Laurentian Bank Financial Group reports third quarter 2020 results

The financial information reported herein is based on the condensed interim consolidated statements as at and for the three-month period ended July 31, 2020, and has been prepared in accordance with International Financial Reporting standards (IFRS), as issued by the International Accounting Standards Board (IASB). All amounts are denominated in Canadian dollars. The Laurentian Bank of Canada and its entities are collectively referred to as Laurentian Bank Financial Group (the “Group” or the “Bank”) and provide deposit, investment, loan, securities, trust and other products or services. Stéphane Therrien, Interim President and Chief Executive Officer, commented on the third quarter of 2020 highlights: "From the onset of the pandemic, we have taken measures to preserve the financial strength and stability of the Bank. Capital and liquidity have always been managed prudently and continue to be during these uncertain times. Our track record on the credit front is solid and is supported by our rigorous underwriting.” "We continued to support our customers with numerous programs, including payment deferrals. With the economy gradually re-opening and individuals and businesses adjusting to the new realities, many customers who requested deferrals at the beginning of the pandemic have since resumed payments.” M. Therrien concluded: "As we navigate through these challenging times, we have never lost sight of ensuring the health and safety of our customers and employees who are well protected through the many measures we have put in place and are providing our customers with the financial resources and advice they need." Highlights of third quarter 2020 Adjusted net income (1) of $47.1 million, compared with $11.9 million for the second quarter of 2020. Reported net income of $36.2 million, compared with $8.9 million for the second quarter of 2020. Adjusted return on common shareholders' equity (1) of 7.7%, and reported return on common shareholders' equity of 5.8%, compared with 1.5% and 1.0% respectively for the second quarter of 2020. Adjusted efficiency ratio (1) of 68.1%, and reported efficiency ratio of 73.9%, compared with 74.8% and 76.4% respectively for the second quarter of 2020. Common Equity Tier 1 ratio at 9.4%, compared with 8.8% as at April 30, 2020. Total provision for credit losses of $22.3 million, compared with $54.9 million for the second quarter of 2020. For the three months ended For the nine months ended In millions of Canadian dollars, except per share and percentage amounts (Unaudited) July 31 2020 July 31 2019 Variance July 31 2020 July 31 2019 Variance Reported basis Net income $36.2 $47.8 (24)% $77.3 $131.4 (41)% Diluted earnings per share $0.77 $1.05 (27)% $1.58 $ 2.88 (45)% Return on common shareholders’ equity 5.8% 7.8% 3.9% 7.2% Efficiency ratio 73.9% 72.7% 76.5% 75.1% Common Equity Tier 1 capital ratio 9.4% 9.0% Adjusted basis (1) Adjusted net income $47.1 $51.9 (9)% $95.9 $145.3 (34)% Adjusted diluted earnings per share $1.02 $1.15 (11)% $2.01 $ 3.20 (37)% Adjusted return on common shareholders’ equity 7.7% 8.5% 5.0% 8.0% Adjusted efficiency ratio 68.1% 70.6% 73.1% 72.7% (1) Certain measures presented throughout this document exclude amounts designated as adjusting items and are Non-GAAP measures. Refer to the Non-GAAP measures section for further details. MONTREAL, Sept. 04, 2020 (GLOBE NEWSWIRE) -- Laurentian Bank Financial Group reported net income of $36.2 million and diluted earnings per share of $0.77 for the third quarter of 2020, compared with $47.8 million and $1.05 for the third quarter of 2019. Return on common shareholders' equity was 5.8% for the third quarter of 2020, compared with 7.8% for the third quarter of 2019. On an adjusted basis, net income was $47.1 million and diluted earnings per share were $1.02 for the third quarter of 2020, down from $51.9 million and $1.15 for the third quarter of 2019. Adjusted return on common shareholders' equity was 7.7% for the third quarter of 2020, compared with 8.5% a year ago. Reported results include adjusting items, as detailed in the Non-GAAP and Key Performance Measures section. For the nine months ended July 31, 2020, reported net income was $77.3 million or $1.58 diluted per share, compared with $131.4 million or $2.88 diluted per share for the nine months ended July 31, 2019. Return on common shareholders' equity was 3.9% for the nine months ended July 31, 2020, compared with 7.2% for the nine months ended July 31, 2019. On an adjusted basis, net income totaled $95.9 million or $2.01 diluted per share for the nine months ended July 31, 2020, down from $145.3 million or $3.20 diluted per share for the nine months ended July 31, 2019. Adjusted return on common shareholders' equity was 5.0% for the nine months ended July 31, 2020, compared with 8.0% for the same period a year ago. Reported results include adjusting items, as detailed in the Non-GAAP and Key