Press Release
FOR IMMEDIATE RELEASE

LAURENTIAN BANK

The financial information reported herein is based on the condensed interim consolidated (unaudited) information for the three-month period ended April 30, 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.

Laurentian Bank of Canada reports second quarter 2023 results

Montreal, June 1, 2023 — Laurentian Bank of Canada reported net income of $49.3 million and diluted earnings per share of $1.11 for the second quarter of 2023, compared with $59.5 million and $1.34 for the second quarter of 2022. Return on common shareholders' equity was 7.7% for the second quarter of 2023, compared with 10.0% for the second quarter of 2022. Adjusted net income(1) was $51.7 million and adjusted diluted earnings per share were $1.16 for the second quarter of 2023, compared with $61.6 million and $1.39 for the second quarter of 2022. Adjusted return on common shareholders' equity was 8.1% for the second quarter of 2023, compared with 10.3% for the same period a year ago.

For the six months ended April 30, 2023, reported net income was $101.2 million and diluted earnings per share were $2.20, compared with $115.1 million and $2.51 for the six months ended April 30, 2022. Return on common shareholders' equity was 7.6% for the six months ended April 30, 2023, compared with 9.2% for the six months ended April 30, 2022. Adjusted net income was $106.0 million and adjusted diluted earnings per share were $2.31 for the six months ended April 30, 2023, compared with $121.1 million and $2.65 for the six months ended April 30, 2022. Adjusted return on common shareholders' equity was 8.0% for the six months ended April 30, 2023, compared with 9.7% for the same period a year ago.

"I am extremely pleased with our results this quarter and the progress we have made in optimizing our funding profile, ending the quarter with a very strong liquidity position and capital level," said Rania Llewellyn, President & CEO. "This quarter we continued to achieve key milestones along our digital journey, including the public launch of our digital account opening solution, which will allow us to deepen our relationships with current customers and acquire net new customers outside of our branch footprint across Canada."

	For the three months ended			For the six months ended		
In millions of dollars, except per share and percentage amounts (Unaudited)	**April 30, 2023**	April 30, 2022	Variance	**April 30, 2023**	April 30, 2022	Variance
Reported basis						
Net income	**$ 49.3**	$ 59.5	(17)%	**$ 101.2**	$ 115.1	(12)%
Diluted earnings per share	**$ 1.11**	$ 1.34	(17)%	**$ 2.20**	$ 2.51	(12)%
Return on common shareholders' equity(1)	**7.7 %**	10.0 %		**7.6 %**	9.2 %	
Efficiency ratio(2)	**71.0 %**	66.3 %		**70.8 %**	67.7 %	
Common Equity Tier 1 capital ratio(3)	**9.3 %**	9.3 %				
Adjusted basis						
Adjusted net income(4)	**$ 51.7**	$ 61.6	(16)%	**$ 106.0**	$ 121.1	(12)%
Adjusted diluted earnings per share(1)	**$ 1.16**	$ 1.39	(17)%	**$ 2.31**	$ 2.65	(13)%
Adjusted return on common shareholders' equity(1)	**8.1 %**	10.3 %		**8.0 %**	9.7 %	
Adjusted efficiency ratio(1)	**69.7 %**	65.2 %		**69.5 %**	66.1 %	

(1) 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 Second Quarter 2023 Report to Shareholders, including the Management's Discussion and Analysis (MD&A) for the period ended April 30, 2023, which pages are incorporated by reference herein. The MD&A is available on SEDAR at www.sedar.com

(2) This is a supplementary financial measure. For more information, refer to the Non-GAAP Financial below and beginning on page 5 of the Second Quarter 2023 Report to Shareholders, including the MD&A for the period ended April 30, 2023, which pages are incorporated by reference herein.

(3) In accordance with the Office of the Superintendent of Financial Institutions's (OSFI) "Capital Adequacy Requirements" guideline.

