

Laurentian Bank of Canada reports first quarter 2023 results

The financial information reported herein is based on the condensed interim consolidated (unaudited) information for the three-month period ended January 31, 2023 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" or the "Bank" and provide deposit, investment, loan, securities, trust and other products or services.

MONTREAL, Feb. 28, 2023 /CNW/ - Laurentian Bank of Canada reported net income of \$51.9 million and diluted earnings per share of \$1.09 for the first quarter of 2023, compared with \$55.5 million and \$1.17 for the first quarter of 2022. Return on common shareholders' equity was 7.5% for the first quarter of 2023, compared with 8.5% for the first quarter of 2022. Adjusted net income was \$54.3 million and adjusted diluted earnings per share were \$1.15 for the first quarter of 2023, compared with \$59.5 million and \$1.26 for the first quarter of 2022. Adjusted return on common shareholders' equity was 7.8% for the first quarter of 2023, compared with 9.2% for the same period a year ago.

"We delivered on a key milestone in the first quarter of 2023 with the launch of the Bank's reimagined VISA experience, which will allow us to grow our brand and attract new customers across Canada. This is an important step in the execution of our strategic plan and I remain confident in our team's ability to continue to deliver on our strategic priorities," said Rania Llewellyn, President & CEO. "We had good financial results this quarter driven by growth in Commercial Banking, while also maintaining healthy capital ratios and liquidity levels."

In millions of dollars, except per share and percentage amounts (Unaudited)	For the three months ended				
	January 31, 2023	October 31, 2022	Variance	January 31, 2022	Variance
Reported basis					
Net income	\$ 51.9	\$ 55.7	(7) %	\$ 55.5	(6) %
Diluted earnings per share	\$ 1.09	\$ 1.26	(13) %	\$ 1.17	(7) %
Return on common shareholders' equity ⁽¹⁾	7.5 %	8.7 %		8.5 %	
Efficiency ratio ⁽²⁾	70.6 %	67.7 %		69.1 %	
Common Equity Tier 1 capital ratio ⁽³⁾	9.1 %	9.1 %		9.8 %	
Adjusted basis					
Adjusted net income ⁽⁴⁾	\$ 54.3	\$ 57.8	(6) %	\$ 59.5	(9) %
Adjusted diluted earnings per share ⁽¹⁾	\$ 1.15	\$ 1.31	(12) %	\$ 1.26	(9) %
Adjusted return on common shareholders' equity ⁽¹⁾	7.8 %	9.0 %		9.2 %	
Adjusted efficiency ratio ⁽¹⁾	69.4 %	66.6 %		67.0 %	

This is a non-GAAP ratio. For more information, refer to the Non-GAAP Financial and Other Measures section below and beginning on page 5 of the First Quarter 2023 Report to Shareholders, including the Management's Discussion and Analysis (MD&A) for the period ended January 31, 2023, which pages are incorporated by reference herein. The MD&A is available on SEDAR at www.sedar.com

This is a supplementary financial measure. For more information, refer to the Non-GAAP Financial section below and beginning on page 5 of the First Quarter 2023 Report to Shareholders, including the MD&A for the period ended January 31, 2023, which pages are incorporated by reference herein.

(3) In accordance with OSFI's "Capital Adequacy Requirements" guideline.

This is a non-GAAP financial measure. For more information, refer to the Non-GAAP Financial and Other Measures below and beginning on page 5 of the First Quarter 2023 Report to Shareholders, (4) including the MD&A for the period ended January 31, 2023, which pages are incorporated by reference herein.

Non-GAAP Financial and Other Measures

In addition to financial measures based on generally accepted accounting principles (GAAP), management uses non-GAAP financial measures to assess the Bank's underlying ongoing business performance. Non-GAAP financial measures presented throughout this document are referred to as "adjusted" measures and exclude amounts designated as adjusting items. Adjusting items include the amortization of acquisition-related intangible assets, and certain items of significance that arise from time to time which management believes are not reflective of underlying business performance. Non-GAAP financial measures are not standardized financial measures under the financial reporting framework used to prepare the financial statements of the Bank and might not be comparable to similar financial measures disclosed by other issuers. The Bank believes non-GAAP financial measures are useful to readers in obtaining a better understanding of how management assesses the Bank's performance and in analyzing trends.