Performance Measures section. Impact of COVID-19 Pandemic In early 2020, COVID-19 had spread worldwide and on March 11, 2020 was declared a global pandemic by the World Health Organization. The unprecedented nature of COVID-19 has adversely impacted the global economy. We believe our response to date has enabled us to keep our team members and our customers safe. These measures also provided the foundation to support our operations in light of the high level of uncertainty. Our liquidity and capital positions continue to provide all the required flexibility to pursue our mission to help our customers through this difficult period. COVID-19 had an impact on financial performance since March 2020, and, as a result, improvements in certain of our businesses were overshadowed by a significant increase in provision for credit losses. Nonetheless, we remain cautiously optimistic about the future as the economy is showing resilience and is adapting to this new reality. Given the impacts of the pandemic on our operations and results, the management team began a review of the various elements of the strategic plan with the aim of refining it and reassessing timelines. 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. NonGAAP measures presented throughout this document are referred to as "adjusted" measures and exclude amounts designated as adjusting items. Adjusting items relate to restructuring plans and to business combinations and have been designated as such as management does not believe they are indicative of underlying business performance. Non-GAAP measures are considered useful to readers in obtaining a better understanding of how management analyzes the Bank's results and in assessing underlying business performance and related trends. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are unlikely to be comparable to any similar measures presented by other issuers. The following table shows adjusting items and their impact on reported results. IMPACT OF ADJUSTING ITEMS ON REPORTED RESULTS For the three months ended For the nine months ended In thousands of Canadian dollars, except per share amounts (Unaudited) July 31 2020 April 30 2020 July 31 2019 July 31 2020 July 31 2019 Impact on income before income taxes Reported income before income taxes $42,405 $ 1,553 $54,359 $ 78,637 $148,239 Adjusting items, before income taxes Restructuring and impairment charges (1) Severance charges 7,047 183 972 10,068 4,739 Other restructuring charges 4,020 143 830 4,059 2,509 11,067 326 1,802 14,127 7,248 Items related to business combinations Amortization of net premium on purchased financial instruments (2) 127 179 336 538 1,168 Amortization of acquisition-related intangible assets (3) 3,520 3,542 3,426 10,461 10,295 3,647 3,721 3,762 10,999 11,463 14,714 4,047 5,564 25,126 18,711 Adjusted income before income taxes $57,119 $ 5,600 $59,923 $103,763 $166,950 Impact on net income Reported net income $36,217 $ 8,885 $47,798 $ 77,274 $131,367 Adjusting items, net of income taxes Restructuring and impairment charges (1) Severance charges 5,178 134 713 7,398 3,478 Other restructuring charges 2,955 105 610 2,984 1,842 8,133 239 1,323 10,382 5,320 Items related to business combinations Amortization of net premium on purchased financial instruments (2) 93 131 247 395 858 Amortization of acquisition-related intangible assets (3) 2,640 2,657 2,514 7,844 7,716 2,733 2,788 2,761 8,239 8,574 10,866 3,027 4,084 18,621 13,894 Adjusted net income $47,083 $11,912 $51,882 $ 95,895 $145,261 Impact on diluted earnings per share Reported diluted earnings per share $ 0.77 $ 0.13 $ 1.05 $ 1.58 $ 2.88 Adjusting items Restructuring and impairment charges 0.19 0.01 0.03 0.24 0.13 Items related to business combinations 0.06 0.06 0.07 0.19 0.20 0.25 0.07 0.10 0.43 0.33 Adjusted diluted earnings per share (4) $ 1.02 $ 0.20 $ 1.15 $ 2.01 $ 3.20 (1) Restructuring and impairment charges mainly result from the optimization of our Financial Clinic operations and the related streamlining of certain back-office and corporate functions. Restructuring charges also result from the reorganization of retail brokerage activities and other measures aimed at improving efficiency. Restructuring charges include severance charges, salaries, provisions, communication expenses and professional fees and impairment charges related to the termination of lease contracts. Restructuring charges are included in Non-interest expenses. (2) Amortization of net premium on purchased financial instruments results 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. (3) Amortization of acquisition-related intangible assets results from business acquisitions and is included in the Non-interest expenses line item. (4) The impact of adjusting items on a per share basis may not add due to rounding. Strategic Plan In November 2015, we launched a 7-year plan to become a better and different bank, to take advantage of advancements in technology, but more importantly to better