



Source: Banque Laurentienne du Canada

February 28, 2018 06:30 ET

Laurentian Bank Financial Group reports first quarter 2018 results

MONTREAL, Feb. 28, 2018 (GLOBE NEWSWIRE) --

The financial information reported herein is based on the condensed interim consolidated financial statement (unaudited) for the period ended January 31, 2018, prepared in accordance with IAS 34 *Interim financial reporting*, as issued by the International Accounting Standards Board (IASB). All amounts are denominated in Canadian dollars.

The Laurentian Bank Financial Group means the Laurentian Bank of Canada and its subsidiaries (collectively referred as "Laurentian Bank Financial Group", "LBCFG" or the "Group" or the "Bank"), who provide deposit, investment, loan, securities, trust and other products or services.

The complete First Quarter 2018 Report to Shareholders is available today on our website at www.lbcfg.ca and on SEDAR at www.sedar.com.

François Desjardins, President and Chief Executive Officer, commented on the Bank's results and financial condition:

"We end the quarter with good results and a strong capital base that provides flexibility to execute the transformation plan and pursue profitable growth."

"We are confident that our investments in our foundation - our processes, technology and people - will allow us to successfully navigate through an evolving environment."

Highlights of first quarter 2018

- Adjusted net income ⁽¹⁾ up 20% year-over-year, and reported net income up 23%
- Adjusted return on common shareholders' equity ⁽¹⁾ of 11.5% and 10.8% on a reported basis
- Adjusted efficiency ratio of 64.8% and reported efficiency ratio of 66.5%
- Common Equity Tier 1 (CET1) ratio at 8.6%
- Loans to business customers up 22% year-over-year, from both organic growth and the acquisition of NCF ⁽²⁾
- Residential mortgage loans through independent brokers and advisors up 19% year-over-year
- Common share issuance for gross proceeds of \$143.8 million
- The review of the ineligible B2B Bank residential mortgage loans sold to the Third Party Purchaser and the Third Party Purchaser satisfactory confirmatory audit have been completed
- The internal review of the branch-underwritten residential mortgage loans sold to the Third Party Purchaser is progressing well
- The CMHC ⁽³⁾ (previously referred to as the Other Third Party Purchaser) has communicated that we are not required to perform a full review of the mortgages sold to the CMHC nor make material repurchases

In millions of Canadian dollars, except per share and percentage amounts (Unaudited)	For the three months ended		
	January 31 2018	January 31 2017	Variance

Reported basis

Net income	\$	59.7	\$	48.5	23 %
Diluted earnings per share	\$	1.41	\$	1.30	8 %

Return on common shareholders' equity	10.8%	10.7%
Efficiency ratio	66.5%	69.4%
Common Equity Tier 1 capital ratio – All-in basis	8.6%	8.2%

Adjusted basis ⁽¹⁾

Adjusted net income	\$	63.2	\$	52.7	20%
Adjusted diluted earnings per share	\$	1.49	\$	1.43	4%
Adjusted return on common shareholders' equity		11.5%		11.8%	
Adjusted efficiency ratio		64.8%		67.4%	

(1) Certain measures presented throughout this document exclude the effect of certain amounts designated as adjusting items due to their nature or significance. Refer to the Non-GAAP Measures section for further details. (2) Northpoint Commercial Finance. (3) Canada Mortgage and Housing Corporation.

Laurentian Bank Financial Group reported net income of \$59.7 million or \$1.41 diluted per share for the first quarter of 2018, compared with net income of \$48.5 million or \$1.30 diluted per share for the same period last year. Return on common shareholders' equity was 10.8% for the first quarter of 2018, compared with 10.7% for the first quarter of 2017. On an adjusted basis, net income totalled \$63.2 million or \$1.49 diluted per share for the first quarter of 2018, up 20% and 4% respectively, compared with \$52.7 million or \$1.43 diluted per share for the same period in 2017. Adjusted return on common shareholders' equity was 11.5% for the first quarter of 2018, compared with 11.8% a year ago. Reported results included adjusting items, such as costs related to the reorganization of the branch network, as well as acquisition and integration costs related to CIT Canada and NCF, as detailed in the Non-GAAP measures section.

