



# Corporate Presentation

## Third Quarter 2019



# 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 2018 Annual Report under the heading "Outlook". The forward-looking statements contained in this document are used to assist readers in obtaining a better understanding of our financial position and the results of operations as at and for the periods ended on the dates presented and may not be appropriate for other purposes. Forward-looking statements typically 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 estimates and statements regarding our business plan and financial objectives including statements contained in our 2018 Annual Report under the heading "Outlook".

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, 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 plan and in particular the successful reorganization of our Retail Services operations, the modernization of our core banking system and the adoption of the Advanced Internal Ratings-Based approach to credit risk (the "AIRB approach").

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" section of our 2018 Annual Report, as well as to other public filings available at [www.sedar.com](http://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 the applicable securities laws.

## NON-GAAP MEASURES

Management uses both generally accepted accounting principles (GAAP) and non-GAAP measures to assess the Bank's performance. Results prepared in accordance with GAAP are referred to as "reported" results. Non-GAAP measures presented throughout this document are referred to as "adjusted" measures and exclude the effect of certain amounts designated as adjusting items. Adjusting items relate to restructuring plans and to business combinations and have been designated as such as management does not believe they are indicative of underlying business performance. Non-GAAP measures are considered useful to readers in obtaining a better understanding of how management analyzes the Bank's results and in assessing underlying business performance and related trends. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are unlikely to be comparable to any similar measures presented by other issuers.





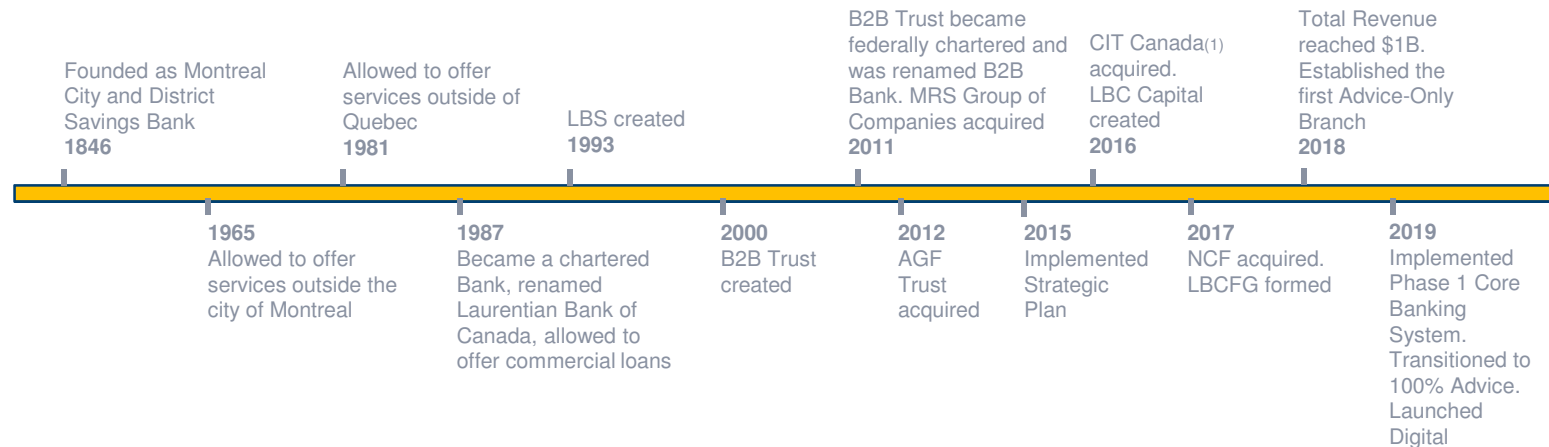
**Who We Are**

# Laurentian Bank Financial Group (LBCFG)

## Main Operating Entities

- ✓ Laurentian Bank
- ✓ LBC Capital
- ✓ Northpoint Commercial Finance (NCF)
- ✓ B2B Bank
- ✓ LBC Financial Services
- ✓ Laurentian Bank Securities (LBS)

## 173 Years Strong

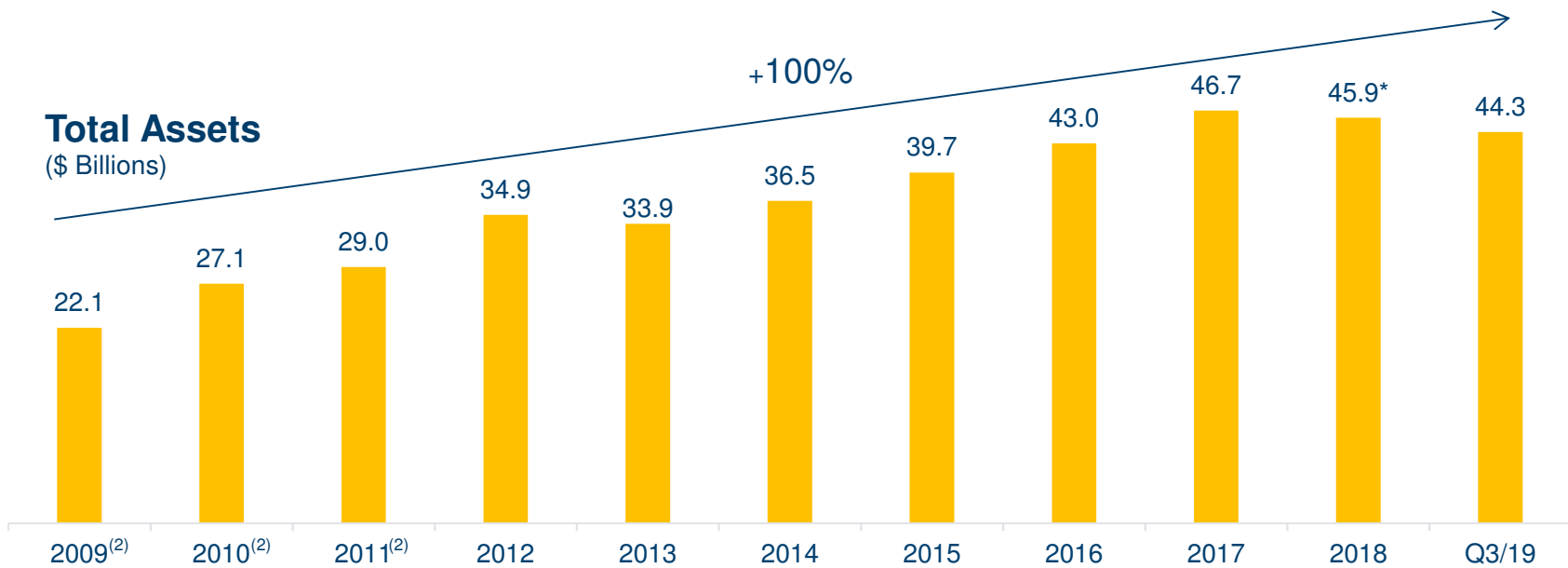


(1) The Canadian equipment financing and corporate financing activities of CIT Canada