meet our customers' needs. To achieve this, we outlined three strategic objectives: build a stronger foundation; invest in profitable growth; and improve financial performance. Looking forward, in the context of the evolving global pandemic, we have not changed our goal of pursuing the transformation, but anticipate some delays as outlined last quarter and detailed in the sections below. Given the impacts of the pandemic on our operations and results, the management team is reviewing the various elements of the strategic plan with the aim of refining it. Update on key initiatives Digital Offering In the first quarter of 2020, we successfully launched LBC Digital, a direct-to-customer channel, expanding our customer reach from coast to coast. The initial digital offering includes chequing accounts, high-interest savings accounts and guaranteed investment certificates. This pan-Canadian launch provided us with the opportunity to welcome thousands of new customers. Over time, our goal is to broaden and deepen customer relationships and use this platform to build out a high-value and complete product suite. At the end of the third quarter, LBC Digital related demand deposits stood at $0.6 billion. Core-Banking System Replacement Program In 2019, we completed Phase 1 of the core banking system replacement program resulting in the migration of all B2B Bank products and most of our loans to business customers to this new system. Phase 2 of the program has begun and encompasses the products offered in our Quebec Retail Network and the remaining Business Services products. Preparations are underway to build out products and features. Given the impacts of COVID19 on our business and technical priorities we are currently reassessing our implementation timeline. Our current estimate remains at approximately $250 million taking into account our most recent plan. As at July 31, 2020, we have invested about 80% of that amount. Evolution of 100% Advice Model After converting the traditional branch network to a 100% advice model over the last few years, and optimizing the footprint, we are working towards developing a fully digital experience. This will provide us with the ability to digitally onboard all new customers and subsequently begin the migration of all our personal banking customers to our new digital platform. We initially anticipated to complete these initiatives by the end of 2021. However, given the current context, this timeline is currently under review. Once completed, this will enable all our customers to enjoy the same experience in managing their accounts and day-to-day transactions combined with the benefit of professional financial advice for more complex banking and investment needs. On that front, our 100% Advice model is maintaining momentum. During the third quarter, we continued to onboard advisors and replaced nonadvice-based positions with approximately 70 new Assistant Advisor / Customer Services positions to support the advisor-client relationship and business development, with the clear objective of growing revenues. Advanced Internal Ratings-Based approach to credit risk As part of our plan to improve the Bank's foundation, we are pursuing our initiative to adopt, subject to regulatory approval, the AIRB approach to credit risk. In the first quarter, we had targeted the adoption of AIRB for the end of 2022, however, in the current context of the pandemic, we are currently reviewing this timing and expect to delay the implementation by at least 12 months. Other Developments On June 30, 2020, François Desjardins retired from the Bank and stepped down as President and Chief Executive Officer, and resigned as a director of the Bank. Stéphane Therrien was appointed Interim President and Chief Executive Officer, and director of the Bank. Update on efficiency measures Since 2019, we have been identifying opportunities to improve our efficiency. The conversion of our traditional branches to a 100% Advice model in Financial Clinics and the optimization of certain back-office functions in 2019 provided significant savings. As we entered 2020, we maintained our focus on improving efficiency. With this in mind, we merged 14 Financial Clinics in the third quarter and plan to merge an additional 6 in the fourth quarter. This is also a result of recent changes in the economic landscape and the ongoing reduction in the number of branch visits. Customers will continue to be served by our Financial Clinics with locations generally in close proximity to them. Based on our experience, the expected attrition should be relatively low. In May 2020, we also reduced headcount by about 100 people through attrition, retirement and targeted job reductions to realign our workforce with our operational needs, provide leverage to pursue our transformation and improve efficiency. These measures have resulted in severance charges, as well as to an impairment charge related to lease contracts of approximately $11.1 million, which