The following tables show a reconciliation of the non-GAAP financial measures to their most directly comparable financial measure that is disclosed in the primary financial statements of the Bank.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES — CONSOLIDATED STATEMENT OF INCOME

In thousands of dollars (Unaudited)	For the three months ended		
	January 31 2023	October 31 2022	January 31 2022
Non-interest expenses	\$ 183,675	\$ 174,147	\$ 177,930
Adjusting items, before income taxes			
Amortization of acquisition-related intangible assets ⁽¹⁾	3,210	3,172	3,028
Strategic review-related charges ⁽²⁾	—	(237)	2,342
	3,210	2,935	5,370
Adjusted non-interest expenses	\$ 180,465	\$ 171,212	\$ 172,560
Income before income taxes	\$ 60,961	\$ 65,146	\$ 70,209
Adjusting items, before income taxes (detailed above)	3,210	2,935	5,370
Adjusted income before income taxes	\$ 64,171	\$ 68,081	\$ 75,579
Reported net income	\$ 51,910	\$ 55,650	\$ 55,518
Adjusting items, net of income taxes			
Amortization of acquisition-related intangible assets ⁽¹⁾	2,386	2,359	2,252
Strategic review-related charges ⁽²⁾	—	(175)	1,721
	2,386	2,184	3,973
Adjusted net income	\$ 54,296	\$ 57,834	\$ 59,491
Net income available to common shareholders	\$ 47,309	\$ 54,361	\$ 50,917
Adjusting items, net of income taxes (detailed above)	2,386	2,184	3,973
Adjusted net income available to common shareholders	\$ 49,695	\$ 56,545	\$ 54,890

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

In 2022, strategic review-related charges mainly related to lease contracts following the completion of (2) the reduction of leased corporate office premises in Montreal and Toronto, as well as to other updates to estimates initially recorded in 2021.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES — CONSOLIDATED BALANCE SHEET

In thousands of dollars (Unaudited)	For the three months ended		
	January 31 2023	October 31 2022	January 31 2022
Shareholders' equity	\$ 2,808,932	\$ 2,781,103	\$ 2,659,840
Less:			
Preferred shares	(122,071)	(122,071)	(122,071)
Limited recourse capital notes	(123,282)	(122,332)	(121,315)
Cash flow hedges reserve ⁽¹⁾	(33,323)	(22,607)	(35,591)
Common shareholders' equity	\$ 2,530,256	\$ 2,514,093	\$ 2,380,863
Impact of averaging month-end balances⁽²⁾	(11,057)	(32,795)	(5,486)
Average common shareholders' equity	\$ 2,519,199	\$ 2,481,298	\$ 2,375,377

(1) The cash flow hedges reserve is presented in the Accumulated other comprehensive income line item.

(2) Based on the month-end balances for the period.

Consolidated Results

Three months ended January 31, 2023 financial performance

Net income was \$51.9 million and diluted earnings per share were \$1.09 for the first quarter of 2023, compared with \$55.5 million and \$1.17 for the first quarter of 2022. Adjusted net income was \$54.3 million and adjusted diluted earnings per share were \$1.15 for the first quarter of 2023, compared with \$59.5 million and \$1.26 for the first quarter of 2022.

Total revenue

Total revenue of \$260.1 million for the first quarter of 2023 increased by 1% compared with \$257.5 million for the first quarter of 2022.

Net interest income increased by \$6.2 million or 3% to \$187.1 million for the first quarter of 2023, compared with \$180.9 million for the first quarter of 2022. The increase was mainly due to higher interest income stemming from commercial loans, partly offset by higher funding costs and lower mortgage prepayment penalties. The net interest margin was 1.77% for the first quarter of 2023, a decrease of 11 basis points compared with the first quarter of 2022, mainly due to higher funding costs, loan repricing lags and lower mortgage prepayment penalties as a result of the rising interest rate environment, partly offset by favourable changes in our business mix.

