

Source : Banque Laurentienne du Canada

04 déc. 2019 07h15 HE

## Laurentian Bank Financial Group reports 2019 results

The financial information reported herein is based on the condensed interim consolidated (unaudited) information for the three-month period ended October 31, 2019, and on the audited annual consolidated financial statements for the year ended October 31, 2019, and has been prepared in accordance with International Financial Reporting standards (IFRS), as issued by the International Accounting Standards Board (IASB). All amounts are denominated in Canadian dollars. The Laurentian Bank of Canada and its entities are collectively referred to as Laurentian Bank Financial Group (the "Group" or the "Bank") and provide deposit, investment, loan, securities, trust and other products or services.

The Bank's 2019 Annual Report (which includes the Audited Consolidated Financial Statements and accompanying Management's Discussion & Analysis) will be available today on the Laurentian Bank Financial Group's website at [www.lbcfg.ca](http://www.lbcfg.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com).

François Desjardins, President and Chief Executive Officer, commented on the 2019 results: "During 2019, we moved ahead with several strategic initiatives: we changed our main banking system, we converted our branches to focus 100% on financial advice and we launched digital products to meet everyday personal banking needs across Canada. All customers are now able to open, with straight through, on-the-spot processing, chequing, high interest savings and GIC accounts, using their mobile devices."

"The most significant event of the year was the establishment of a new labour relations environment. The team worked through difficult and costly union negotiations with resolve which resulted in a redefined bargaining unit and the ratification of a new collective agreement. This is a strategic foundational change because there is nothing more strategic than a culture of performance."

M. Desjardins concluded: "Transformation continues, but the heavy lifting is coming to an end. As we look forward, 2020 will be the year when we complete major initiatives and focus on growth so that we are well-positioned to achieve our medium-term objectives. 2020 will also set the stage for 2021 - our 175th anniversary - and the beginning of a new era for LBCFG."

### Highlights of 2019

- Total revenue, \$968.5 million, down by 7% year-over-year.
- Adjusted net income<sup>(1)</sup> of \$193.2 million, down by 20% year-over-year, and reported net income of \$172.7 million, down by 23% year-over-year.
- Adjusted return on common shareholders' equity<sup>(1)</sup> of 7.9%. Return on common shareholders' equity of 7.0%.
- Adjusted efficiency ratio<sup>(1)</sup> of 72.3% and reported efficiency ratio of 75.0%.
- Net interest margin up 3 basis points year-over-year.
- Common Equity Tier 1 (CET1) capital ratio at 9.0%.
- Ratification of the new collective agreement.

### Highlights of fourth quarter 2019

- Adjusted net income<sup>(1)</sup> of \$48.0 million, and reported net income of \$41.3 million.
- Adjusted return on common shareholders' equity<sup>(1)</sup> of 7.8%, and reported return on common shareholders' equity of 6.6%.
- Adjusted efficiency ratio<sup>(1)</sup> of 71.2%, and reported efficiency ratio of 74.8%.
- Common Equity Tier 1 ratio at 9.0%.
- Launch of our digital offering.

In millions of Canadian dollars, except per share and percentage amounts (Unaudited)	For the three months ended			For the year ended		
	October 31 2019	October 31 2018	Variance	October 31 2019	October 31 2018	Variance
<b>Reported basis</b>						
Net income	\$ 41.3	\$ 50.8	(19)%	\$ 172.7	\$ 224.6	(23)%
Diluted earnings per share	\$ 0.90	\$ 1.13	(20)%	\$ 3.77	\$ 5.10	(26)%
Return on common shareholders' equity	6.6%	8.4%		7.0%	9.7%	
Efficiency ratio	74.8%	69.0%		75.0%	68.7%	
Common Equity Tier 1 capital ratio	9.0%	9.0%				
<b>Adjusted basis<sup>(1)</sup></b>						
Adjusted net income	\$ 48.0	\$ 54.3	(12)%	\$ 193.2	\$ 241.6	(20)%
Adjusted diluted earnings per share	\$ 1.05	\$ 1.22	(14)%	\$ 4.26	\$ 5.51	(23)%
Adjusted return on common shareholders' equity	7.8%	9.0%		7.9%	10.5%	
Adjusted efficiency ratio	71.2%	67.2%		72.3%	66.7%	

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

MONTREAL, Dec. 04, 2019 (GLOBE NEWSWIRE) -- Laurentian Bank Financial Group reported net income of \$41.3 million and diluted earnings per share of \$0.90 for the fourth quarter of 2019, compared with \$50.8 million and \$1.13 for the fourth quarter of 2018. Return on common shareholders' equity was 6.6% for the fourth quarter of 2019, compared with 8.4% for the fourth quarter of 2018. On an adjusted basis, net income was \$48.0 million and diluted earnings per share were \$1.05 for the fourth quarter of 2019, down 12% and 14% respectively, compared with \$54.3 million and \$1.22 for the fourth quarter of 2018. Adjusted return on common shareholders' equity was 7.8% for the fourth quarter of 2019, compared with 9.0% a year ago. Reported results include adjusting items, as detailed in the Non-GAAP and Key Performance Measures section.

