a qualifying pass-through arrangement have been met and the Bank has determined that substantially all risks and rewards of ownership of the loans have been transferred to the Canadian government. As at July 31, 2021, the Bank had provided 1,877 customers with CEBA loans and had funded \$98.2 million in loans under the program (1,671 customers and \$66.8 million as at October 31, 2020).

## 6. SECURITIZATION AND STRUCTURED ENTITIES

### 6.1 TRANSFER OF FINANCIAL ASSETS

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

### Financial assets not qualifying for derecognition and associated financial liabilities

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

	As at July 31, 2021	As at October 31, 2020
Residential mortgage loans	\$ 9,004,689	\$ 8,722,637
Replacement Assets <sup>(1)</sup>	521,284	459,967
Debt related to securitization activities	\$ (9,765,341)	\$ (9,393,861)

(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, 2021, the Bank has also securitized other residential mortgage loans for a total amount of \$214.4 million (\$345.5 million as at October 31, 2020) as part of the NHA MBS program, which were not subsequently sold. The resulting NHA MBS are presented as part of residential mortgage loans. Of these NHA MBS, \$120.0 million (\$345.5 million as at October 31, 2020) were pledged as collateral with the Bank of Canada.

### 6.2 STRUCTURED ENTITIES SECURITIZATION VEHICLES

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

## Financial assets securitized through 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, 2021		As at October 31, 2020	
Personal loans	\$	1,268,632	\$	1,149,677
Commercial loans <sup>(1)</sup>		463,122		430,782
Debt related to securitization activities involving structured entities	\$	(1,018,984)	\$	(790,636)

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

## 6.3 COVERED BONDS

On April 21, 2021, the Bank received approval from Canada Mortgage and Housing Corporation ("CMHC") to establish a \$2.0 billion legislative covered bond programme ("Programme") pursuant to the Canadian Registered Covered Bond Programs Guide, published by CMHC, and, on May 6, 2021, the Bank issued its inaugural \$250.0 million covered bonds which will bear interest at a rate of 1.603% annually, payable semi-annually. The covered bonds are presented as Deposits on the Bank's Consolidated Balance Sheet.

The Bank will periodically transfer mortgages to LBC Covered Bond (Legislative) Guarantor Limited Partnership (the Guarantor LP) to support funding activities and asset coverage requirements under the Programme. The Guarantor LP was created to guarantee payment of the principal and interest owed to the bondholders. The covered bonds guaranteed by the Guarantor LP are direct, unsecured and unconditional obligations of the Bank; therefore, investors have a claim against the Bank which will continue if the covered bonds are not paid by the Bank and the mortgage assets in the Guarantor LP are insufficient to satisfy the obligations owing on the covered bonds. As at July 31, 2021, the total amount of mortgages outstanding was \$316.4 million.

## 7. DEPOSITS

	As at July 31, 2021			
	Demand <sup>(1)</sup>	Notice <sup>(2)</sup>	Term <sup>(3)</sup>	Total
Personal	\$ 140,026	\$ 5,880,404	\$ 12,187,122	\$ 18,207,552
Business, banks and other <sup>(4)</sup>	1,260,188	454,726	3,239,063	4,953,977
	\$ 1,400,214	\$ 6,335,130	\$ 15,426,185	\$ 23,161,529

  

	As at October 31, 2020			
	Demand <sup>(1)</sup>	Notice <sup>(2)</sup>	Term <sup>(3)</sup>	Total
Personal	\$ 131,219	\$ 5,111,281	\$ 13,553,650	\$ 18,796,150
Business, banks and other <sup>(4)</sup>	1,183,198	458,978	3,481,877	5,124,053
	\$ 1,314,417	\$ 5,570,259	\$ 17,035,527	\$ 23,920,203

(1) Demand deposits consist of deposits in respect of which the Bank is not authorized to require notice prior to withdrawal by customers. These deposits primarily consist of chequing accounts.

(2) Notice deposits consist of deposits in respect of which the Bank may legally require a withdrawal notice. These deposits generally consist of savings accounts.

(3) Term deposits include deposits maturing at a specific date, particularly term deposits and guaranteed investment certificates, as well as senior unsecured notes and covered bonds.