Consolidated Results

Non-GAAP measures

Management uses both generally accepted accounting principles (GAAP) and certain non-GAAP measures to assess our performance. Non-GAAP measures presented throughout this document exclude the effect of certain amounts designated as adjusting items due to their nature or significance. These non-GAAP measures are considered useful to readers in obtaining a better understanding of how management analyzes our 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 presents the impact of adjusting items on reported results.

IMPACT OF ADJUSTING ITEMS

In thousands of Canadian dollars, except per share amounts (Unaudited)	For the three months ended		
	January 2018	October 2017	January 2017

Impact on net income

Reported net income	\$	59,747	\$	58,635	\$	48,456
---------------------	----	---------------	----	--------	----	--------

Adjusting items, net of income taxes

Restructuring charges ⁽¹⁾				
Severance charges		—	2,364	—
Other restructuring charges		673	1,791	692
		673	4,155	692

Items related to business combinations

Amortization of net premium on purchased financial instruments ⁽²⁾		480	519	758
Amortization of acquisition-related intangible assets ⁽³⁾		1,878	2,226	178
Other costs related to business combinations ⁽⁴⁾		439	941	2,657
		2,797	3,686	3,593

	3,470	7,841	4,285
Adjusted net income	\$ 63,217	\$ 66,476	\$ 52,741
Impact on diluted earnings per share			
Reported diluted earnings per share	\$ 1.41	\$ 1.42	\$ 1.30
Adjusting items			
Restructuring charges	0.02	0.11	0.02
Items related to business combinations	0.07	0.09	0.11
	0.09	0.21	0.13
Adjusted diluted earnings per share ⁽⁵⁾	\$ 1.49	\$ 1.63	\$ 1.43

(1) Restructuring charges result from the optimization of our Retail Services activities and mostly relate to salaries, communication expenses and professional fees. They have been designated as adjusting items due to their nature and the significance of the amounts.

(2) The amortization of net premium on purchased financial instruments arose as a result of a one-time gain on acquisition and is considered an adjusting item since it represents, according to management, a significant non-cash and non-recurring adjustment.

(3) The amortization of intangible assets related to the acquisition of CIT Canada and NCF is considered as an adjusting items since it represents, according to management, a significant non-cash and non-recurring adjustment. The amortization of acquisition-related intangible assets is included in the line item Other non-interest expenses in the Consolidated Statement of Income.

(4) Costs related to the integration of CIT Canada and transaction costs related to the acquisition of NCF.

(5) The impact of adjusting items on a per share basis does not add due to rounding for the three months ended January 31, 2018 and for the three months ended October 31, 2017.

Three months ended January 31, 2018 financial performance

Net income was \$59.7 million or \$1.41 diluted per share for the first quarter of 2018, compared with \$48.5 million or \$1.30 diluted per share for the first quarter of 2017. Adjusted net income was \$63.2 million for the first quarter of 2018, up 20% from \$52.7 million for the first quarter of 2017, while adjusted diluted earnings per share were \$1.49, up 4% compared with \$1.43 in the first quarter of 2017. Growth in earnings per share, compared with the first quarter of 2017, was impacted by the two recent common share issuances.

Total revenue

Total revenue increased by \$25.4 million or 10% to \$267.0 million for the first quarter of 2018 from \$241.6 million for the first quarter of 2017, mainly driven by growth in net interest income stemming from strong volume growth in the commercial loan portfolio, in part from acquisitions.

