Laurentian Bank Financial Group reports third quarter 2021 results

The financial information reported herein is based on the condensed interim consolidated (unaudited) information for the three-month period ended July 31, 2021, 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. Highlights of third quarter 2021 (compared with third quarter 2020) Reported net income of $62.1 million, compared with $36.2 million. Adjusted net income (1) 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 (1) of $1.25, compared with $1.02.

MONTREAL, Sept. 01, 2021 (GLOBE NEWSWIRE) -- 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 (1) , 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 (1) , 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. For the three months ended For the nine months ended In millions of Canadian dollars, except per share and percentage amounts (Unaudited) July 31, 2021 July 31, 2020 Variance July 31, 2021 July 31, 2020 Variance Reported basis 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% Adjusted basis (1) 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 measures section for further details Consolidated Results 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 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. The following tables show adjusting items and their impact on reported results and diluted earnings per share. 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, 2021 April 30, 2021 July 31, 2020 July 31, 2021 July 31, 2020 Impact on income before income taxes Reported income before income taxes $ 79,226 $ 67,807 $ 42,405 $203,544 $ 78,637 Adjusting items, before income taxes Net gain on the settlement of pension plans resulting from annuity purchases (1) (7,064) — — (7,064) — Restructuring charges (2) 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 (3) — — 127 — 538 Amortization of acquisition-related intangible 2,946 3,014 3,520 9,033 10,461 assets (4) 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 Impact on net income Reported net income $ 62,064 $ 53,062 $ 36,217 $159,945 $ 77,274 Adjusting items, net of income taxes Net gain on the settlement of pension plans resulting from annuity purchases (1) (5,194) — — (5,194) — Restructuring charges (2) 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 (3) — — 93 — 395 Amortization of acquisition-related intangible assets (4) 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. IMPACT OF ADJUSTING ITEMS ON DILUTED EARNINGS PER SHARE For the three months ended For the nine months ended In thousands of Canadian dollars, except per share amounts (Unaudited) July 31, 2021 April 30, 2021 July 31, 2020 July 31, 2021 July 31, 2020 Impact on diluted earnings per share Reported diluted earnings per share $ 1.32 $ 1.15 $ 0.77 $ 3.43 $ 1.58 Adjusting items 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 (1) $ 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. Three months ended July 31, 2021 financial performance 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. 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 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 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. Financial Condition 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. 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. 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. 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. 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. Shareholders' equity and regulatory capital 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. 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. 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. 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. 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. Access to

Quarterly Results Materials This press release can be found on our website at www.lbcfg.ca, under the Press Room tab, and our Report to Shareholders, Investor Presentation 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. (ET) on September 1, 2021. The live, listen-only, toll-free, call-in number is 1-800-263-0877, code 1559838. 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 from 12:00 p.m. (ET) on September 1, 2021 until 12:00 p.m. (ET) on October 1, 2021, 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.

Contact Information:

Investor Relations Media Susan Cohen Jonathan Abecassis Director, Investor Relations Assistant Vice-President, Communications Mobile: 514 970-0564 Mobile: 438 368-8078 susan.cohen@lbcfg.ca jonathan.abecassis@lbcfg.ca

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.

https://news.laurentianbank.ca/2021-09-01-Laurentian-Bank-Financial-Group-reports-third-quarter-2021-results