(4) 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 Second Quarter 2023 Report to Shareholders, including the MD&A for the period ended April 30, 2023, which pages are incorporated by reference herein.

Driving Efficiencies Through Simplification

In line with our priority to drive efficiencies through simplification and our strategic objective to focus on our specializations, coupled with unfavourable financial market conditions, we have decided in late May to right size our Capital Markets franchise. This is in line with our commitment to operate a focused and aligned offering in key businesses, where we have significant alignment with the rest of the Bank.

As a result, restructuring charges of an estimated $6 million (before income taxes) are expected to be incurred in the third quarter of 2023. We expect these actions will generate recurring cost savings of an approximate $5 million (before income taxes) on an annual basis.

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

	For the three months ended			For the six months ended	
In thousands of dollars (Unaudited)	**April 30 2023**	January 31 2023	April 30 2022	**April 30 2023**	April 30 2022
Non-interest expenses	**$ 182,472**	$ 183,675	$ 172,105	**$ 366,147**	$ 350,035
Adjusting items, before income taxes					
Amortization of acquisition-related intangible assets[1]	**3,221**	3,210	3,030	**6,431**	6,058
Strategic review-related charges[2]	**—**	—	(277)	**—**	2,065
	3,221	3,210	2,753	**6,431**	8,123
Adjusted non-interest expenses	**$ 179,251**	$ 180,465	$ 169,352	**$ 359,716**	$ 341,912
Income before income taxes	**$ 58,526**	$ 60,961	$ 74,497	**$ 119,487**	$ 144,706
Adjusting items, before income taxes (detailed above)	**3,221**	3,210	2,753	**6,431**	8,123
Adjusted income before income taxes	**$ 61,747**	$ 64,171	$ 77,250	**$ 125,918**	$ 152,829
Reported net income	**$ 49,291**	$ 51,910	$ 59,549	**$ 101,201**	$ 115,067
Adjusting items, net of income taxes					
Amortization of acquisition-related intangible assets[1]	**2,393**	2,386	2,254	**4,779**	4,506
Strategic review-related charges[2]	**—**	—	(203)	**—**	1,518
	2,393	2,386	2,051	**4,779**	6,024
Adjusted net income	**$ 51,684**	$ 54,296	$ 61,600	**$ 105,980**	$ 121,091
Net income available to common shareholders	**$ 48,003**	$ 47,309	$ 58,261	**$ 95,312**	$ 109,178
Adjusting items, net of income taxes (detailed above)	**2,393**	2,386	2,051	**4,779**	6,024
Adjusted net income available to common shareholders	**$ 50,396**	$ 49,695	$ 60,312	**$ 100,091**	$ 115,202

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

(2) In 2022, strategic review-related charges mainly related to lease contracts following the completion of 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			For the six months ended	
	April 30 2023	January 31 2023	April 30 2022	**April 30 2023**	April 30 2022
Shareholders' equity	**$ 2,845,993**	$ 2,808,932	$ 2,689,345	**$ 2,845,993**	$ 2,689,345
Less:					
Preferred shares	**(122,071)**	(122,071)	(122,071)	**(122,071)**	(122,071)
Limited recourse capital notes	**(123,516)**	(123,282)	(121,581)	**(123,516)**	(121,581)
Cash flow hedges reserve(1)	**(32,591)**	(33,323)	(27,621)	**(32,591)**	(27,621)
Common shareholders' equity	**$ 2,567,815**	$ 2,530,256	$ 2,418,072	**$ 2,567,815**	$ 2,418,072
Impact of averaging month-end balances(2)	**(24,981)**	(11,057)	(26,717)	**(36,994)**	(34,839)
Average common shareholders' equity	**$ 2,542,834**	$ 2,519,199	$ 2,391,355	**$ 2,530,821**	$ 2,383,233

(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 April 30, 2023 financial performance

Net income was $49.3 million and diluted earnings per share were $1.11 for the second quarter of 2023, compared with $59.5 million and $1.34 for the second quarter of 2022. Adjusted net income was $51.7 million and adjusted diluted earnings per share were $1.16 for the second quarter of 2023, compared with $61.6 million and $1.39 for the second quarter of 2022.