Net interest income increased by \$24.9 million or 16% to \$178.6 million for the first quarter of 2018, from \$153.7 million for the first quarter of 2017. The increase was mainly due to strong volume growth in the commercial loan portfolios, both organic and from acquisitions, as well as the higher margins earned on these loans. Net interest margin stood at 1.77% for the first quarter of 2018, an increase of 11 basis points compared with the first quarter of 2017, essentially due to the higher proportion of higher-yielding loans to business customers, as well as to recent increases in the prime rate.

Other income increased by \$0.4 million amounting to \$88.4 million for the first quarter of 2018, compared with \$87.9 million for the first quarter of 2017. Income from sales of mutual funds increased by \$1.3 million compared with the first quarter of 2017, mainly due to higher mutual fund volumes driven by good market performance. Fees and commissions on loans and deposits increased by \$0.7 million, mainly driven by higher lending fees due to increased activity in the commercial portfolios compared with the first quarter of 2017. These increases were partly offset by a decrease in income from brokerage operations of \$1.1 million, mostly related to fixed income activities, as well as a decrease in net insurance income of \$1.0 million.

Amortization of net premium on purchased financial instruments

For the first quarter of 2018, the amortization of net premium on purchased financial instruments amounted to \$0.7 million, compared with \$1.0 million for the first quarter of 2017. Refer to the Non-GAAP Measures section for additional information.

Provision for credit losses

The provision for credit losses amounted to \$12.0 million for the first quarter of 2018 compared with \$9.0 million for the first quarter of 2017. The increase reflects the evolution of the mix and overall growth in the loan portfolio. Notwithstanding, the continued low level of credit losses reflects the overall underlying good credit quality of the loan portfolios.

Non-interest expenses

Non-interest expenses amounted to \$177.5 million for the first quarter of 2018, an increase of \$9.8 million compared with the first quarter of 2017. Adjusted non-interest expenses increased by 6% to \$173.0 million for the first quarter of 2018, compared with \$162.9 million for the first quarter of 2017, mainly due to the acquisition of NCF, regular salary increases and higher professional fees to the support our transformation.

Salaries and employee benefits increased by \$4.1 million or 5% to \$93.7 million for the first quarter of 2018, compared with the first quarter of 2017, due to regular annual salary increases, and the addition of employees from NCF.

Premises and technology costs increased by \$1.0 million to \$47.3 million for the first quarter of 2018 compared with the first quarter of 2017, mainly as a result of higher technology costs related to newly outsourced agreements.

Other non-interest expenses amounted to \$35.1 million for the first quarter of 2018, an increase of \$7.8 million compared with the first quarter of 2017. This increase was mainly due to the amortization of acquisition-related intangibles, as well as higher professional fees.

Restructuring charges amounted to \$0.9 million for the first quarter of 2018 and mainly included service costs to reorganize the branch network product offering in light of the transition to the advice-only model later in 2018.

Costs related to business combinations amounted to \$0.6 million for the first quarter of 2018 and mainly included technology costs for the integration of CIT Canada's operations.

The adjusted efficiency ratio was 64.8% for the first quarter of 2018, showing good improvement compared with 67.4% for the first quarter of 2017. The adjusted operating leverage was positive year-over-year, driven by both revenue growth and expense control. However, we expect that the Bank's efficiency ratio will trend higher over the next few quarters as we continue to progress in our transformation plan. Nonetheless, we maintain our objective to achieve an adjusted efficiency ratio of 65% by 2020.

Income taxes

For the quarter ended January 31, 2018, the income tax expense was \$17.1 million and the effective tax rate was 22.2%. The lower tax rate, compared to the statutory rate, mainly resulted from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income, as well as the lower taxation level on revenues from foreign operations. On December 22, 2017, the U.S. government enacted new comprehensive tax legislation, which makes significant changes to the U.S. tax code and will require time to interpret. The enacted reduction of the U.S. corporate tax rate has resulted in a decrease of \$0.5 million of the Bank's U.S. net deferred tax assets and an equivalent one-time charge to the income statement. This charge is expected to be mostly offset during the remainder of 2018 by the positive effect on earnings of the lower corporate tax rate. For the quarter ended January 31, 2017, the income tax expense was \$15.4 million and the effective tax rate was 24.2%. The lower tax rate, compared to the statutory rate, resulted mainly from the aforementioned factors.