(4) In October 2019, the Bank has signed a credit facility agreement for an amount up to \$250 million secured by insured residential mortgage loans and maturing in August 2021, of which nil was drawn as at July 31, 2021 (nil as at October 31, 2020).

## 8. SHARE CAPITAL

### Preferred shares

#### Issued and outstanding

The variation and outstanding number and amount of preferred shares were as follows.

	July 31, 2021		For the nine months ended July 31, 2020	
	Number of shares	Amount <sup>(1)</sup>	Number of shares	Amount <sup>(1)</sup>
<b>Non-Cumulative Class A Preferred Shares (NVCC)</b>				
Series 13				
Outstanding at beginning and end of period	5,000,000	\$ 122,071	5,000,000	\$ 122,071
Series 15				
Outstanding at beginning of period	5,000,000	\$ 121,967	5,000,000	\$ 121,967
Redemption of preferred shares	(5,000,000)	(121,967)	—	—
Outstanding at end of period	—	—	5,000,000	121,967
	<b>5,000,000</b>	<b>\$ 122,071</b>	<b>10,000,000</b>	<b>\$ 244,038</b>

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

There were no outstanding Non-Cumulative Class A Preferred Shares Series 14 as at July 31, 2021 (no outstanding Non-Cumulative Class A Preferred Shares Series 14 and Series 16 as at October 31, 2020).

#### Issuance of treasury shares

In connection with the issuance of Limited Recourse Capital Notes described below, the Bank issued on May 7, 2021 \$125.0 million of Non-Cumulative 5-Year Fixed Rate Reset Class A Preferred Shares, Series 17 (Non-Viability Contingent Capital (NVCC)) ("Preferred Shares Series 17") at a price of \$1,000 per Preferred Share Series 17. The Preferred Shares Series 17 were issued to a Limited Recourse Trust to be held as trust assets in connection with the Limited Recourse Capital Notes structure. The Preferred Shares Series 17 are treasury shares eliminated on the Bank's consolidated balance sheet prior to a recourse event.

#### Redemption of preferred shares

The net proceeds from the issuance of Limited Recourse Notes described below were used to redeem the Bank's outstanding 5,000,000 Non-Cumulative Class A Preferred Shares, Series 15 (Non-Viability Contingent Capital (NVCC)) on June 15, 2021, for an aggregate redemption price of \$125 million. Share issuance costs of the Preferred Shares Series 15 of \$3.0 million that were recorded in equity as a deduction from the proceeds were transferred to retained earnings on redemption.

### Limited Recourse Capital Notes

#### Issued and outstanding

The variation and outstanding number and amount of Limited Recourse Capital Notes were as follows.

	For the nine months ended	
	July 31, 2021	July 31, 2020
	Amount	Amount
<b>Limited Recourse Capital Notes (NVCC)</b>		
Series 1		
Outstanding at beginning of period	\$ —	n/a
Issuance under an offering to accredited investors	125,000	n/a
Net issuance costs	(1,351)	n/a
Outstanding at the end of period	\$ 123,649	n/a

#### Issuance under an offering to accredited investors

On May 7, 2021, the Bank issued \$125.0 million of Limited Recourse Capital Notes, Series 1 (Non-Viability Contingent Capital (NVCC)) (Subordinated Indebtedness) (the "LRCN Series 1"), with recourse limited to assets held by a third party trustee in a bare trust. The trust assets in respect of LRCN Series 1 consist of \$125.0 million of the Bank's Preferred Shares Series 17 issued concurrently with LRCN Series 1. LRCN Series 1 bear interest at a fixed rate of 5.30% annually until June 15, 2026, and thereafter at a rate, reset every fifth year, equal to the 5-year Government of Canada Yield plus 4.334% until maturity on June 15, 2081.