was recorded in the third quarter. Consolidated Results Three months ended July 31, 2020 financial performance Net income was $36.2 million and diluted earnings per share were $0.77 for the third quarter of 2020, compared with $47.8 million and $1.05 for the third quarter of 2019. Adjusted net income was $47.1 million for the third quarter of 2020, down 9% from $51.9 million for the third quarter of 2019, while adjusted diluted earnings per share were $1.02, down 11% compared with $1.15 for the third quarter of 2019. Total revenue Total revenue was $248.6 million for the third quarter of 2020, up 2% compared with $244.7 million for the third quarter of 2019. Net interest income decreased by $2.5 million or 1% to $173.5 million for the third quarter of 2020, compared with $176.0 million for the third quarter of 2019. The decrease was mainly due to a year-over-year decrease in loan volumes to personal customers, partly offset by higher margins on loans to business customers. As of November 1, 2019, the introduction of IFRS 16, Leases, added a financing cost component, presented as part of interest expense, on the new lease liability which amounted to $1.2 million for the third quarter of 2020 and impacted net interest margin negatively by 1 basis point. Net interest margin was 1.86% for the third quarter of 2020, an increase of 1 basis points compared with the third quarter of 2019, mainly as a result of the change in the loan portfolio mix and higher margins on loans to business customers. During the quarter, we experienced a reduction in loan levels as a result, in part, from the pandemic. This is expected to impact both net interest income and margins in the fourth quarter, until growth resumes. Other income increased by $6.5 million, or 9% to $75.1 million for the third quarter of 2020, compared with $68.6 million for the third quarter of 2019. The increase was mainly due to the strong contribution from capital markets, which increased by $13.3 million compared with the third quarter of 2019. The increase was partly offset by a decrease of $3.0 million in service charges compared with the third quarter of 2019 due to the ongoing changes to the retail banking environment and the related customers banking behavior, as well as by the decrease in card service revenues of $1.9 million, mostly as Visa credit card transaction volumes declined as a result of the COVID-19 pandemic. Amortization of net premium on purchased financial instruments For the third quarter of 2020, amortization of net premium on purchased financial instruments amounted to $0.1 million, compared with $0.3 million for the third quarter of 2019. Refer to the 2019 Annual Consolidated Financial Statements for additional information. Provision for credit losses The provision for credit losses amounted to $22.3 million for the third quarter of 2020 compared with $12.1 million for the third quarter of 2019, an increase of $10.2 million year-over-year, essentially as a result of higher allowances on commercial loans. Revisions to our forward-looking economic scenarios, reflecting a slightly more severe recession and a slower recovery than initially anticipated, also contributed to increases in collective allowances. Collective allowances are sensitive to model inputs, including macroeconomic variables in the forward-looking scenarios and their respective probability weighting, among other factors. The outbreak of COVID-19 led to changes to this forward-looking information during the second and the third quarter of 2020, resulting in an increase in expected credit losses. As the full extent of the COVID-19 impact on the Canadian and U.S. economies, including government and/or regulatory responses to the outbreak, remains highly uncertain, it is difficult to predict at this time how the increase in expected credit losses will translate into write-offs and whether we will be required to recognize additional increases in expected credit losses in subsequent periods. Refer to the “Risk Management” section of our Management Discussion and Analysis for additional information relating to the COVID-19 impact on credit risk and measurement uncertainty on expected credit losses estimates and Note 7, Loans and allowances for credit losses, to the unaudited interim consolidated financial statements for more information on provision for credit losses and continuity of the allowance for credit losses for the quarter. Non-interest expenses Non-interest expenses amounted to $183.8 million for the third quarter of 2020, an increase of $5.9 million, or 3.3% compared with the third quarter of 2019. Adjusted non-interest expenses amounted to $169.2 million for the third quarter of 2020, a decrease of $3.4 million, or 2.0%compared with the third quarter of 2019. We anticipate that expenses will slightly increase for the next quarter. Salaries and employee benefits amounted to $92.5 million for the third quarter of 2020, an increase of $2.4 million, compared with