Financial Condition

As at January 31, 2018, total assets amounted to \$47.4 billion, an increase of \$0.7 billion compared with \$46.7 billion as at October 31, 2017. The increase mainly reflects an increase in liquid assets of \$0.6 billion, and loan growth of \$57.3 million, as well as an increase in other assets of \$93.5 million as explained below.

Liquid assets

Liquid assets consist of cash, deposits with other banks, securities and securities purchased under reverse repurchase agreements. As at January 31, 2018, these assets totalled \$9.6 billion, an increase of \$0.6 billion compared with October 31, 2017. Overall, we continue to prudently manage the level of liquid assets and to hold sufficient cash resources from diversified sources in order to meet current and future financial obligations, under both normal and stressed conditions.

Loans

Loans and bankers' acceptances, net of allowances, stood at \$36.7 billion as at January 31, 2018, relatively unchanged from October 31, 2017.

Personal loans amounted to \$5.9 billion and decreased by \$184.0 million since October 31, 2017, mainly due to net repayments in the investment loan portfolio, reflecting consumer behaviour to accelerate repayment when capital markets are strong.

Residential mortgage loans stood at \$18.6 billion as at January 31, 2018, an increase of \$83.1 million since October 31, 2017. This reflects continued growth in residential mortgage loans distributed through independent brokers and advisors, as well as the acquisition of mortgage loans originated by third-parties as part of our program initiated in 2016 to optimize the usage of National Housing Act mortgage-backed securities (NHA MBS) allocations. Higher volumes in November and December were observed as buyers took advantage of the previous B-20 underwriting guideline. However, since January 1, 2018 growth was slowed by the newly applicable mortgage regulation, as discussed above.

Commercial loans amounted to \$12.3 billion as at January 31, 2018, up 1% since October 31, 2017, this increase is mainly due to strong growth in inventory financing loans stemming from our recently acquired NCF business. Loans to business customers increased 22% year-over-year as a result of strong organic growth and the acquisition of NCF's \$1.0 billion loan portfolio in the fourth quarter of 2017.

Other assets

Other assets increased by \$93.5 million as at January 31, 2018, compared with October 31, 2017, primarily reflecting an increase in receivables from securitization conduits, derivatives and internally developed intangibles as we continue to progress on the development of our new core banking system and project to adopt the AIRB Approach to credit risk.

Liabilities

Deposits increased by \$0.5 billion to \$29.4 billion as at January 31, 2018, compared with October 31, 2017. Personal deposits stood at \$21.8 billion as at January 31, 2018, up \$0.6 billion compared with October 31, 2017. The increase was mainly driven by higher term deposits sourced through independent brokers and advisors slightly offset by a decrease in deposits sourced through the branch network. Business and other deposits decreased by \$52.0 million to \$7.7 billion over the same period. Personal deposits represented 74% of total deposits as at January 31, 2018, compared with 73% as at October 31, 2017, and contribute to our good liquidity position.

Debt related to securitization activities was essentially unchanged compared with October 31, 2017 and stood at \$8.2 billion as at January 31, 2018, as the repurchase of certain mortgage loans, as detailed below in the Review of Mortgage Portfolio section, and normal repayments, were offset by newly securitized loans.

Shareholders' equity and regulatory capital

Shareholders' equity stood at \$2,401.3 million as at January 31, 2018, compared with \$2,330.4 million as at October 31, 2017. The increase mainly results from the 2,624,300 common share public offering completed in January 2018 for gross proceeds of \$143.8 million and net proceeds of \$139.2 million, which was partially offset by the \$100.0 million Class A Preferred Shares Series 11 redemption in December 2017. During the quarter, shareholders' equity also increased as a result of the net income contribution, net of declared dividends, as well as by the issuance of common shares under the Shareholder Dividend Reinvestment and Share Purchase Plan.