# 7<sup>th</sup> Largest Canadian Bank<sup>(1)</sup> / Top 40 North American Bank

Total Assets: \$44 Billion

Assets Under Administration: \$29 Billion



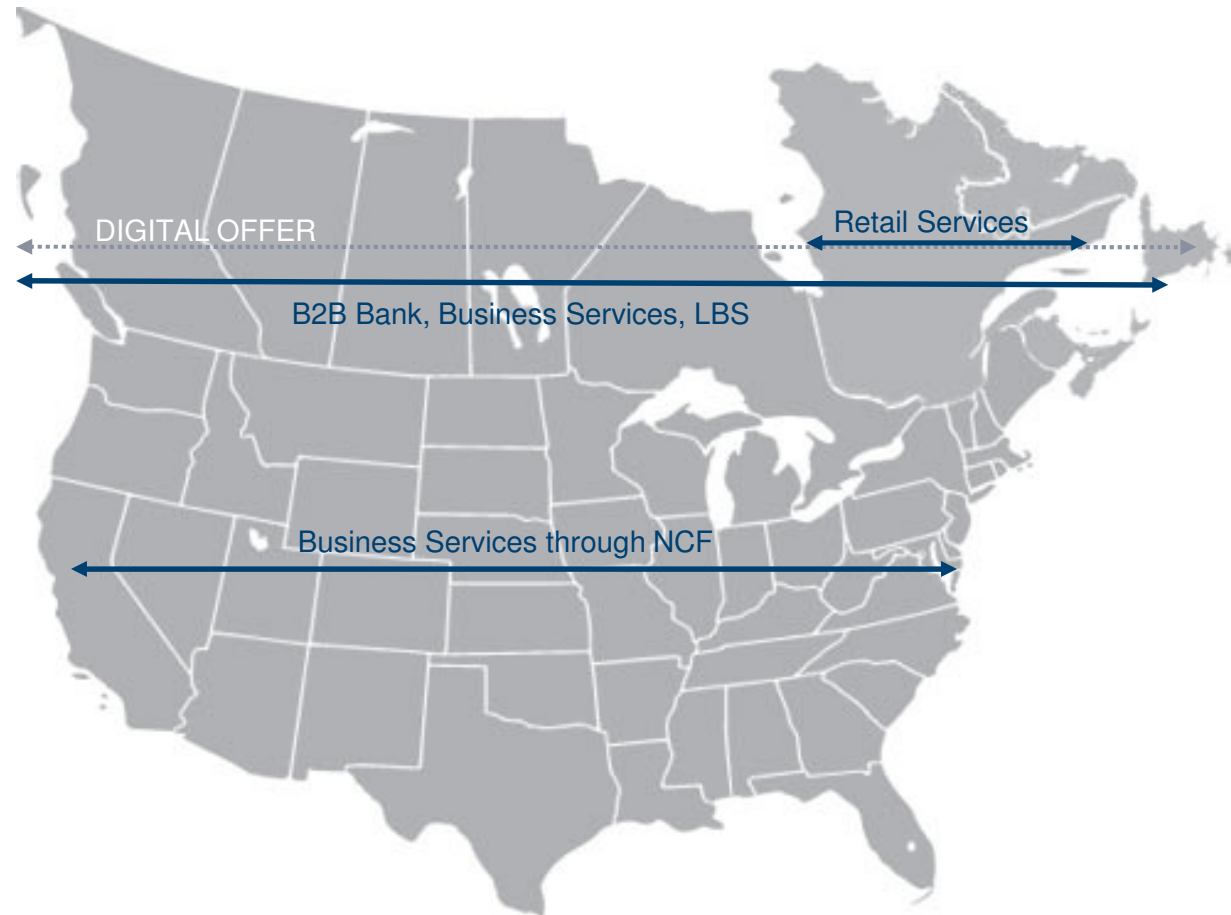
(1) Based on total assets among publicly listed banks on the TSX

(2) In accordance with previous Canadian GAAP

\* Reflects \$0.7B of non-strategic commercial loan portfolio sales

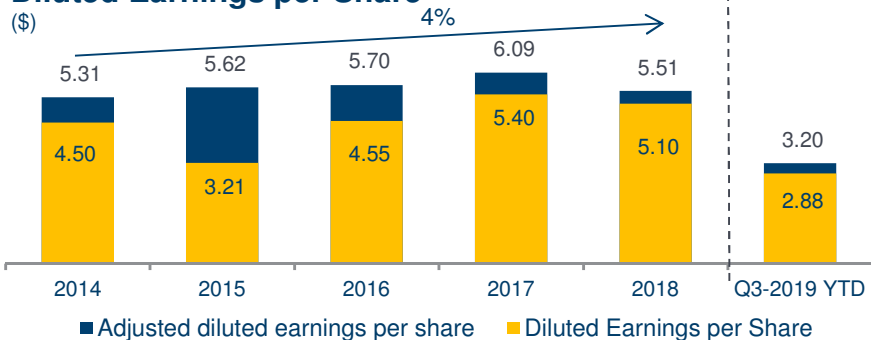


# Pan-Canadian Bank with Targeted U.S. Presence

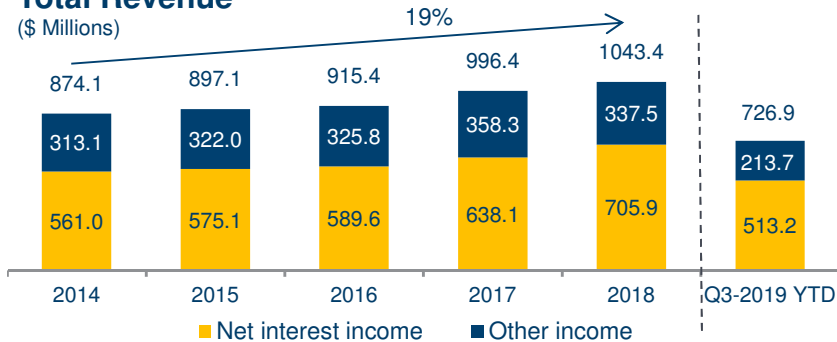


# Deliver Consistent and Sustainable Profitability

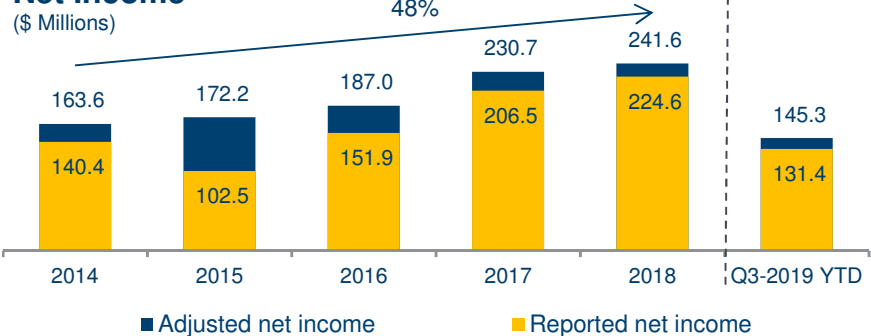
## Diluted Earnings per Share



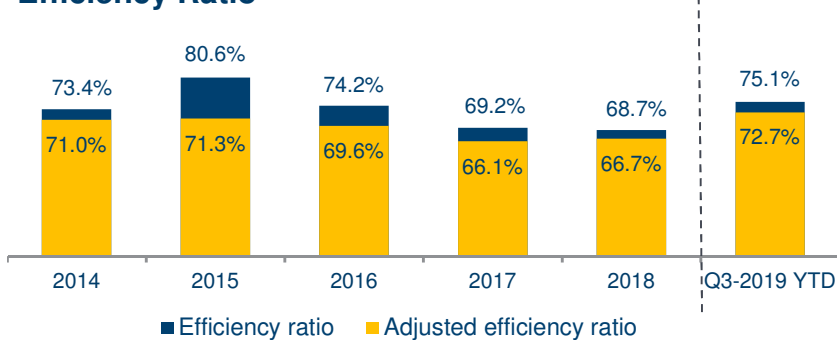
## Total Revenue



## Net Income



## Efficiency Ratio

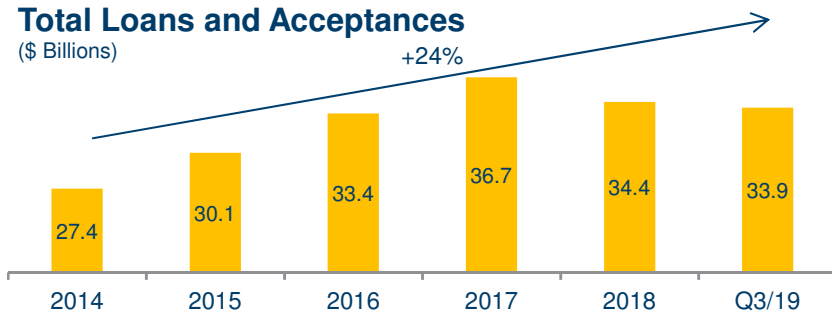


# Commitment to Sustainable Performance & a Strong Foundation

## Total Loans and Acceptances

(\$ Billions)