the third quarter of 2019. This increase is mainly due to higher performance-based compensation related to strong capital market activities. A compensation charge of $2.7 million, related to the Bank's former President and Chief Executive Officer retirement, also contributed to the increase. This increase was mostly offset by a decrease year-over-year in salaries reflecting the headcount reduction implemented in May 2020. Premises and technology costs were $50.1 million for the third quarter of 2020, an increase of $1.4 million compared with the third quarter of 2019. Technology costs increased year-over-year, and remain elevated as we are currently operating multiple platforms simultaneously. Rent decreased by $5.2 million as a result of the introduction, as of November 1, 2019, of IFRS 16, Leases, as well as from a reduction in the squarefootage utilization given the right-sizing of our Financial Clinic network. This decrease was partially offset by a $4.1 million increase in amortization on the newly created right-of-use assets. Including the impact of the interest charge on the new lease liability of $1.2 million, as noted above, overall rental costs remained relatively stable. Other non-interest expenses were $30.1 million for the third quarter of 2020, a decrease of $7.1 million compared with the third quarter of 2019. The improvement mainly resulted from lower regulatory costs, as well as lower travel expenses, lower advertising and business development costs, ensuing from efficiency measures and current economic conditions. Restructuring charges were $11.1 million for the third quarter of 2020 and mainly resulted from measures aimed at improving efficiency as detailed in the "Update on efficiency measures" section under Strategic Plan. Restructuring charges include severance charges, salaries and provisions related to the termination of lease contracts. Efficiency ratio The adjusted efficiency ratio was 68.1% for the third quarter of 2020, compared with 70.6% for the third quarter of 2019, as a result of lower expenses and an increase in other income. Adjusted operating leverage was positive year-over-year. The efficiency ratio on a reported basis was higher at 73.9% for the third quarter of 2020, compared with 72.7% for the third quarter of 2019, mainly as a result of higher restructuring costs in fiscal 2020. Income taxes For the quarter ended July 31, 2020, the income tax expense was $6.2 million and the effective tax rate was 14.6%. The lower tax rate, compared to the statutory rate, is attributed to a lower taxation level of revenue 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, 2019, income tax expense was $6.6 million, and the effective tax rate was 12.1%. Year-over-year, the income tax rate increased slightly. Financial Condition As at July 31, 2020, total assets amounted to $44.3 billion, relatively unchanged compared with $44.4 billion as at October 31, 2019, as the higher level of liquid assets mostly offset the decrease in loan portfolios. Liquid assets Liquid assets consist of cash, deposits with banks, securities and securities purchased under reverse repurchase agreements. As at July 31, 2020, these assets totaled $9.9 billion, an increase of $0.6 billion compared with $9.3 billion as at October 31, 2019. We continue to very prudently manage our level of liquid assets. During the third quarter, economic activity began to improve as many businesses gradually reopened. Capital markets also recovered from second quarter levels. The Bank's funding sources remained well diversified and sufficient to meet its obligations. Liquid assets represented 22% of total assets as at July 31, 2020, compared with 21% as at October 31, 2019. Loans Loans and bankers’ acceptances, net of allowances, stood at $32.6 billion as at July 31, 2020, a decrease of $0.9 billion or 3% compared with $33.6 billion as at October 31, 2019. During the third quarter, the negative impacts of COVID-19 did not allow the Bank to maintain its growth momentum in commercial loan portfolios. Variances are further explained below. Personal loans amounted to $4.2 billion and decreased by $0.4 billion or 9% since October 31, 2019, mainly as a result of the continued reduction in the investment loan portfolio, reflecting an ongoing consumer behavior to reduce leverage, as well as, to a lesser extent, the decrease in other retail exposures. Residential mortgage loans amounted to $15.9 billion as at July 31, 2020, a decrease of $0.2 billion or 1% since October 31, 2019. Since the beginning of the year, the acquisition of mortgage loans from third parties, as part of our program to optimize the usage of the National Housing Act mortgage-backed securities allocations, has contributed to mitigate the impact of maturities. Commercial loans and acceptances amounted to $12.7 billion as at July 31, 2020, down 2% since October 31, 2019. This decrease was mainly due to inventory financing volumes which were negatively impacted by the