Our book value per common share appreciated to \$52.08 as at January 31, 2018 from \$51.18 as at October 31, 2017. There were 41,720,706 common shares outstanding as at February 21, 2018.

The CET1 ratio stood at 8.6% as at January 31, 2018, compared with 7.9% as at October 31, 2017 and 8.2% as at January 31, 2017. As mentioned above, the Bank completed a common share offering in January for net proceeds of \$139.2 million. As the Bank moves through an evolving economic environment, we made the prudent decision to replace the preferred share issue that was redeemed on December 15, 2017 with common equity. This further strengthens our capital base and provides greater flexibility to pursue organic growth, as well as to continue to invest in the implementation of our core banking system and the Advanced Internal Ratings-Based Approach. Lower growth in risk-weighted exposures and net growth in retained earnings also contributed to the improvement in capital ratios, although offset by the additional deductions to capital for intangible assets related to ongoing projects.

Review of Mortgage Portfolio

In late September 2017, we were advised by a third-party purchaser (the "TPP"), following an audit, that certain mortgages previously sold to this TPP did not meet documentation and eligibility criteria. This section provides an update on the review of mortgages sold to the TPP, as well as to another third-party purchaser, the Canadian Mortgage and Housing Corporation ("CMHC", previously referred to as the "Other Third-Party Purchaser") and the repurchase of these mortgages.

Based on the information provided below, and as previously stated, the repurchases from the TPP and CMHC are not expected to be material to our operations, funding or capital.

Third Party Purchaser

In regards to the B2B Bank underwritten mortgages sold to the TPP, we completed a full review of these mortgages, as previously disclosed, and identified \$89 million of ineligible loans with documentation issues, which were repurchased in the first quarter of 2018. Furthermore, the TPP has now completed a confirmatory audit of our review of these mortgages and no further repurchases are required. In addition, approximately \$17 million out of the \$40 million additional indemnity cash reserve, that was deposited with the TPP in relation to the B2B Bank underwritten mortgages, will be released to the Bank. The remainder will be kept by the TPP as additional credit enhancement and will be remitted to the Bank over time as the B2B Bank underwritten mortgages amortize. Consequently, the situation with the B2B Bank underwritten mortgages sold to the TPP is now resolved.

In regards to the branch-underwritten mortgages sold to the TPP, we began an internal review during the first quarter of 2018 after defining the scope of the audit with the TPP. Accordingly, we are presently conducting the review of approximately 1,900 mortgages sold to the TPP. To the extent that this review uncovers additional mortgages that do not conform with the requirements of the TPP facility, we will either fix such mortgages or repurchase them. Given that they were considered to represent a lower risk, the mortgages not forming part of the 1,900 mortgages being reviewed will either be assessed at the time of their renewal or not be subject to any review. This internal review is expected to be completed towards the end of the second quarter of 2018, at which time the TPP will perform a confirmatory audit of our internal review. As disclosed previously, we conducted a limited sample review of these mortgages. By applying the percentage of ineligible loans with documentation issues identified in the limited sample review to the entire \$1,157 million branch-underwritten mortgage portfolio sold to the TPP, we estimated that a total of approximately \$124 million of ineligible loans with documentation issues would be identified, although the definitive amount will only be determinable upon completion of the above-mentioned review. We provided a cash reserve deposit in the amount of \$61 million to the TPP in relation to the branch-underwritten mortgage portfolio, the release of which is subject to the repurchase by the Bank of all ineligible loans with documentation issues and the confirmatory audit by the TPP.

As part of our review and as previously disclosed, we also identified certain low loan-to-value (LTV) mortgages that were sold to the TPP and did not meet the eligibility criteria amounting to \$91 million. These mortgages were repurchased in the first quarter of 2018.