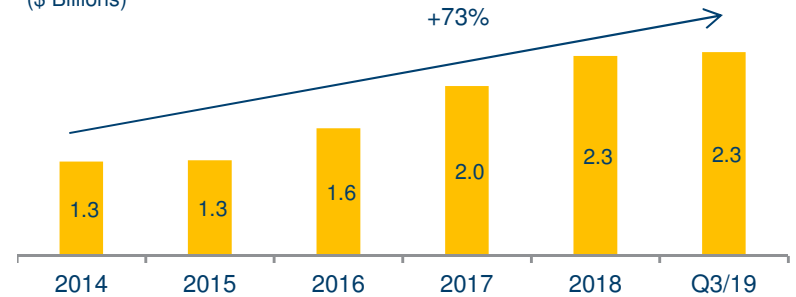
+24%



## Common Shareholders' Equity

(\$ Billions)

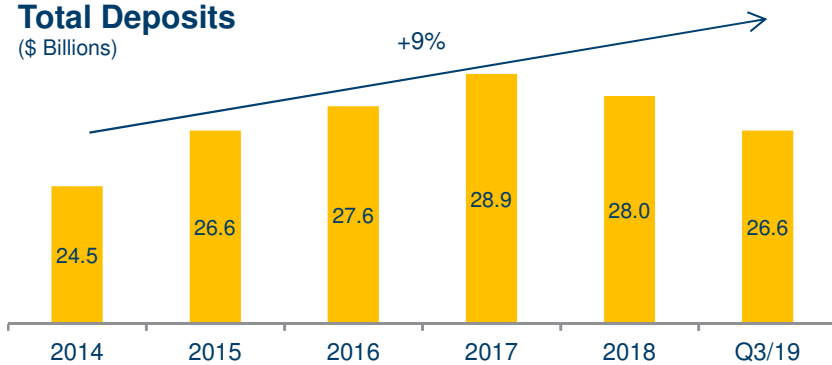
+73%



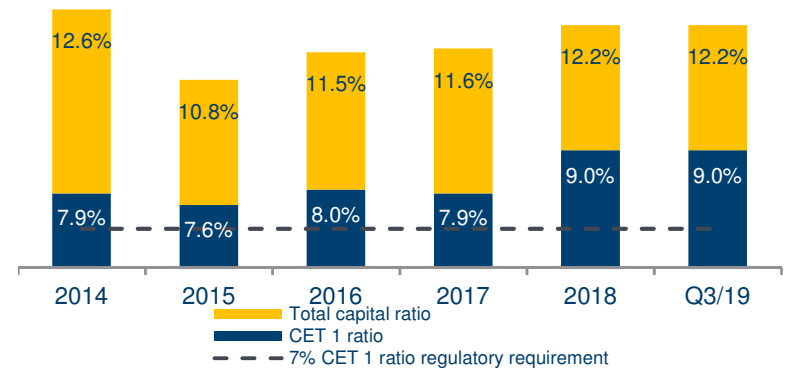
## Total Deposits

(\$ Billions)

+9%



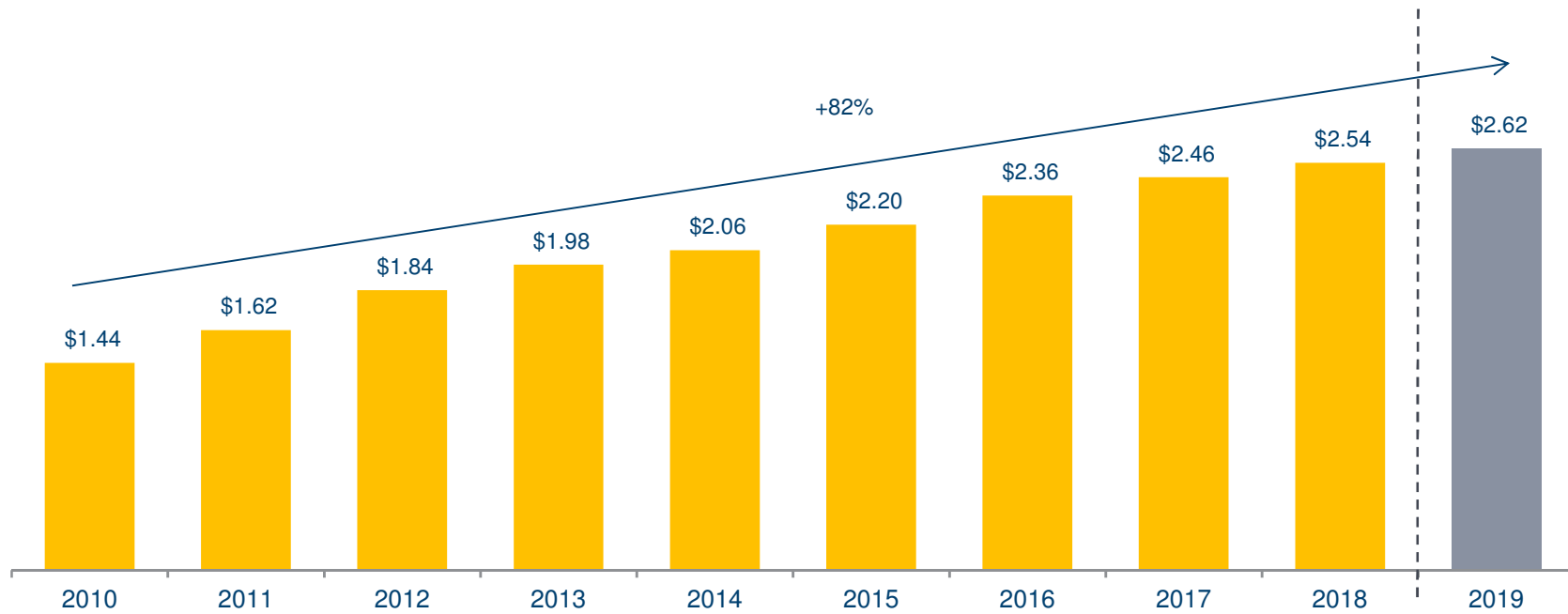
## CET 1 and Total Capital Ratios





# Track Record of Increasing Dividends

Dividends Declared Per Common Share  
(\$/share)





# **Strategic Plan**

# Progress on Strategic Objectives

Making significant progress on key initiatives that will propel LBCFG in the coming months and years

## Foundation



**Building a Stronger Foundation**

## Growth



**Investing in Profitable Growth**

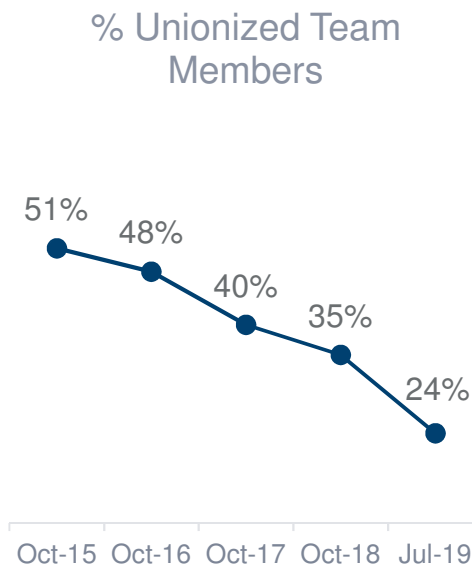
## Performance



**Improving Performance**



# Culture of Performance



The labour relations environment supports performance on several fronts

- ✓ Limited to specific existing positions (mainly professionals and client-facing positions in Quebec branch network)
- ✓ Prioritizes individual performance and qualifications as key decision-making criteria
- ✓ Attained working conditions comparable to those offered by our competition
- ✓ Gained flexibility (i.e. to outsource and automate administrative activities, to schedule team members working hours around the needs of customers)