Total revenue

Total revenue of $257.2 million for the second quarter of 2023 decreased by 1% compared with $259.6 million for the second quarter of 2022.

Net interest income increased by $4.1 million or 2% to $184.2 million for the second quarter of 2023, compared with $180.1 million for the second quarter of 2022. The increase was mainly due to higher interest income from commercial loans, partly offset by higher funding costs and lower mortgage pre-payment penalties. The net interest margin was 1.80% for the second quarter of 2023, a decrease of 7 basis points compared with the second 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 $6.5 million or 8% to $73.0 million for the second quarter of 2023, compared with $79.5 million for the second quarter of 2022. Unfavourable market conditions impacted financial markets related revenue in the second quarter of 2023, including fees and securities brokerage commissions, income from mutual funds and income from financial instruments.

Provision for credit losses

The provision for credit losses was $16.2 million for the second quarter of 2023 compared with $13.0 million for the second quarter of 2022, an increase of $3.2 million reflecting higher provisions on impaired loans due to credit migration, partly offset by lower provisions on performing loans. The provision for credit losses as a percentage of average loans and acceptances stood at 18 bps for the quarter, compared with 15 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 second 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 $182.5 million for the second quarter of 2023, an increase of $10.4 million compared with the second quarter of 2022. Adjusted non-interest expenses increased by $9.9 million or 6% to $179.3 million for the second quarter of 2023, compared with $169.4 million for the second quarter of 2022.

Salaries and employee benefits amounted to $100.7 million for the second quarter of 2023, an increase of $2.0 million compared with the second 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 performance-based compensation.

Premises and technology costs were $48.6 million for the second quarter of 2023, an increase of $4.9 million compared with the second 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.

Other non-interest expenses were $33.2 million for the second quarter of 2023, an increase of $3.3 million compared with the second quarter of 2022 mainly resulting from higher advertising, business development and travel expenses, as well as higher professional and advisory services fees to deliver strategic initiatives.

Efficiency ratio

The efficiency ratio on a reported basis was 71.0% for the second quarter of 2023, compared with 66.3% for the second quarter of 2022. The adjusted efficiency ratio was 69.7% for the second quarter of 2023, compared to 65.2% for the second quarter of 2022, mainly as a result of pressures on revenues and investments in strategic priorities, as detailed above. The same elements also contributed to negative operating leverage on a year-over-year basis.

Income taxes

For the second quarter of 2023, income taxes were $9.2 million, and the effective tax rate was 15.8%. For the second quarter of 2022, the income tax expense was $14.9 million, and the effective tax rate was 20.1%. 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 April 30, 2023, total assets amounted to $50.7 billion, unchanged compared with $50.7 billion as at October 31, 2022.

Liquid assets

As at April 30, 2023, liquid assets amounted to $11.5 billion, a decrease of $0.3 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 April 30, 2023, unchanged compared with October 31, 2022.

Loans

Loans and bankers' acceptances, net of allowances, stood at $37.7 billion as at April 30, 2023 an increase of $0.3 billion since October 31, 2022. During the first half of 2023, commercial loan and residential mortgage growth were partly offset by a decrease in personal loans. Commercial loans and acceptances amounted to $18.6 billion as at April 30, 2023, an increase of $0.4 billion or 2% since October 31, 2022. The increase resulted mainly from net growth in both inventory financing and real estate lending. Residential mortgage loans of $16.4 billion as at April 30, 2023 increased by $0.2 billion or 1% from October 31, 2022. Personal loans of $2.9 billion as at April 30, 2023 decreased by $0.4 billion from October 31, 2022, mainly as a result of a decline in the investment loan portfolio driven by volatile market conditions.