Since November 1, 2017, we implemented improved quality control and underwriting procedures at B2B Bank and in the branch network. We are confident that these enhanced controls and procedures will prove to be satisfactory and we expect the TPP's future confirmatory audit to support our assessment.

CMHC

With respect to CMHC securitization programs, as previously stated, \$88 million of inadvertently insured mortgage loans were identified. These mortgages were repurchased in the second quarter of 2018. After discussions with CMHC, we are not required to perform a full review of the mortgages sold to CMHC securitization programs nor make material repurchases. We continue to work with CMHC on reviewing and ensuring solid controls are in place, in addition to our continued engagement in the normal course audits by CMHC from time to time. This securitization program remains available and we continue to securitize mortgage loans.

The following table summarizes the review of the mortgage portfolio as at September 30, 2017.

In millions of Canadian dollars (Unaudited)	Third Party Purchaser			Total
	B2B Bank	Branch network	CMHC	
Total mortgage loans sold ⁽¹⁾	\$ 655	\$ 1,157	\$ 5,157	\$ 6,969
Ineligible mortgage loans identified ⁽²⁾	\$ 89	\$ —	\$ —	\$ 89
Mortgage loans inadvertently sold ⁽²⁾	1	90	—	91
Mortgage loans inadvertently insured and sold ⁽³⁾	—	—	88	88
Total ineligible mortgage loans identified and repurchased	\$ 90	\$ 90	\$ 88	\$ 268
Ineligible mortgage loans extrapolated ⁽⁴⁾	\$ —	\$ 124	\$ —	\$ 124

Total ineligible mortgage loans identified and extrapolated	\$	90	\$	214	\$	88	\$	392
---	----	----	----	-----	----	----	----	-----

(1) As reported in our 2017 Annual Report dated December 4, 2017, excluding the impact of repurchases to both third parties, and new securitizations to CMHC. As at January 31, 2018, mortgage loans sold to the TPP by B2B Bank and the branch network totaled \$535 million and \$994 million respectively, the variations from what was previously disclosed are due net repayments and the aforementioned repurchases. As at January 31, 2018 mortgage loans sold to CMHC totaled \$5,118 million the variation from what was previously disclosed is due to new securitizations and net repayments.

(2) Repurchased in the first quarter of 2018.

(3) Repurchased in the second quarter of 2018.

(4) The \$124 million in branch-originated ineligible mortgages sold to the TPP is an estimate based on extrapolating the results of a limited sample review.

Transformation Plan

Optimization of Retail Services Activities

At the beginning of 2016, we announced our seven-year transformation plan, which included optimizing and simplifying retail operations. This strategy led to the initial decision, in September 2016, to reorganize the branch network. By the end of 2017, we have merged 46 branches and have converted an additional 23 branches into advice-only branches. We continue to monitor the impact of these actions on our core client base. The initial response from customers and employees has been positive and the impact on operations and results are in line with expectations. Building on this positive outcome, we decided to focus on delivering financial advice through our branch network, and on migrating customers to electronic and web-based platforms, thus progressing toward our objective to further digitize services. However, given uncertainty associated with the renewal of the collective bargaining agreement, which expired on December 31, 2017, we are reviewing the pace of the Retail Services transformation.

Strengthening our Foundation

2018 is a year of investment in our people, processes and technologies. At the beginning of the year, we initiated the implementation of our new core-banking system and successfully migrated B2B Bank's investment loan portfolio onto the new platform. During the remainder of the year, we will continue the migration of B2B Bank products, and begin the migration of Business Services loans. Once fully implemented, this new platform will provide the necessary tool to advance our transformation to digital banking. During the transition period we will be running concurrent platforms for our core-banking systems and making significant investments in developing digital banking solutions.

We are also progressing on our project to adopt the Advanced Internal Rating-Based Approach for credit risk used to determine the Bank's regulatory capital ratios. In addition, we are improving compliance and regulatory frameworks to better manage risks.