Retail branch operations in Quebec can now resume focus on revenue generating activities



## Financial Clinics



First Canadian bank to successfully transition our Retail branch network from a traditional offer to 100% Advice

- ✓ 450 advisors in our financial clinics dedicated to helping our clients improve their financial health
- ✓ All of our professionals can now maximize value-added customer-advisor relationships



# B2B Bank Digital Launch



B2B Bank going to market with digital bank accounts and deposit products

- ✓ Clients of the independent advisors and brokers across Canada are the first to benefit from our new digital offering
- ✓ Initial feedback from independent advisors and brokers is positive and they appreciate that B2B Bank continues to help them build their business



# LBC Digital Launch



Launching across Canada by the end of the Fall

- ✓ Targeting new customers looking for hassle-free deposit products
- ✓ Strategically launching additional digital products to gain new customers



# Efficiency



Evolving to a more efficient cost structure by reducing obsolete branch, back-office and administrative work

- ✓ Eliminating non-core administrative activities and duplicate operations
- ✓ Automating and outsourcing credit, adjudication, collections and administrative activities
- ✓ Reducing costs associated with managing traditional branch activities





# Growth

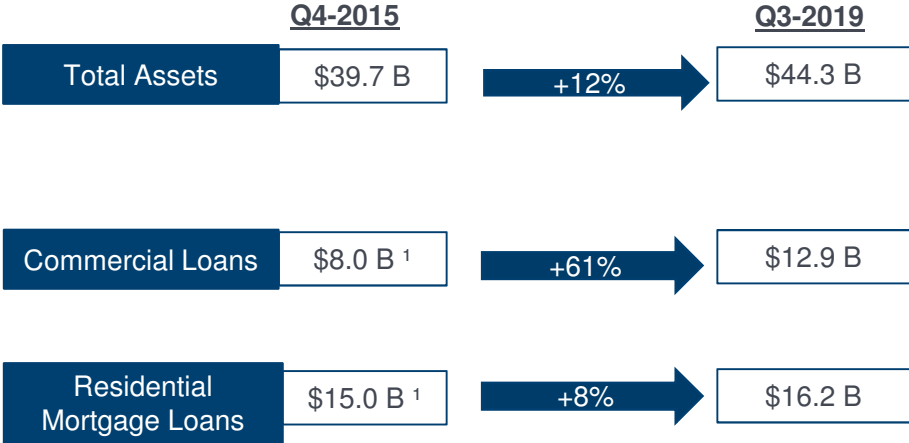


Continued focus on profitable growth as we optimize our loan mix and manage risk-weighted assets

- ✓ Business Services: continue to grow by double digits using our industry and product specializations
- ✓ Financial Clinics: clients will benefit from a different customer experience, where the conversation will be about improving their financial health
- ✓ B2B Bank and LBC digital offerings will become a new source of customers



# Targeted Asset Growth



**2018:**

Rebalanced the commercial loan portfolio after three years of accelerated growth and acquisitions

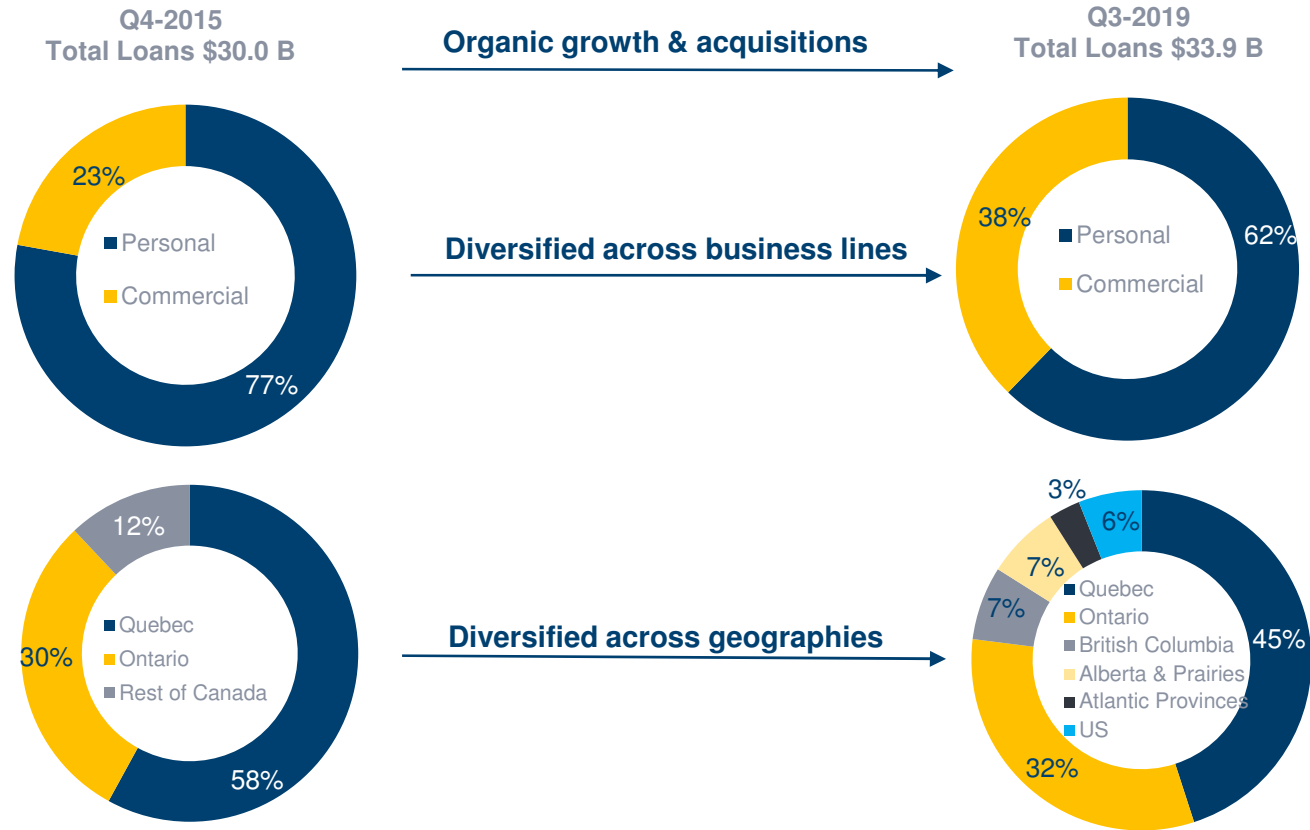
**2019 and Beyond:**

Target double digit growth in high margin commercial loans  
 Stabilize residential mortgage portfolio and then resume growth at a low single digit level



1. Restated amount reflects the reclassification of \$1.2B of multi-unit residential mortgage loans to commercial loans to better reflect the nature of these loans and associated risks.