Deposits

The Bank has prudently maintained higher liquidity over the last few quarters due to macroeconomic uncertainty. The Bank had strongly increased its personal partnership and personal term deposits in the first quarter by a combined $1.4 billion. In addition and as further detailed below, the Bank issued an additional $0.8 billion of cost-effective long-term debt related to securitization activities during the second quarter. Therefore, the Bank took actions throughout the second quarter to reduce shorter-term more costly deposits, including personal deposits from advisors and brokers, leading to a decrease of $0.6 billion of total deposits to $26.5 billion as at April 30, 2023 compared with $27.1 billion as at October 31, 2022. Of note, personal deposits sourced through the retail channel increased by $0.4 billion or 5% since October 31, 2022.

Personal deposits represented 83% of total deposits as at April 30, 2023, compared with 82% as at October 31, 2022, and contributed to the Bank's sound liquidity position.

Debt related to securitization activities

Debt related to securitization activities increased by $0.5 billion or 4% compared with October 31, 2022 and stood at $12.6 billion as at April 30, 2023. As detailed in the Deposits section above, the Bank took actions throughout the second quarter to optimize its funding structure and issued $0.8 billion of cost-effective debt related to securitization activities.

Shareholders' equity and regulatory capital

Shareholders' equity stood at $2.8 billion as at April 30, 2023 and increased by $64.9 million compared with October 31, 2022. Retained earnings increased by $51.9 million compared to October 31, 2022, mainly as a result of the net income contribution of $101.2 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 April 30, 2023.

The Bank's book value per common share was $59.06 as at April 30, 2023 compared to $58.02 as at October 31, 2022.

In the second quarter of 2023, OSFI's revised capital, leverage, liquidity and disclosure rules that incorporate the final Basel III banking reforms with additional adjustments to make them suitable for federally regulated deposit-taking institutions (DTIs) took effect. The revised rules also include the Small and Medium-Sized Deposit-Taking Institutions (SMSBs) Capital and

Liquidity Requirements Guideline, as well as separate Pillar 3 Disclosure Requirements for Domestic Systemically Important Banks (D-SIBs) and SMSBs. The new regulatory requirements had no material impact on the Bank's Common Equity Tier 1 capital or Common Equity Tier 1 capital ratio as at April 30, 2023. Refer to the “Regulatory capital developments” section on page 13 of the Bank's MD&A for the second quarter of 2023 for more information.

The Common Equity Tier 1 capital ratio stood at 9.3% as at April 30, 2023, an increase of 20 basis points 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 an increased CET1 capital ratio since the beginning of the year due to internal capital generation. The Bank met OSFI’s capital and leverage requirements throughout the quarter.

On May 31, 2023, the Board of Directors declared a quarterly dividend of $0.47 per common share, payable on August 1, 2023, to shareholders of record on July 4, 2023. This quarterly dividend increased by 2% compared with the dividend declared in the previous quarter and is 4% 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”) may make written or oral forward-looking statements within the meaning of applicable Canadian and United States (U.S.) securities legislation. These forward-looking statements are made in accordance with the “safe harbor” provisions and are intended to be forward-looking statements in accordance with applicable Canadian and U.S. securities legislation. Forward-looking statements 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 statements under the headings “Outlook” 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. The forward-looking statements contained in, or incorporated by reference in, this document are used to assist readers in obtaining a better understanding of the Bank’s 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”, “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.

The Bank cautions 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; 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 or potential events.

Any forward-looking statements contained herein or incorporated by reference represent the views of management of the Bank 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 SEDAR 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 9:00 a.m. (ET) on June 1, 2023. The live, listen-only, toll-free, call-in number is 1-888-664-6392, code 81520025. 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 June 1, 2023, until 12:00 p.m. (ET) on July 1, 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.

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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 $50.7 billion in balance sheet assets and $27.7 billion in assets under administration.

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