Furthermore, we are strengthening the Bank's financial foundation. We have increased our CET1 ratio during the quarter and are maintaining a strong liquidity position to provide operational flexibility to execute our transformation plan.

Industry Developments - Mortgage Lending

As of January 1, 2018, the Office of the Superintendent of Financial Institutions Canada (OSFI) implemented changes to its Guideline B-20 "Residential Mortgage Underwriting Practices and Procedures" which introduces more stringent mortgage loan origination requirements, and could further affect access to mortgage financing. These measures combined with concerns about housing markets in the greater Toronto and Vancouver areas, have kept housing in the spotlight. Although we are still at the early stage of the adoption of the new guidance, we have witnessed a decrease in residential mortgage origination at the beginning of 2018. We continue to monitor the impact on the market as the behavior of current and future home owners adapt to the new regulations. Notwithstanding, our activities are well diversified and our growth opportunities remain attractive.

Management Changes

As of May 1, 2018, Francois Laurin will be appointed Executive Vice-President, Finance, Treasury, Capital Markets and Chief Financial Officer. This change comes as Michel Trudeau announced his retirement effective April 2018 from his role as President and Chief Executive Officer of Laurentian Bank Securities and Executive Vice President, Capital Markets, Laurentian Bank. Mr. Trudeau will be staying on as Vice-Chair of the Board of Directors of Laurentian Bank Securities.

Risk Management

Liquidity and Funding Risk

Credit ratings

On December 11, 2017, DBRS confirmed our A (low) rating on deposits and senior debt and R-1 (low) rating on short-term instruments. In addition, DBRS revised its trends on long-term ratings to negative from stable.

On December 20, 2017, Standard and Poor's (S&P) placed our BBB long-term and A-2 short-term issuer credit ratings, as well as our issue-level ratings on CreditWatch ⁽¹⁾ with negative implications.

Management strives to optimize its business mix and its capital structure in order to produce an acceptable return for shareholders while endeavoring to maintain solid credit ratings. The revision of trends has had no significant impact on our funding costs and has had no effect on requirements with regard to guarantees and collateral.

(1) CreditWatch highlights S&P's opinion regarding the potential direction of a short-term or long-term rating, and focuses on identifiable events and short-term trends that cause ratings to be placed under special surveillance.

Risk Related to Labour Relations

Approximately 40% of our employees are represented by a union and are covered by a collective bargaining agreement which expired on December 31, 2017. The majority of these employees work in Laurentian Bank branches in the Province of Quebec, and certain of them are employed in Corporate Offices in Montreal. Renegotiating the expired collective bargaining agreement could result in higher costs which could have a material effect on our business, results of operations and financial condition. In addition, should we be unable to reach an acceptable negotiated collective bargaining agreement on a timely basis, a strike by affected employees, lock-out or other work disruption may occur which could adversely affect services to our Retail Services clients and operations and, in turn, financial performance.

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 include, but are not limited to, statements regarding our business plan and financial objectives including statements contained in our 2017 Annual Report under the headings "Outlook" and "Off-Balance Sheet Arrangements - Securitization Activities". 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 use the conditional, as well as words such as prospect, believe, estimate, forecast, project, expect, anticipate, plan, may, should, could and would, or the negative of these terms, variations thereof or similar terminology.

By their very nature, forward-looking statements are based on assumptions and involve inherent risks and uncertainties, both general and specific in nature. It is therefore possible that the forecasts, projections and other forward-looking statements will not be achieved or will prove to be inaccurate. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurances that these expectations will prove to be correct. Certain important assumptions by us in making forward-looking statements include, but are not limited to: our ability to execute our transformation plan and strategy; the expectation of regulatory stability; the continued favourable economic conditions; our ability to maintain sufficient liquidity and capital resources; the absence of material unfavorable changes in competition, market conditions or in government monetary, fiscal and economic policies; the maintenance of credit ratings and our assumption that the in-depth review of the branch-underwritten mortgages described under the heading "Off-Balance Sheet Arrangements - Securitization Activities - Review of Mortgage Portfolios" of our 2017 Annual Report and in this document, will reveal a level of ineligible loans with documentation issues in line with the level discovered through the limited sample audit. See also "How the Bank Will Measure its Performance - Key assumptions supporting the Bank's medium-term objectives" in our 2017 Annual Report.