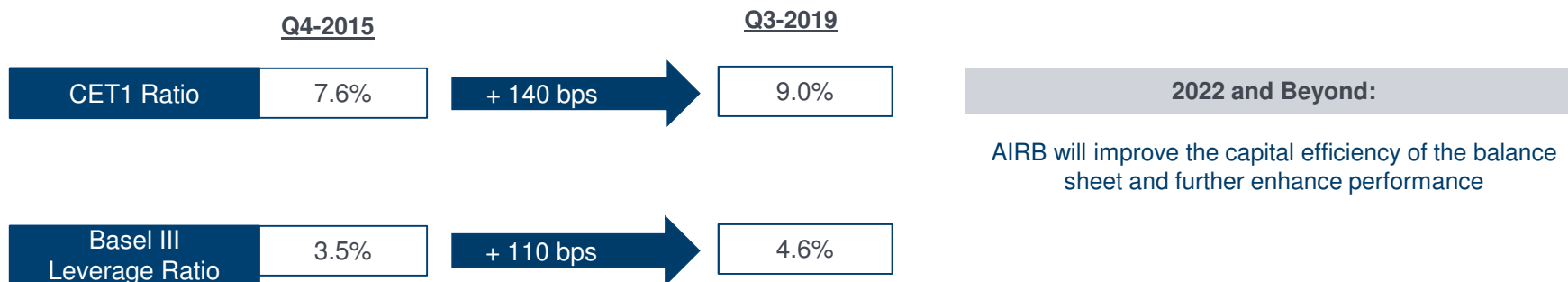
# Loan Portfolio Evolution – Strategic Diversification



Note: Personal includes Personal Loans and Residential Mortgage Loans

# Solid Capital Position

A healthy level to support growth and withstand unforeseen events



## Well above regulatory requirements (under the Standardized approach for credit risk)

	CET1 Capital Ratio	Tier 1 Capital Ratio	Total Capital Ratio	Basel III Leverage Ratio
As at July 31, 2019	9.0%	10.2%	12.2%	4.6%
Regulatory Minimum	7.0%	8.5%	10.5%	3.0%

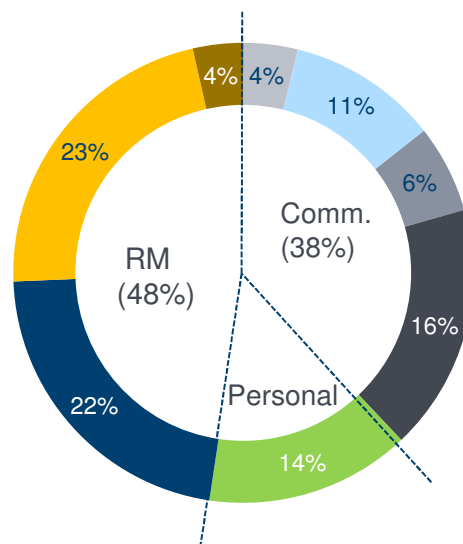




**Credit**

# Loan Portfolio at a Glance (as at July 31, 2019)

<b>Total Loans</b>	<b>\$33.9 B</b>
<b>Residential Mortgages (RM)</b>	<b>\$16.2 B</b>
<b>Commercial Loans (Comm.)</b>	<b>\$12.9 B</b>
<b>Personal Loans</b>	<b>\$4.9 B</b>



## Diversified Across Sectors

- Comm. - equipment financing (\$1.3 B)
- Comm. - commercial (\$3.6 B)
- Comm. - inventory financing (\$2.1 B)
- Comm. - real estate (\$5.9 B)
- Personal Loans (\$4.9 B)
- RM - insured (\$7.5 B)
- RM - uninsured prime (\$7.5 B)
- RM - uninsured Alt-A (\$1.2 B)

- ✓ 97% of the loan portfolio is collateralized
- ✓ No single industry exposure > 10%
- ✓ No sub-prime mortgage lending

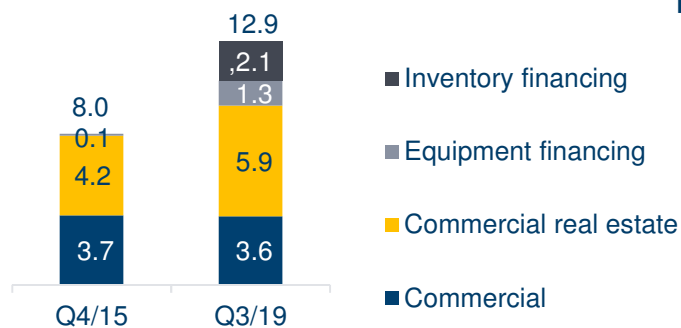


# Commercial Loan Portfolio: Strong, Diversified and Growing

## Commercial Loan Portfolio

(In \$ Billions)

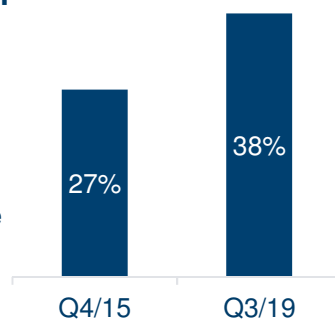
Grow organically and by acquisition



## Commercial Loans

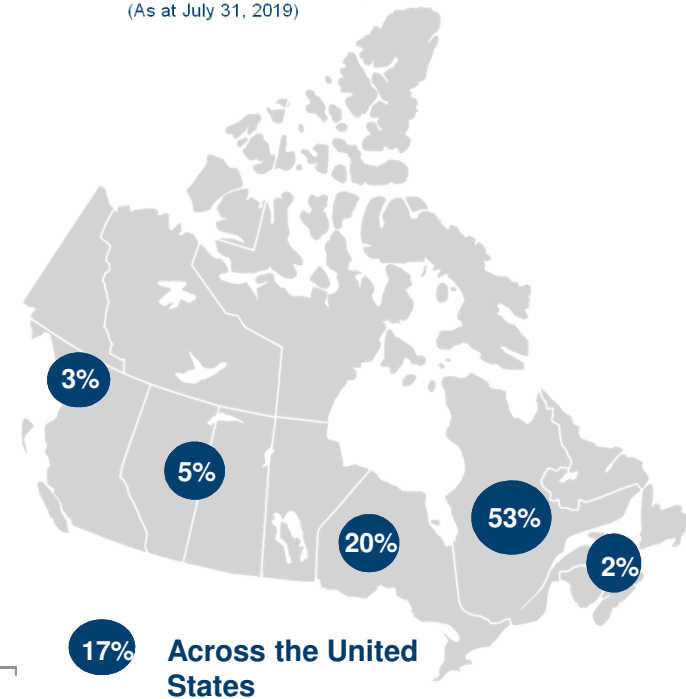
(As a % of total loans)

Business mix evolving towards more profitable commercial loans

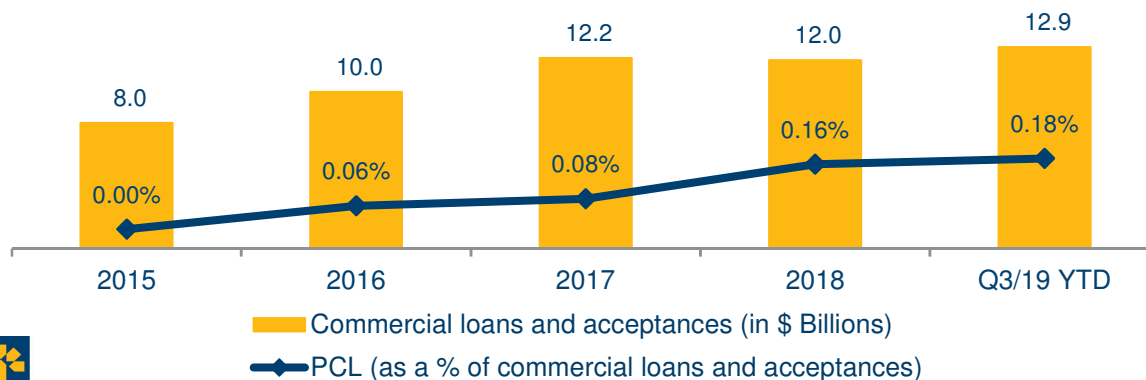


## A pan-Canadian Portfolio and a US Presence

(As a % of commercial loan portfolio)  
(As at July 31, 2019)