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



## Common shares

### Issued and outstanding

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

	July 31, 2021		For the nine months ended July 31, 2020	
	Number of shares	Amount	Number of shares	Amount
<b>Common shares</b>				
Outstanding at beginning of year	43,237,931	\$ 1,159,488	42,624,861	\$ 1,139,193
Issuance under the employee share purchase option plan	—	—	1,670	76
Issuance under the Shareholder Dividend Reinvestment and Share Purchase Plan	268,132	9,993	494,864	15,775
Net issuance costs	n/a	(49)	n/a	(127)
	<b>43,506,063</b>	<b>\$ 1,169,432</b>	<b>43,121,395</b>	<b>\$ 1,154,917</b>

### Shareholder dividend reinvestment and share purchase plan

The Bank determined that as of August 31, 2021, reinvestment related to the dividend declared would be made in common shares issued from treasury at a 2% discount.

## Declared dividends

On August 17, 2021, the Board of Directors declared regular dividends on the Preferred Shares Series 13 to shareholders of record on September 7, 2021. On August 31, 2021, the Board of Directors declared a dividend of \$0.40 per common share, payable on November 1, 2021, to shareholders of record on October 1, 2021.

## Capital management

### Regulatory capital

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

Under OSFI's Leverage Requirements Guideline, Federally regulated deposit-taking institutions are expected to maintain a Basel III leverage ratio that 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, 2021.

Regulatory capital is detailed below.

	As at July 31, 2021	As at October 31, 2020
Common shares	\$ 1,169,432	\$ 1,159,488
Retained earnings	1,305,156	1,152,973
Accumulated other comprehensive income, excluding cash flow hedge reserve	(15,030)	8,622
Share-based compensation reserve	3,524	2,527
Transitional arrangements for expected credit losses in response to COVID-19 <sup>(1)</sup>	10,802	22,976
Deductions from Common Equity Tier 1 capital <sup>(2)</sup>	(439,900)	(453,507)
Common Equity Tier 1 capital	2,033,984	1,893,079
Qualifying preferred shares and limited recourse capital notes	245,720	244,038
Additional Tier 1 capital	245,720	244,038
Tier 1 capital	2,279,704	2,137,117
Qualifying subordinated debt	349,696	349,442
Collective allowances	82,904	85,978
Deductions from Tier 2 capital <sup>(3)</sup>	—	(1,325)
Tier 2 capital	432,600	434,095
Total capital	\$ 2,712,304	\$ 2,571,212
Common Equity Tier 1 capital ratio	10.3 %	9.6 %
Tier 1 capital ratio	11.6 %	10.9 %
Total capital ratio	13.8 %	13.1 %

(1) Represents ECL transitional arrangements provided by OSFI. For additional information, see the sub-section entitled Regulatory capital developments in support of COVID-19 efforts on page 40 of the 2020 Annual Report.

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

(3) Investments in own Tier 2 capital instruments.

## 9. SHARE-BASED COMPENSATION

### Share purchase option plan

Information relating to outstanding number of options is as follows. As at July 31, 2021, 35,842 options were exercisable.

	As at July 31, 2021	As at October 31, 2020
Number of share purchase options outstanding under the Old Stock Option Purchase Plan	71,683	71,683
Number of share purchase options outstanding under the New Stock Option Plan	941,905	715,646

During the first quarter of 2021, the Bank awarded 269,861 stock options under the New Stock Option Plan with an exercise price of \$33.13. Assumptions related to the stock options valuations are as follows.

	2021 grant
Weighted-average fair value of options granted <sup>(1)</sup>	\$ 4.87
Share price at grant date	\$ 32.60
Risk free interest rate	0.62 %
Expected life of options	8 years
Expected volatility <sup>(2)</sup>	24 %
Expected dividend yield	5.40 %

(1) Estimated using the Black-Scholes model, as well as the assumptions presented in this table.

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

### Performance-based share unit plans (PSUs)

During the first quarter of 2021, the Bank granted 107,848 PSUs valued at \$33.12 each. The rights to these units will vest in December 2023 and upon meeting the related performance criteria. There was no grant of PSUs during the second and third quarters of 2021.

### Restricted share unit plans

During the first quarter of 2021, under the restricted share unit plan, annual bonuses for certain employees amounting to \$0.5 million were converted into 16,251 entirely vested restricted share units. The Bank also granted 259,688 additional restricted share units valued at \$33.12 each that will vest in December 2023.

During the second quarter of 2021, under the restricted share unit plan, the Bank granted 51,774 restricted share units at \$35.25 and 2,486 restricted share units at \$40.23. A third of these restricted share units will vest and will be settled in December 2021, in December 2022 and in December 2023. The Bank also granted 709 additional restricted share units at \$35.25 that will vest in December 2023.