COVID-19 pandemic in the third quarter as a result of higher repayments due to the increased demand for boats and other recreational vehicles in Canada and the U.S. The inability of dealers to replenish their inventory as a result of the manufacturers production disruption over the earlier months of the pandemic also affected inventory levels. However, growth is expected to resume in the fourth quarter. Other assets Other assets stood at $1.8 billion as at July 31, 2020, an increase of $0.3 billion compared with October 31, 2019, mainly as a result of the introduction of IFRS 16, Leases, as of November 1, 2019, which led to the recognition of right-of-use assets of $139.4 million. Liabilities Deposits decreased by $1.1 billion or 4% to $24.6 billion as at July 31, 2020 compared with $25.7 billion as at October 31, 2019, in line with the reduction in loans. Personal deposits stood at $19.3 billion as at July 31, 2020, down $0.5 billion compared with October 31, 2019. The decrease mainly resulted from the lower level of term deposits through intermediaries, partly offset by higher volumes of demand deposits generated through the various distribution channels of the Bank. In the first quarter of 2020, we successfully launched our LBC Digital deposit offering. These deposits, amounting to $582.0 million as at July 31, 2020, further contribute to our welldiversified funding and provide the opportunity to develop new client relationships and cross-selling activities. During the third quarter of 2020, core direct retail deposits sourced through our Financial Clinics network increased by $0.3 billion, while other demand deposits from intermediaries increased by more than $0.4 billion. Business and other deposits decreased by $0.6 billion to $5.3 billion over the same period, mostly due to institutional funding as we optimized our funding sources given the lower asset level. Personal deposits represented 78% of total deposits as at July 31, 2020, compared with 77% as at October 31, 2019, and contributed to our good liquidity position. Obligations related to securities sold short stood at $3.1 billion as at July 31, 2020, an increase of $0.5 billion compared to October 31, 2019. Debt related to securitization activities increased by $0.4 billion compared with October 31, 2019 and stood at $9.4 billion as at July 31, 2020. Shareholders’ equity and regulatory capital Shareholders’ equity amounted to $2,582.8 million as at July 31, 2020, compared with $2,567.7 million as at October 31, 2019. As mentioned in the "Basis of Presentation" section of our MD&A, the adoption of IFRS 16 at the outset of the year resulted in a net decrease of $7.3 million of retained earnings as at November 1, 2019. Since the beginning of the year, retained earnings decreased by $36.7 million, as the net income contribution of $77.3 million was more than offset by dividends amounting to $84.0 million, as well as by other charges related to employee benefit plans and equity securities designated at fair value through other comprehensive income (FVOCI) of $22.7 million. Increases in accumulated other comprehensive income (AOCI) of $35.4 million and common share issuance of $15.7 million as part of the Bank’s Shareholder Dividend Reinvestment and Share Purchase Plan contributed positively to shareholders' equity. For additional information, please refer to the Consolidated Statement of Changes in Shareholders' Equity in the condensed interim consolidated financial statements for the third quarter of 2020. The Bank’s book value per common share was $53.15 as at July 31, 2020 compared to $54.02 as at October 31, 2019. There were 43,121,788 common shares outstanding as at August 31, 2020. The Common Equity Tier 1 capital ratio stood at 9.4% as at July 31, 2020, compared with 8.8% as at April 30, 2020 and 9.0% as at October 31, 2019. The increase, compared to the level as at April 30, 2020 mainly results from the lower level of assets resulting from the current COVID-19 situation. This level of capital provides the Bank with the flexibility to resume growth, as well as to continue the strategic plan, prudently taking into account the economic conditions. Dividends On September 3, 2020, the Board of Directors declared a quarterly dividend of $0.40 per common share, payable on November 1, 2020 to shareholders of record on October 1, 2020. At the end of the second quarter, Management recommended, and the Board of Directors approved, a reduction of the quarterly dividend of $0.27 or 40%. Given the highly uncertain environment, this prudent decision is providing us with additional operational flexibility to resume growth, as well as to pursue our strategic plan. Furthermore, this better aligns with our dividend policy until we reap the anticipated benefits from our transformation. Shares attributed under the Bank’s Shareholder Dividend Reinvestment and Share Purchase Plan will continue to be made in common shares issued from the treasury at a 2% discount.