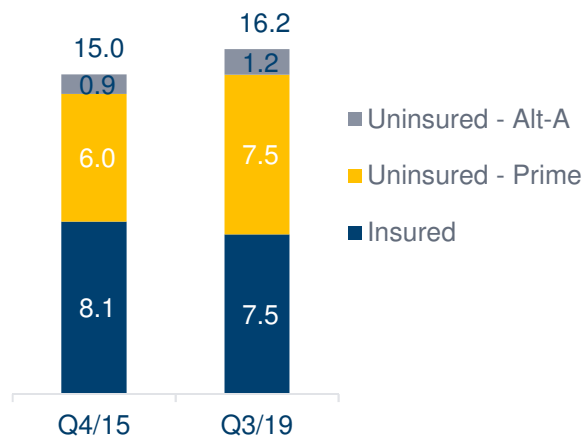
## Strong Credit Quality With a Low Loss Ratio



# Residential Mortgage Portfolio (as at July 31, 2019)

## RM Portfolio Mix

(in \$ Billions)



From Q4/15 – Q3/19:

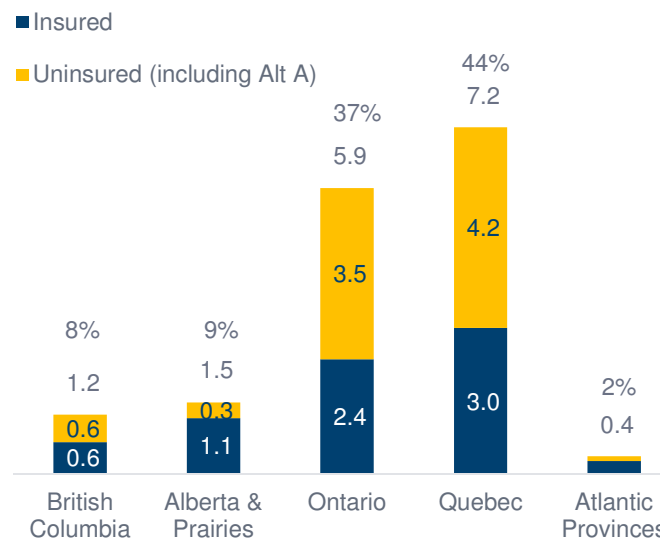
- ✓ Declining proportion of insured mortgages and consistently low loan losses reflect LBCFG's strong underwriting

As at July 31, 2019:

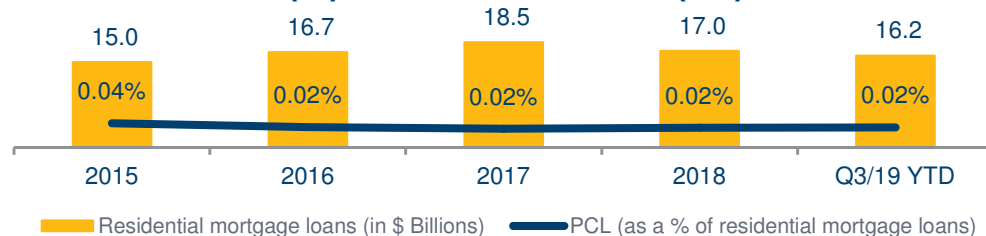
- ✓ 2 in-house origination channels (Financial clinics & Broker. Alt-A through Broker channel only)
- ✓ 1 underwriting policy and guideline

## RM Portfolio by Region

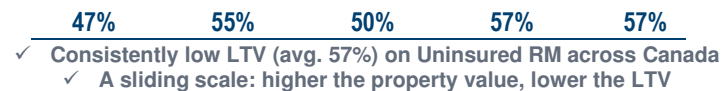
(in \$ Billions)



## Total RM: PCL(%) vs Loan balances (\$B)



LTV of Uninsured RM by region (including Alt-A)

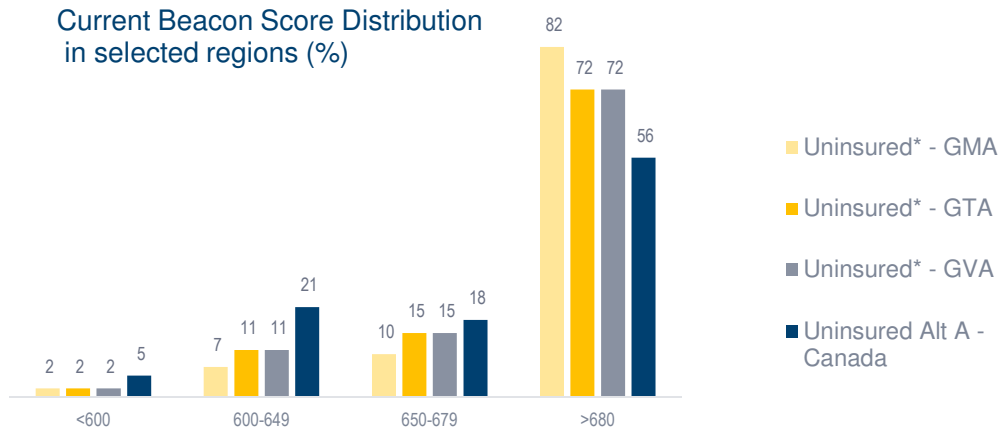


LTV reflects current estimated value of collateral, including HELOCs. As at July 31, 2019: HELOCs of \$0.8B (67% in Quebec, 18% Ontario, 15% rest of Canada).

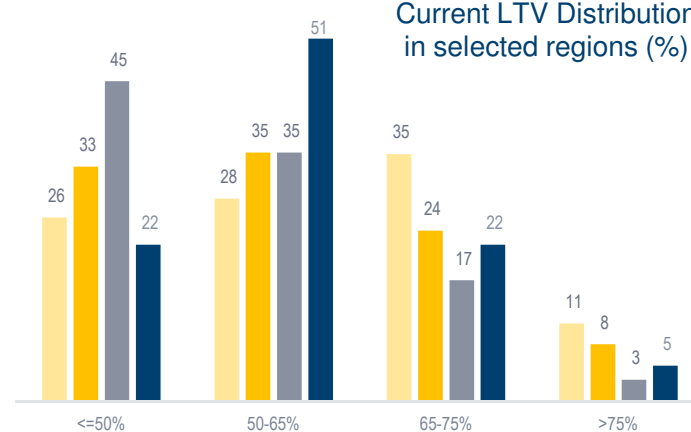


# Uninsured Residential Mortgage Portfolio (as at July 31, 2019)

Current Beacon Score Distribution in selected regions (%)



Current LTV Distribution in selected regions (%)



Uninsured Residential Mortgage	Prime			Alt-A
	GMA	GTA	GVA	CANADA
Loan balance	\$2.6 B	\$ 1.7 B	\$0.3 B	\$1.2 B
Average LTV (%) **	55%	51%	47%	54%
Average Beacon Score	751	688	693	669