Other income decreased by \$3.7 million or 5% to \$73.0 million for the first quarter of 2023, compared with \$76.6 million for the first quarter of 2022. The volatile market conditions unfavourably impacted financial markets revenue in the first quarter of 2023, including fees and securities brokerage commissions and income from mutual funds. Lower lending fees also contributed to the decrease year-over-year.

Provision for credit losses

The provision for credit losses was \$15.4 million for the first quarter of 2023 compared with \$9.4 million for the first quarter of 2022, an increase of \$6.0 million mainly due to higher provisions on impaired loans. The provision for credit losses as a percentage of average loans and acceptances stood at 16 bps for the quarter, compared to 11 bps for the same quarter a year ago. Refer to the "Risk management" section on pages 14 to 16 of the Bank's MD&A for the first quarter of 2023, 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 \$183.7 million for the first quarter of 2023, an increase of \$5.7

million compared with the first quarter of 2022. Adjusted non-interest expenses increased by \$7.9 million or 5% to \$180.5 million for the first quarter of 2023, compared with \$172.6 million for the first quarter of 2022.

Salaries and employee benefits amounted to \$103.9 million for the first quarter of 2023, an increase of \$6.2 million compared with the first quarter of 2022, mostly due to salary increases and talent acquisition to invest in strategic priorities, improve the customer experience, and support growth. This was partly offset by lower employee benefits and lower performance-based compensation.

Premises and technology costs were \$47.1 million for the first quarter of 2023, an increase of \$2.1 million compared with the first quarter of 2022. The increase year-over-year is mainly due to higher technology costs as the Bank is investing in its infrastructure and strategic priorities, as well as increased amortization charges resulting from new projects recently completed.

Other non-interest expenses were \$32.7 million for the first quarter of 2023, mainly unchanged compared with the first quarter of 2022 and resulting from continued cost discipline.

Efficiency ratio

The efficiency ratio on a reported basis was 70.6% for the first quarter of 2023, compared with 69.1% for the first quarter of 2022. The adjusted efficiency ratio was 69.4% for the first quarter of 2023, compared to 67.0% for the first quarter of 2022, mainly as a result of temporary pressures on net interest margin and investments in strategic priorities, as detailed above. Macro-economic headwinds also contributed to negative operating leverage on a year-over-year basis.

Income taxes

For the first quarter of 2023, income taxes were \$9.1 million, and the effective tax rate was 15%. For the first quarter of 2022, the income tax was \$14.7 million, and the effective tax rate was 21%. For both quarters, the lower effective 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.

Financial Condition

As at January 31, 2023, total assets amounted to \$50.4 billion, a 1% decrease from \$50.7 billion as at October 31, 2022, due to the lower level of liquid assets.

Liquid assets

As at January 31, 2023, liquid assets amounted to \$11.4 billion, a decrease of \$0.4 billion compared with \$11.8 billion as at October 31, 2022.

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 January 31, 2023, in line with October 31, 2022.

Loans

Loans and bankers' acceptances, net of allowances, stood at \$37.5 billion as at January 31, 2023 an increase of \$0.1 billion since October 31, 2022. During the first quarter of 2023, commercial loan and residential mortgage growth were partly offset by a decrease in personal loans. Commercial loans and acceptances amounted to \$18.3 billion as at January 31, 2023, an increase of \$0.2 billion or 1% since October 31, 2022. The increase resulted mainly from net growth in both inventory financing and real estate lending. Residential mortgage loans of \$16.2 billion as at January 31, 2023 increased by \$0.1 billion or 1% from October 31, 2022. Personal loans of \$3.1 billion as at January 31, 2023 decreased by \$0.2 billion from October 31, 2022, mainly as a result of a decline in the investment loan portfolio driven by volatile market conditions.

Deposits

Deposits increased by \$0.4 billion or 2% to \$27.6 billion as at January 31, 2023 compared with \$27.1 billion as at October 31, 2022. Personal deposits stood at \$22.7 billion as at January 31, 2023, up \$0.5 billion compared with October 31, 2022. Notice and demand deposits from partnerships increased by \$1.0 billion in the quarter, partly offset by a \$0.7 billion decline in term deposits from advisors and brokers. The Bank's retail term deposits also increased by \$0.4 billion. Personal deposits represented

83% of total deposits as at January 31, 2023, compared with 82% as at October 31, 2022, and contributed to the Bank's sound liquidity position. Business and other deposits decreased by \$0.1 billion over the same period to \$4.8 billion.