During the third quarter of 2021, under the restricted share unit plan, the Bank granted 6,664 restricted share units at \$43.52. A third of these restricted share units will vest and will be settled in December 2021, December 2022 and December 2023. The Bank also granted 8,272 additional restricted shares at \$43.52, of which 14% will vest and be settled in December 2021, and 43% will vest and be settled each in December 2022 and December 2023. Lastly the Bank granted 328 additional restricted shares at \$44.16 that will vest in December 2022.

During the first quarter of 2021, under the restricted share unit plan for employees of the Capital Markets sector, annual bonuses for certain employees amounting to \$1.7 million were converted into 50,725 entirely vested restricted share units. 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, 2021	April 30, 2021	July 31, 2020	July 31, 2021	July 31, 2020
Expense arising from cash-settled share-based compensation transactions	\$ 3,210	\$ 16,259	\$ (2,879)	\$ 29,141	\$ (8,436)
Effect of hedges	(555)	(12,357)	4,770	(17,615)	18,374
	\$ 2,655	\$ 3,902	\$ 1,891	\$ 11,526	\$ 9,938

With a view of 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 \$40.4 million as at July 31, 2021 (\$28.4 million as at October 31, 2020). The intrinsic value of the total liability related to fully vested rights and units was \$15.4 million as at July 31, 2021 (\$14.4 million as at October 31, 2020).

## 10. POST-EMPLOYMENT BENEFITS

### Expense (gain) for post-employment benefits

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

	For the three months ended			For the nine months ended	
	July 31, 2021	April 30, 2021	July 31, 2020	July 31, 2021	July 31, 2020
Defined benefit pension plans <sup>(1)</sup>	\$ 2,843	\$ 3,022	\$ 4,486	\$ 9,131	\$ 10,789
Settlement gain, net (See below)	(7,064)	—	—	(7,064)	—
Defined contribution pension plans	2,085	2,010	2,021	6,094	6,048
Other plans	142	137	156	421	465
	\$ (1,994)	\$ 5,169	\$ 6,663	\$ 8,582	\$ 17,302

(1) Including a \$1.3 million charge for the three months ended July 31, 2020 (\$1.3 million charge for the nine months ended July 31, 2020) related to the pension plan of a former member of senior management.

### Settlement related to annuity purchases

On June 10, 2021, in an effort to reduce its defined benefit pension plan obligation and decrease future pension volatility and risks, the Bank purchased \$346.2 million of group annuity contracts from a Canadian insurer and transferred \$353.4 million in obligations, resulting in a \$7.3 million settlement gain (\$7.1 million net of related costs). Under the agreement, the Canadian insurer will issue annuities covering the responsibility for pension benefits owed to approximately 1,900 Laurentian Bank of Canada pensioners. The insurer will begin administering all benefits for these members in October 2021. Following the transaction, benefits for plan participants are protected under Assuris, the life insurance compensation association designated under the Insurance Companies Act of Canada.

The Bank considers, for accounting purposes, that this buy-out transaction essentially eliminates any further legal or constructive obligation for benefits, provided that, the combined risk: i) that the Canadian insurer goes bankrupt; and ii) that the Bank would be responsible for paying the portion of pensions not covered by Assuris should the Canadian insurer go bankrupt, is remote. Accordingly, the Bank considers that a settlement occurred.

## 11. 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, 2021	April 30, 2021	July 31, 2020	July 31, 2021	July 31, 2020
<b>Earnings per share – basic</b>					
Net income	\$ 62,064	\$ 53,062	\$ 36,217	\$ 159,945	\$ 77,274
Preferred share dividends, including applicable taxes	4,677	3,116	3,198	10,910	9,592
Net income attributable to common shareholders	\$ 57,387	\$ 49,946	\$ 33,019	\$ 149,035	\$ 67,682
Weighted-average number of outstanding common shares (in thousands)	43,451	43,370	43,001	43,365	42,826
Earnings per share – basic	\$ 1.32	\$ 1.15	\$ 0.77	\$ 3.44	\$ 1.58
<b>Earnings per share – diluted</b>					
Net income attributable to common shareholders	\$ 57,387	\$ 49,946	\$ 33,019	\$ 149,035	\$ 67,682
Weighted-average number of outstanding common shares (in thousands)	43,451	43,370	43,001	43,365	42,826
Dilutive share purchase options (in thousands)	135	60	—	65	25
Diluted weighted-average number of outstanding common shares (in thousands)	43,586	43,430	43,001	43,430	42,851
Earnings per share – diluted	\$ 1.32	\$ 1.15	\$ 0.77	\$ 3.43	\$ 1.58