\* Uninsured include Prime and Alt A

\*\* LTV – reflects current estimated value, including HELOCs

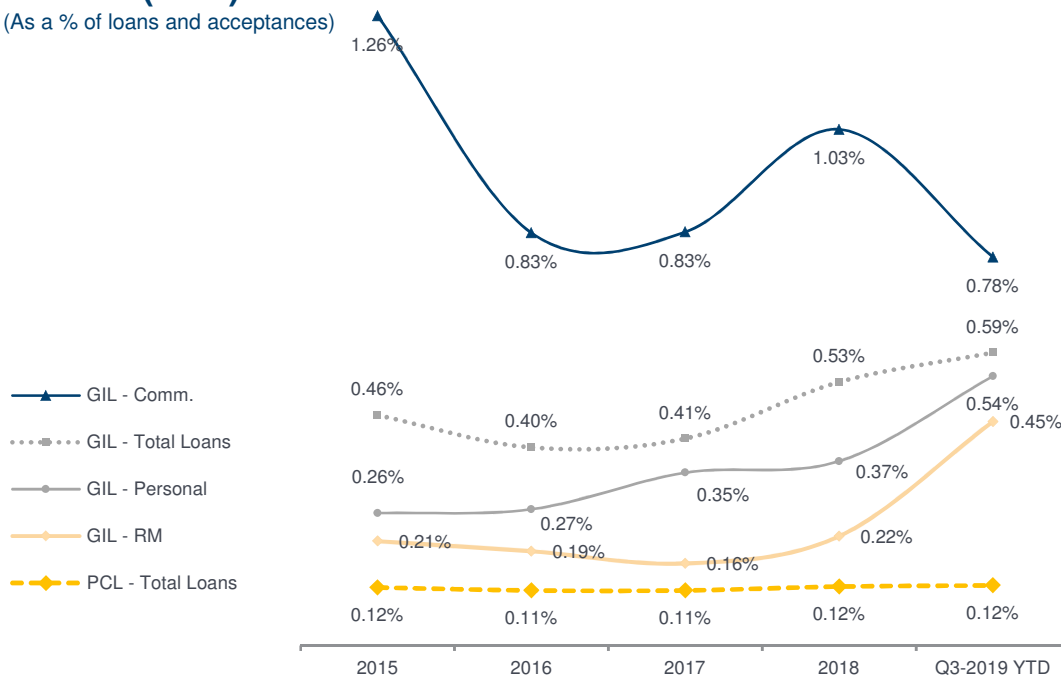
GMA- Greater Montreal Area. GTA- Greater Toronto Area. GVA- Greater Vancouver Area



# Sound Credit Risk Management

## Gross Impaired Loans (GIL) vs Provisions for Credit Losses (PCL)

(As a % of loans and acceptances)



Despite higher gross impaired loans in the Commercial sector compared to other sectors, PCLs remain low and stable.

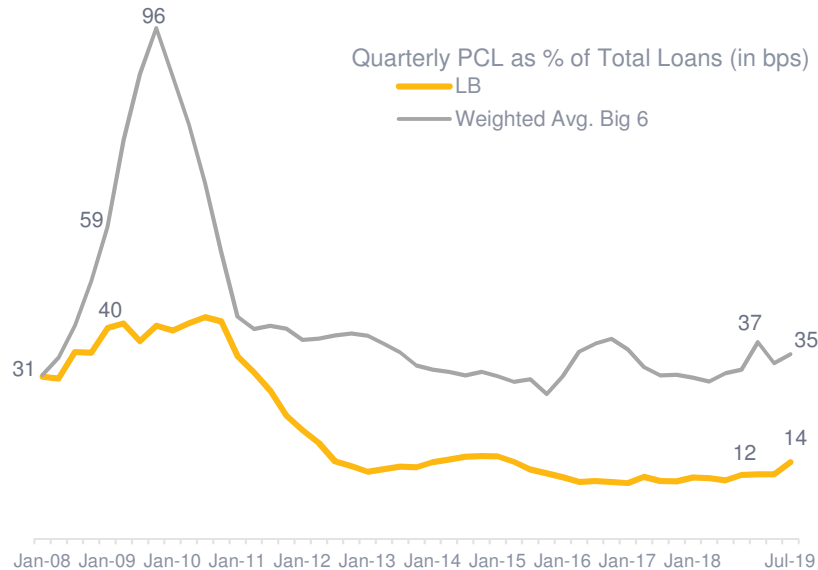
This reflects the fact that problem commercial loans are dealt with by a strong in-house workout group consisting of former insolvency experts.

This leads to higher impaired loans due to a longer management cycle, but lower actual losses through careful exits, reinforced by LBCFG's conservative secured lending and disciplined underwriting.

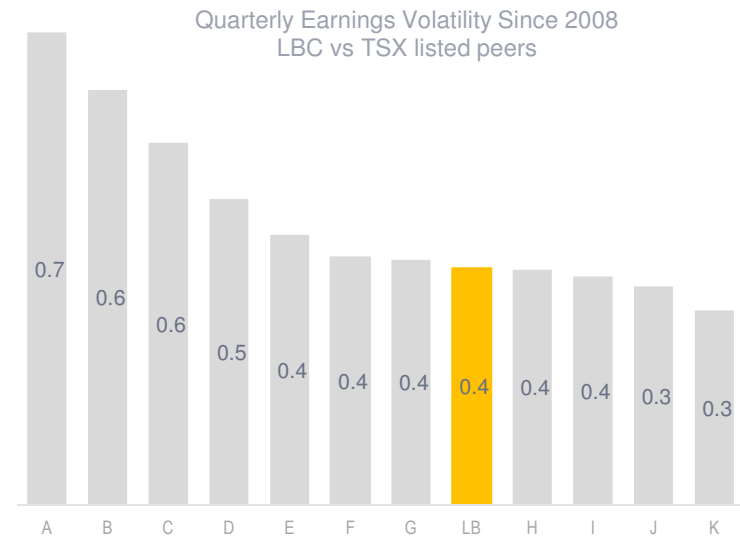


# Low Loan Losses & Earnings Volatility

**Credit consistently outperformed the Big 6 average** - underpinned by in-house expertise in chosen niche markets, reinforced by secured lending, disciplined underwriting and careful exits



**Consistently low earnings volatility in line with Big 6** - underlines solid risk management, diversification and stability of income

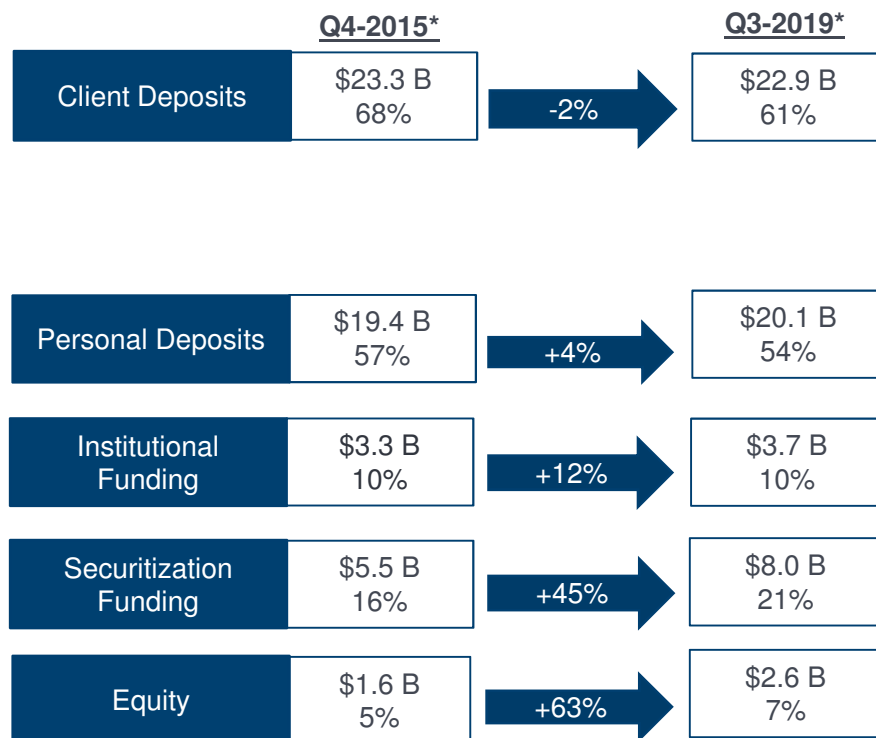


Reported Net Income, Provision for Credit Losses (PCL) and Total Loan Balance are quarterly data sourced from Bloomberg.  
Volatility = Standard Deviation of quarterly reported net income / Mean