Debt related to securitization activities

Debt related to securitization activities decreased by \$0.1 billion or 1% compared with October 31, 2022 and stood at \$12.1 billion as at January 31, 2023. Since the beginning of the year, maturities and normal repayments were partly offset by new mortgage loan securitization through the CMHC programs, supplemented by other secured funding.

Shareholders' equity and regulatory capital

Shareholders' equity stood at \$2.8 billion as at January 31, 2023 and increased by \$27.8 million compared with October 31, 2022. Retained earnings increased by \$26.5 million compared to October 31, 2022, mainly as a result of the net income contribution of \$51.9 million, partly offset by dividends. For additional information, please refer to the Capital Management section of the Bank's MD&A and to the Consolidated Statement of Changes in Shareholders' Equity for the period ended January 31, 2023.

The Bank's book value per common share was \$58.29 as at January 31, 2023 compared to \$58.02 as at October 31, 2022.

The Common Equity Tier 1 capital ratio stood at 9.1% as at January 31, 2023, stable compared with October 31, 2022 and in excess of the minimum regulatory requirement and the Bank's target management levels. The Bank dynamically manages its level of capital which led to a stable CET1 capital ratio this quarter, as internal capital generation offset a 6 basis points negative impact from the phase-out of the ECL transitional arrangements in response to COVID-19. The Bank met OSFI's capital and leverage requirements throughout the quarter.

On February 27, 2023, the Board of Directors declared a quarterly dividend of \$0.46 per common share, payable on May 1, 2023, to shareholders of record on April 3, 2023. This quarterly dividend is equal to the dividend declared in the previous quarter and is 5% higher compared with the dividend declared in the previous year. The Board also determined that shares attributed under the Bank's Shareholder Dividend Reinvestment and Share Purchase Plan will be made in common shares issued from Corporate Treasury with a 2% discount.

Caution Regarding Forward-Looking Statements

From time to time, Laurentian Bank of Canada and, as applicable its subsidiaries (collectively referred to as the "Bank") will make written or oral forward-looking statements within the meaning of applicable Canadian and United States (U.S.) securities legislation, including such as those contained in this document (and in the documents incorporated by reference herein), and in other documents filed with Canadian or U.S. regulatory authorities, in reports to shareholders, and in other written or oral communications. These forward-looking statements are made in accordance with the "safe harbor" provisions of, and are intended to be forward-looking statements in accordance with, applicable Canadian and U.S. securities legislation. They include, but are not limited to, statements regarding the Bank's vision, strategic goals, business plans and strategies, priorities and financial performance objectives; the economic and market review and outlook for Canadian, U.S., European, and global economies; the regulatory environment in which the Bank operates; the risk environment, including, credit risk, liquidity, and funding risks; the impact of COVID-19, the statements under the headings "Outlook", "Impact of COVID-19" and "Risk Appetite and Risk Management Framework" contained in the 2022 Annual Report for the year ended October 31, 2022 (the "2022 Annual Report"), including the Management's Discussion and Analysis for the fiscal year ended October 31, 2022; 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", "intend", "plan", "goal", "aim", "target", and expressions of future or conditional verbs such as "may", "should", "could", "would", "will", "intend" or the negative of any of these terms, variations thereof or similar terminology.

By their very nature, forward-looking statements require the Bank to make assumptions and are subject to inherent risks and uncertainties, both general and specific in nature, which give rise to the possibility that the Bank's predictions, forecasts, projections, expectations, or conclusions may prove to be inaccurate; that the Bank's assumptions may be incorrect (in whole or in part); and that the Bank's financial performance objectives, visions, and strategic goals may not be achieved. Forward-looking statements should not be read as guarantees of future performance or results, or indications of whether

or not actual results will be achieved. Material economic assumptions underlying such forward-looking statements are set out in the 2022 Annual Report under the heading "Outlook", which assumptions are incorporated by reference herein.

