

Laurentian Bank Financial Group Announces Progress on Mortgage Situation

Agreement with TPP regarding issues identified by the TPP resulting in slightly lower repurchases than previously estimated. Clear path to resolve issues identified by CMHC with additional repurchases of inadvertently portfolio insured and sold mortgage loans in the order of \$125 to \$150 million. Enhanced quality controls and origination processes throughout the Bank since November 1, 2017. MONTREAL, May 29, 2018 (GLOBE NEWSWIRE) -- Laurentian Bank Financial Group (the "Bank") (TSX:LB) announces that it has successfully resolved the identified issues related to mortgage loans purchased by the Third-Party Purchaser ("TPP") and has agreed with CMHC on a clear action plan towards resolution on the CMHC securitization program. "We have made important headway in addressing this situation, which has no impact on our clients, and are confident that it will be completely resolved by the end of the fiscal year," said François Desjardins, President & CEO of the Bank. "This has been a learning experience and since November 2017, we have been implementing enhanced quality control and origination processes throughout the Bank. We firmly believe that this significantly strengthens our mortgage origination and securitization activities."

Resolution of Mortgage Review with TPP

The Bank has come to an agreement with the TPP whereby the TPP has agreed to continue to consider future purchases, subject to terms and conditions to be agreed upon at the time of each purchase, including a prefunding audit of the mortgages to be purchased. As part of this agreement, the Bank will repurchase an additional \$115 million of branch originated ineligible mortgages during the third quarter of 2018, slightly lower than the Bank's initial assessment. As previously indicated, these mortgage loans do not represent a credit issue as they are all performing in line with the Bank's overall mortgage portfolio. Before completing the comprehensive internal review of its branch-originated mortgages sold to the TPP, the Bank had provided a \$61 million cash reserve deposit to the TPP. As part of the agreement, \$6 million of this reserve will be released to the Bank. The remainder will be kept by the TPP as additional credit enhancement to the program, and will be remitted to the Bank over time as the branch-originated mortgage loans amortize.

CMHC Action Plan

The CMHC securitization program remains available and the Bank has been securitizing mortgage loans as usual during 2018. During the second quarter of 2018, CMHC completed a normal course audit of the Bank's portfolio insured mortgage loans. The audit highlighted similar issues as those identified in the fourth quarter of 2017, as certain mortgage loans were inadvertently portfolio insured while they did not meet CMHC portfolio insurance eligibility criteria. As previously indicated, these mortgage loans do not represent a credit issue as they are all performing in line with the Bank's overall mortgage portfolio and are secured by valid collateral on a property. As a result, in addition to those mortgage loans already repurchased from the CMHC securitization program at the beginning of 2018, the Bank will repurchase those other mortgage loans that were inadvertently portfolio insured and sold to the CMHC securitization program. CMHC insurance on those portfolio insured mortgage loans will also be cancelled concurrently by CMHC. To that end, the Bank is undertaking to complete a review of all B2B Bank and branch-originated mortgage loans portfolio insured by CMHC but not sold to, as well as portfolio insured mortgage loans sold to the CMHC securitization program. An independent third party will verify the review process and results. Based on the results of CMHC's normal course audit the Bank estimates the total amount of such mortgage loans to be repurchased at between \$125 and \$150 million. The review is expected to be concluded before the end of the fiscal year. The Bank will also provide CMHC with a \$20 million cash reserve deposit pending the conclusion of the review. CMHC will perform its own assessment of the review and will require an independent third-party confirmation of the adequacy and efficiency of new controls implemented by the Bank.

Enhanced Processes

Since November 2017, the Bank has continued to implement improved quality control and origination processes throughout the Bank with clear segregation of duties, additional training and supervision, as well as improved quality assurance. The resolution of the mortgage situation is not expected to have any material impact on the Bank's operations, funding or capital. With strong capital and liquidity levels, the

Bank is well positioned not only to complete these transactions, but to move forward with its transformation plan.

Conference call

Laurentian Bank Financial Group invites media representatives and the public to listen to the conference call to be held on May 29, 2018 at 5:30 p.m. (ET), followed by a brief question and answer period with analysts. The live, listen-only, toll-free, call-in number is 1-866-548-4713; Conference ID: 7239213. The conference call playback will be available on a delayed basis at any time from 8:30 p.m. on May 29, 2018 until 8:30 p.m. on June 28, 2018, on our website under the Investor Centre tab, Financial Results. The presentation material referenced during the call will be available on our website under the Investor Centre tab, Financial Results (<https://lbcfg.ca/investors-centre/>). About Laurentian Bank Financial Group Founded in 1846, Laurentian Bank Financial Group is a diversified financial services provider whose mission is to help its customers improve their financial health. The Laurentian Bank of Canada and its entities are collectively referred as Laurentian Bank Financial Group (the "Group" or the "Bank"). With more than 3,700 employees guided by the values of proximity, simplicity and honesty, the Group provides a broad range of financial products and services to its retail, commercial and institutional customers. The Group - with pan-Canadian activities and a presence in the United States - is an important player in numerous market segments. The Group has \$47 billion in balance sheet assets and \$31 billion in assets under administration.

Forward Looking Statements

In this document, we make forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements include our estimate of the total amount of CMHC portfolio insured mortgage loans to be repurchased and Mr. Desjardins' comments about the impact of actions that have been taken to address the identified issues related to mortgage loans purchased by the TPP. The forward-looking statements contained in this document are used to assist readers in obtaining a better understanding of our financial position and the results of operations as at and for the periods ended on the dates presented and may not be appropriate for other purposes. By their very nature, forward-looking statements are based on assumptions and involve inherent risks and uncertainties, both general and specific in nature. It is therefore possible that the forward-looking statements will not be achieved or will prove to be inaccurate. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurances that these expectations will prove to be correct. Certain important assumptions by us in making forward-looking statements include, but are not limited to, our assumption that the in-depth review of CMHC portfolio insured mortgage loans will reveal a level of inadvertently portfolio insured and sold mortgage loans in line with those discovered through the CMHC normal course audit and our estimates. We caution readers against placing undue reliance on forward-looking statements when making decisions, as the actual results could differ considerably from the opinions, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements due to various material factors. For more information on the risks, uncertainties and assumptions that would cause our actual results to differ from current expectations, please also refer to the "Risk Appetite and Risk Management Framework" on page 44 of our Management's Discussion and Analysis as contained in our 2017 Annual Report, as well as to other public filings available at www.sedar.com. We do not undertake to update any forward-looking statements, whether oral or written, made by us or on our behalf, except to the extent required by securities regulations.

Contact Information:

Investor Relations Susan Cohen Director, Investor Relations Office: 514 284-4500, ext. 4926 Mobile: 514 970-0564 susan.cohen@lbcfg.ca

Media

Hélène Soulard Assistant Vice-President, Communications Office: 514 284-4500, ext. 8232 Mobile: 514 926-3295 helene.soulard@lbcfg.ca

<https://news.laurentianbank.ca/2018-05-29-Laurentian-Bank-Financial-Group-Announces-Progress-on-Mortgage-Situation>