# **Liquidity and Funding**

# Funding Evolution



Stable deposits despite merging 40% of branches

## 2019 and Beyond:

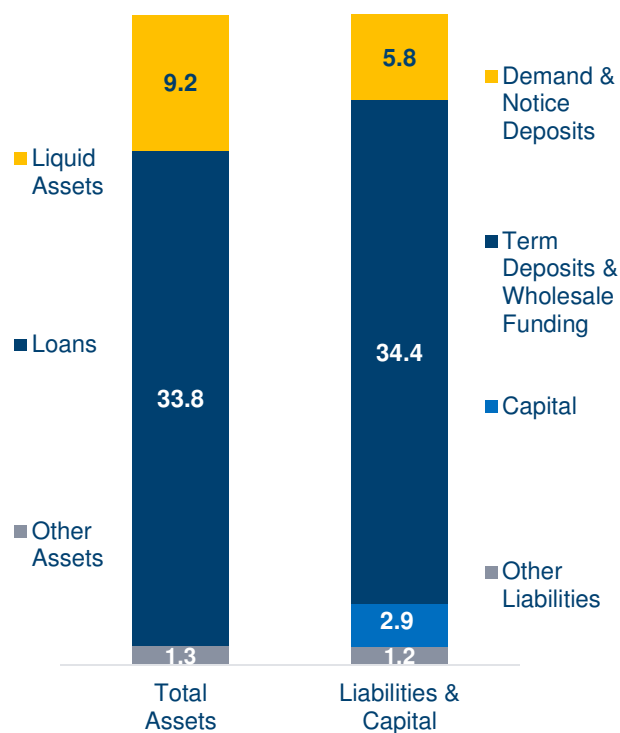
- Liability driven balance sheet
- Focus on sticky retail deposits and GICs from 3 channels:
  - Financial clinics
  - Independent advisors and brokers
  - Digital
- Prudent liquidity position
- Funding diversification



\* As % of total funding. Client Deposits include all Personal and Business Deposits

# Balance Sheet Management (as at July 31<sup>st</sup>, 2019)

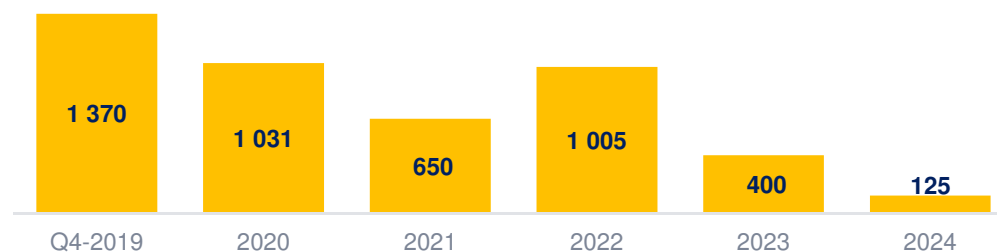
## Balance Sheet (\$44.3 B)



- Prudent liquidity management guided by risk appetite
- Reducing excess liquidity after signing the new collective agreement
- Internal liquidity metric targets a 90-day survival horizon and is more conservative than LCR
- ~90% of the liquidity portfolio is invested in high quality, liquid assets
- Maintain a comprehensive contingency funding plan in case of stress events
- Regular issuances to Canadian market while ensuring diversification
- Match funding: term liabilities to fund term assets

## Unsecured Wholesale Funding Maturities

(in \$ Millions)



Loans: Net loans and acceptances. Capital: Equity and Subordinated Debt



**Looking forward**

# We Are Doing What We Set Out To Do

## Build a solid foundation

- 1 Rebuild a proper account management platform**
  - Implement technology roadmap including new core banking system
  - Build proper web/mobile/ATM presence
  - Execute a go-digital strategy
- 2 Right-size and modernize corporate functions**
  - Invest in governance and compliance
  - Enhance and centralize processes
  - Enhance and standardize governance across all sectors
- 3 Develop new brand elements**
  - Harmonize corporate brand
  - Provide opportunities for financial literacy

## Invest in profitable growth through meeting client needs

- 4 Develop competitive product offering**
  - Simplify current offering
  - Align product offering across customer channels
  - Build new offering meeting customer needs
- 5 Build best-in-class Advisor / Account Manager teams**
  - Drive sales force effectiveness
  - Grow the advisor and account manager teams
  - Modernize retail distribution
  - Invest in advice



- 6 Better understand and service key client segments**
  - Focus efforts on key client segments
  - Use analytics to better develop relationships
  - Seek feedback from our customers on how we can improve
- 7 Expand distribution geographically**
  - Play where we can succeed
  - Increase direct to client deposit sources
  - Rethink and unlock new distribution options

## Improve performance

- 8 Reduce administrative costs**
  - Streamline non-core administrative functions
- 9 Better manage capital**
  - Implement Advanced Internal Ratings Based Approach
  - Optimize the product mix
- 10 Build a culture of performance**
  - Manage by results and metrics
  - Become an employer of choice



# Laurentian Bank Financial Group

Strong financial position and solid credit quality throughout our transformation

<b>Capital and liquidity position</b>	LBCFG has never been in a better financial position, in terms of its solid capital and liquidity levels
<b>Funding</b>	LBCFG leverages multiple funding sources and remains well diversified, including 3 retail channels: financial clinics, independent brokers and advisors, and digital
<b>Credit and Risk Management</b>	LBCFG continues to have an industry low loss provision – a testament to the quality of our underwriting and credit risk management
<b>Processes and Technology</b>	LBCFG continues to improve processes and technology. With the completion of Phase 1 of the core banking initiative, we are building on solid ground





**Q3-2019  
Highlights**

# Financial Performance

## Improvement in core financial performance:

Q3/19 vs. Q2/19



	Adjusted <sup>(1)</sup>	Reported
• Net interest income	• up 7%	• up 7%
• Net interest margin	• up 8 bps	• up 8 bps
• Non-interest expenses	• down 2%	• down 3%
• Efficiency ratio	• improved 290 bps	• improved 360 bps
• Net income	• up 6%	• up 10%
• Diluted EPS	• up 6%	• up 11%
• ROE	• up 20 bps	• 50 bps

### Partially offset by:

- Lower other income mainly due to lower capital markets sensitive revenues
- Higher provision for credit losses



(1) Certain measures presented throughout this document exclude amounts designated as adjusting items. Refer to the Non-GAAP Measures appendix for further details.

# Our 2021 Medium-Term Financial Objectives

## Q3/19 YTD Performance<sup>(1)</sup>



**Adjusted ROE**

**8.0%**

gap at 780 bps<sup>(2)</sup>

Narrow gap to 250 bps by 2021<sup>(3)</sup>

**Adjusted Efficiency Ratio**

**72.7%**

< 63% by 2021

**Adjusted Diluted EPS**

**\$3.20**

down 26%<sup>(4)</sup>

Grow by 5% to 10% annually

**Adjusted Operating Leverage**

**(8.5)%**

Positive



### Loans to Business Customers

Grow by \$3.1B to \$16.0B by 2021

**Q3/19**  
**\$12.9B**

**2021**  
**\$16.0B**

### Residential Mortgage Loans

Grow by \$2.8B to \$19.0B by 2021

**Q3/19**  
**\$16.2B**

**2021**  
**\$19.0B**

### Deposits from Clients<sup>(5)</sup>

Grow by \$5.1B to \$28.0B by 2021

**Q3/19**  
**\$22.9B**

**2021**  
**\$28.0B**

(1) Certain measures presented throughout this document exclude the effect of amounts designated as adjusting items. Refer to the Non-GAAP Measures appendix for further details.

(2) Gap based on Q3/19 YTD results (the weighted average of the 6 major Canadian banks at 15.8%).

(3) Compared to the major Canadian banks, based on the Bank using the AIRB approach in determining credit risk and the Standardized approach in determining operational risk.

(4) Compared to Q3/18 YTD.

(5) Including personal deposits from branches and independent brokers and advisors, as well as commercial deposits.



## **Investor Relations Contact**

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