We caution readers against placing undue reliance on forward-looking statements when making decisions, as the actual results could differ considerably from the opinions, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements due to various material factors. Among other things, these factors include: changes in capital market conditions, changes in government monetary, fiscal and economic policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, changes in competition, modifications to credit ratings, levels of branch-underwritten ineligible loans with documentation issues being in excess of levels identified during sample file audits or other related assumptions pertaining to the conduit requirements, scarcity of human resources, developments with

respect to labour relations, as well as developments in the technological environment. Furthermore, these factors include the ability to execute our transformation plan and in particular the successful reorganization of retail branches, the modernization of the core banking system and the adoption of the Advanced Internal Ratings-Based Approach to credit risk (the AIRB Approach).

With respect to the anticipated benefits from the acquisition of Northpoint Commercial Finance ("NCF") and statements with regards to this transaction being accretive to earnings, such factors also include, but are not limited to: the ability to promptly and effectively integrate the businesses, reputational risks and the reaction of our and NCF's customers to the transaction; the failure to realize, in the timeframe anticipated or at all, the anticipated benefits and synergies of the acquisition of NCF; our limited experience in the U.S. market and in inventory financing; and diversion of management time on acquisition-related issues.

With respect to the anticipated benefits from the acquisition of CIT Canada and statements with regards to this transaction being accretive to earnings, such factors also include, but are not limited to: the ability to realize synergies in the anticipated time frame, the ability to promptly and effectively integrate the businesses, and diversion of management time on integration-related issues.

We further caution that the foregoing list of factors is not exhaustive. For more information on the risks, uncertainties and assumptions that would cause our actual results to differ from current expectations, please also refer to the "Risk Appetite and Risk Management Framework" on page 44 of our Management's Discussion and Analysis as contained in our 2017 Annual Report, as well as to other public filings available at www.sedar.com.

We do not undertake to update any forward-looking statements, whether oral or written, made by us or on our behalf, except to the extent required by securities regulations.

Access to Quarterly Results Materials

Interested investors, the media and others may review this press release, our Annual Report, presentation to investors and supplementary financial information on our website at www.lbcfg.ca, 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 10:00 a.m. Eastern Time on February 28, 2018. The live, listen-only, toll-free, call-in number is 1-800-281-7973, code 8799267. 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 6:30 p.m. on February 28, 2018 until 6:30 p.m. on March 30, 2018, on our website under the Investor Centre tab, Financial Results.

The presentation material referenced during the call will be available on our website under the Investor Centre tab, Financial Results.

Contact Information

Investor Relations

Susan Cohen

Director, Investor Relations

Office: 514 284-4500, ext. 4926

Mobile: 514 970-0564

susan.cohen@lbcfg.ca

Media

Hélène Soulard

Assistant Vice-President, Communications

Office: 514 284-4500, ext. 8232

Mobile: 514 926-3295

helene.soulard@lbcfg.ca

About Laurentian Bank Financial Group

Founded in 1846, Laurentian Bank Financial Group is a diversified financial services provider whose mission is to help its customers improve their financial health. The Laurentian Bank of Canada and its entities are collectively referred as Laurentian Bank Financial Group (the "Group" or the "Bank").

With more than 3,700 employees guided by the values of proximity, simplicity and honesty, we provide a broad range of advice-based solutions and services to our customers through our businesses: Retail Services, Business Services, B2B Bank and Capital Markets. With pan-Canadian activities and a presence in the U.S., we are an important player in numerous market segments.

The Group has \$47 billion in balance sheet assets and \$31 billion in assets under administration.