We caution readers against placing undue reliance on forward-looking statements, as a number of factors, many of which are beyond the Bank's control and the effects of which can be difficult to predict or measure, could influence, individually or collectively, the accuracy of the forward-looking statements and cause the Bank's 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: credit; market; liquidity and funding; insurance; operational; regulatory compliance (which could lead to the Bank being subject to various legal and regulatory proceedings, the potential outcome of which could include regulatory restrictions, penalties, and fines); strategic; reputation; legal and regulatory environment; competitive and systemic risks; supply chain disruptions; geopolitical events and uncertainties; government sanctions; conflict, war, or terrorism; and other significant risks discussed in the risk-related portions of the Bank's 2022 Annual Report, such as those related to: the ongoing and potential impacts of COVID-19 on the Bank's business, financial condition and prospects; Canadian and global economic conditions (including the risk of higher inflation and rising interest rates); geopolitical issues; Canadian housing and household indebtedness; technology, information systems and cybersecurity; technological disruption, privacy, data and third-party related risks; competition and the Bank's ability to execute on its strategic objectives; the economic climate in the U.S. and Canada; digital disruption and innovation (including, emerging fintech competitors); Interbank offered rate (IBOR) transition; changes in currency and interest rates (including the possibility of negative interest rates); accounting policies, estimates and developments; legal and regulatory compliance and changes; changes in government fiscal, monetary and other policies; tax risk and transparency; modernization of Canadian payment systems; fraud and criminal activity; human capital; insurance; business continuity; business infrastructure; emergence of widespread health emergencies or public health crises; emergence of COVID-19 variants; environmental and social risks; including climate change; and the Bank's ability to manage, measure or model operational, regulatory, legal, strategic or reputational risks, all of which are described in more detail in the section titled "Risk Appetite and Risk Management Framework" beginning on page 48 of the 2022 Annual Report, including the Management's Discussion and Analysis for the fiscal year ended October 31, 2022, which information is incorporated by reference herein. The Bank further cautions that the foregoing list of factors is not exhaustive. When relying on the Bank's forward-looking statements to make decisions involving the Bank, investors and others should carefully consider the foregoing factors, uncertainties, and current and potential events.

Any forward-looking statements contained herein or incorporated by reference represent the views of management only as at the date such statements were or are made, are presented for the purposes of assisting investors, financial analysts, and others in understanding certain key elements of the Bank's financial position, current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of the Bank's business and anticipated financial performance and operating environment and may not be appropriate for other purposes. The Bank does not undertake any obligation to update any forward-looking statements made by the Bank or on its behalf whether as a result of new information, future events or otherwise, except to the extent required by applicable securities regulations and laws. 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 the Bank's website at www.lbcfg.ca, under the Press Room tab, and the Bank's Report to Shareholders, Investor Presentation and Supplementary Financial Information under the Investor Centre tab, Financial Results.

Conference Call

Laurentian Bank of Canada invites media representatives and the public to listen to the conference call to be held at 9:15 a.m. (ET) on February 28, 2023. The live, listen-only, toll-free, call-in number is 1-888-664-6392, code 60840613. 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 1:00 p.m. (ET) on February 28, 2023, until 12:00 p.m. (ET) on March 28, 2023, 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.

About Laurentian Bank of Canada

At Laurentian Bank, we believe we can change banking for the better. By seeing beyond numbers.

Founded in Montréal in 1846, Laurentian Bank helps families, businesses and communities thrive. Today, we have approximately 3,000 employees working together as one team, to provide a broad range of financial services and advice-based solutions for customers across Canada and the United States. We protect, manage and grow \$50.4 billion in balance sheet assets and \$28.1 billion in assets under administration.

We drive results by placing our customers first, making the better choice, acting courageously, and believing everyone belongs.

SOURCE Laurentian Bank of Canada

For further information: Investor Relations, Andrew Chornenky, Vice President, Investor Relations, Mobile: 416 846-4845, andrew.chornenky@lbcfg.ca; Media, Merick Seguin, Senior Manager, Media Relations, Mobile: 514 451-3201, merick.seguin@laurentianbank.ca

<https://news.laurentianbank.ca/2023-02-28-Laurentian-Bank-of-Canada-reports-first-quarter-2023-results>