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

## 12. FINANCIAL INSTRUMENTS – FAIR VALUE

### Determining fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of financial instruments is best evidenced by an independent quoted market price for the same instrument in an active market when available. Otherwise, fair value is measured using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of valuation inputs (Level 1, 2 or 3). Additional information on the fair value hierarchy and the valuation methodologies used by the Bank to measure the fair value of financial instruments can be found in Note 23 of the 2020 Annual Consolidated Financial Statements. There were no changes in fair value measurement methods in the period.

Financial instruments recorded at fair value in the financial statements are classified in Level 2 of the fair value hierarchy, except for securities of \$322.7 million which are classified in Level 1 as at July 31, 2021 (\$307.8 million as at October 31, 2020). Financial instruments recorded at fair value classified in Level 3 are not significant. There were no significant transfers between Level 1 and Level 2 of the hierarchy in the period.

### 13. INCOME RELATED TO FINANCIAL INSTRUMENTS

#### Net interest income

	For the three months ended			For the nine months ended	
	July 31, 2021	April 30, 2021	July 31, 2020	July 31, 2021	July 31, 2020
<b>Interest and similar income</b>					
Interest income calculated using the effective interest method					
Financial instruments measured at amortized cost	\$ 287,556	\$ 284,476	\$ 317,518	\$ 868,586	\$ 1,033,053
Financial instruments measured at FVOCI	424	531	5	1,518	1,998
Interest and similar income for financial instruments not measured at amortized cost <sup>(1)</sup>	23,706	25,971	30,351	78,930	56,626
	<b>311,686</b>	<b>310,978</b>	<b>347,874</b>	<b>949,034</b>	<b>1,091,677</b>
<b>Interest and similar expense</b>					
Interest expenses calculated using the effective interest method					
Financial instruments measured at amortized cost	136,826	139,208	173,995	428,990	569,876
Interest expense and derivative expense for financial instrument that are measured at FVTPL	164	294	333	798	8,723
	<b>136,990</b>	<b>139,502</b>	<b>174,328</b>	<b>429,788</b>	<b>578,599</b>
Net interest income	\$ <b>174,696</b>	\$ <b>171,476</b>	\$ <b>173,546</b>	\$ <b>519,246</b>	\$ <b>513,078</b>

(1) Including interest income, derivative income and dividend income for financial instruments that are measured at FVTPL and from equity securities designated at FVOCI. Dividend income was \$2.8 million for the three months ended July 31, 2021 (\$3.8 million for the three months ended April 30, 2021 and \$3.5 million for the three months ended July 31, 2020) and \$10.0 million for the nine months ended July 31, 2021 (\$11.8 million for the nine months ended July 31, 2020).

### 14. CONTINGENT LIABILITIES

#### Contingent liabilities and legal provisions

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

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

### 15. 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, 2021	July 31, 2020
Balance at beginning of the period	\$ 5,041	\$ 9,322
Restructuring charges incurred during the period	2,473	14,127
Payments made during the period	(7,047)	(14,529)
Balance at end of the period	\$ 467	\$ 8,920

As at July 31, 2021 and July 31, 2020, the remaining provision mainly relates to lease contracts and severances, as well as to legal fees.

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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

## 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. 48395.

## 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 514-970-0564.

## Media

Journalists may contact the Bank's Executive Office at media@lbcfg.ca or by calling 514-284-4500, ext. 40020.

## Social media



## Dividend reinvestment and share purchase plan

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

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

## STOCK SYMBOL AND DIVIDEND RECORD AND PAYMENT DATES

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

\* Subject to the approval of the Board of Directors.

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