Caution Regarding Forward-Looking Statements

In this document and in other documents filed with Canadian regulatory authorities or in other communications, we may, from time to time, make written or oral forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements may include, but are not limited to, statements regarding our business plan and financial objectives including statements contained in our 2019 Annual Report under the heading “Outlook”. The forward-looking statements contained in this document are used to assist readers in obtaining a better understanding of our financial position and the results of operations as at and for the periods ended on the dates presented and may not be appropriate for other purposes. Forward-looking statements typically are identified with words or phrases such as believe, estimate, forecast, project, expect, anticipate, plan, goal, 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. There is significant risk that the predictions, forecasts, projections or conclusions will prove to be inaccurate, that our assumptions may not be correct, and that actual results may differ materially from such predictions, forecasts, projections or conclusions. We caution readers against placing undue reliance on forward-looking statements, as a number of factors, many of which are beyond our control and the effects of which can be difficult to predict, could cause our actual results to differ materially from the targets, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements. The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions; changes in government monetary, fiscal or economic policies; changes in currency and interest rates; legislative and regulatory developments, including tax legislation and interpretation; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; changes in competition; modifications to credit ratings; scarcity of human resources; developments with respect to labour relations; information technology and cyber security; developments in the technological environment; environmental risk including changes to global environmental policy and the effects of climate change; the possible effects of global conflicts and terrorism, natural disasters, public health emergencies, including the direct and indirect impacts of the novel coronavirus (COVID-19) pandemic, disruptions to public infrastructure and other catastrophic events; our ability to execute our strategic plans including the reorganization of our retail branches, the modernization of our core banking system and the implementation of the Advanced Internal Ratings-Based (AIRB) Approach to credit risk; as well as our ability to anticipate and effectively manage risks arising from the foregoing. Since December 2019, the outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, temporary business and school closures, self-imposed quarantine periods and physical distancing, have caused considerable financial and social disruption resulting in economic weakness and market volatility. Governments and central banks have reacted with monetary and fiscal interventions and proposed measures and subsidies designed to stabilize economic conditions. The magnitude, duration and outcome of the outbreak, including its impact on customers, team members and third-party providers; the efficacy of government and central bank interventions; and the related financial and social impacts are uncertain, and could have a material and adverse effect on our business. Such adverse effect could be rapid and unexpected. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Bank. We further caution that the foregoing list of factors is not exhaustive. Other factors and risks could adversely affect our results. For more information on the risks, uncertainties and assumptions that would cause our actual results to differ from current expectations, please see the more detailed description of the risks associated with COVID-19 pandemic and related impacts in the Risk Management section of our MD&A, the “Risk Appetite and Risk Management Framework” section of our 2019 Annual Report, as well as our 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.

Access to Quarterly Results Materials

Interested investors, the media and others may review this press release on our website at www.lbcfg.ca, under the Press Room tab, and our report to shareholders, presentation to investors and supplementary financial information under the Investor Centre tab, Financial Results.

Conference Call

Laurentian Bank Financial Group invites media representatives and the public to listen to the conference call to be held at 9:00 a.m. Eastern Time on September 4, 2020. The live, listen-only, toll-free, call-in number is 1-888-394- 8218, code 3220279. A live webcast will also be available on the Group’s website under the Investor Centre tab, Financial Results. The conference call playback will be available on a delayed basis at any time from 12:00 p.m. on September 4, 2020 until 12:00 p.m. on October 4, 2020, 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.

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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 $44.3 billion in balance sheet assets and $28.4 billion in assets under administration.

https://news.laurentianbank.ca/2020-09-04-Laurentian-Bank-Financial-Group-reports-third-quarter-2020-results