For the year ended October 31, 2019, net income was \$172.7 million and diluted earnings per share were \$3.77, compared with \$224.6 million and \$5.10 for the year ended October 31, 2018. Return on common shareholders' equity was 7.0% for the year ended October 31, 2019, compared with 9.7% for the year ended October 31, 2018. On an adjusted basis, net income was \$193.2 million and diluted earnings per share were \$4.26 for the year ended October 31, 2019, down 20% and 23% respectively, compared with \$241.6 million and \$5.51 for the year ended October 31, 2018. Adjusted return on common shareholders' equity was 7.9% for the year ended October 31, 2019, compared with 10.5% for the same period a year ago. Reported results include adjusting items, as detailed in the Non-GAAP and Key Performance Measures section.

## Highlights

As at or for the periods presented (Thousands of Canadian dollars, except when noted)	For the three months ended					For the year ended		
	October 31 2019	July 31 2019	Variance	October 31 2018	Variance	October 31 2019	October 31 2018	Variance
<b>Operating results</b>								
Total revenue	\$ 241,638	\$ 244,653	(1)%	\$ 255,857	(6)%	\$ 968,510	\$ 1,043,410	(7)%
Net income	\$ 41,343	\$ 47,798	(14)%	\$ 50,801	(19)%	\$ 172,710	\$ 224,646	(23)%
Adjusted net income <sup>(1)</sup>	\$ 47,966	\$ 51,882	(8)%	\$ 54,344	(12)%	\$ 193,227	\$ 241,560	(20)%
<b>Operating performance</b>								
Diluted earnings per share	\$ 0.90	\$ 1.05	(14)%	\$ 1.13	(20)%	\$ 3.77	\$ 5.10	(26)%
Adjusted diluted earnings per share <sup>(1)</sup>	\$ 1.05	\$ 1.15	(9)%	\$ 1.22	(14)%	\$ 4.26	\$ 5.51	(23)%
Return on common shareholders' equity	6.6%	7.8%		8.4%		7.0%	9.7%	
Adjusted return on common shareholders' equity <sup>(1)</sup>	7.8%	8.5%		9.0%		7.9%	10.5%	
Net interest margin	1.84%	1.85%		1.77%		1.81%	1.78%	
Efficiency ratio	74.8%	72.7%		69.0%		75.0%	68.7%	
Adjusted efficiency ratio <sup>(1)</sup>	71.2%	70.6%		67.2%		72.3%	66.7%	
Operating leverage	(2.9)%	4.9%		3.9%		(8.5)%	0.7%	
Adjusted operating leverage <sup>(1)</sup>	(0.9)%	4.0%		3.4%		(7.8)%	(0.9)%	
<b>Financial position (\$ millions)</b>								
Loans and acceptances	\$ 33,667	\$ 33,887	(1)%	\$ 34,395	(2)%			
Total assets	\$ 44,353	\$ 44,337	—%	\$ 45,895	(3)%			
Deposits	\$ 25,653	\$ 26,616	(4)%	\$ 28,007	(8)%			
Common shareholders' equity	\$ 2,303	\$ 2,293	—%	\$ 2,260	2%			
<b>Key growth drivers (\$ millions)</b>								
Loans to business customers	\$ 12,966	\$ 12,868	1%	\$ 12,036	8%			
Loans to personal customers <sup>(2)</sup>	\$ 20,700	\$ 21,019	(2)%	\$ 22,359	(7)%			
Deposits from clients <sup>(3)</sup>	\$ 22,518	\$ 22,881	(2)%	\$ 24,410	(8)%			

## Basel III regulatory capital ratios

Common Equity Tier 1 (CET1) capital ratio <sup>(4)</sup>	9.0%	9.0%	9.0%
CET1 risk-weighted assets (\$ millions)	\$ 20,407	\$ 20,445	\$ 20,239

### Credit quality

Gross impaired loans as a % of loans and acceptances	0.52%	0.59%	0.53%		
Net impaired loans as a % of loans and acceptances	0.40%	0.45%	0.42%		
Provision for credit losses as a % of average loans and acceptances	0.15%	0.14%	0.20%	0.13%	0.12%

### Common share information

Closing share price <sup>(5)</sup>	\$ 45.30	\$ 45.41	—%	\$ 41.56	9%	\$ 45.30	\$ 41.56	9%
Price / earnings ratio (trailing four quarters)	12.0x	11.3x		8.1x		12.0x	8.1x	
Book value per share	\$ 54.02	\$ 54.00	—%	\$ 53.72	1%	\$ 54.02	\$ 53.72	1%
Dividends declared per share	\$ 0.66	\$ 0.66	—%	\$ 0.64	3%	\$ 2.62	\$ 2.54	3%
Dividend yield	5.8%	5.8%		6.2%		5.8%	6.1%	
Dividend payout ratio	73.5%	62.7%		56.5%		69.3%	49.6%	
Adjusted dividend payout ratio <sup>(1)</sup>	62.6%	57.4%		52.6%		61.4%	45.9%	

### Other information

Number of full-time equivalent employees	3,256	3,318	3,642
Number of Financial Clinics	88	88	96
Number of automated banking machines <sup>(6)</sup>	197	206	222

(1) Refer to the Non-GAAP Measures section.

(2) Including loans to personal customers and residential mortgage loans.

(3) Including personal deposits from Financial Clinics, Advisors and Brokers, Digital direct to customers offering and Business customers.

(4) Using the Standardized Approach in determining credit risk and operational risk.

(5) Toronto Stock Exchange (TSX) closing market price.

(6) Through the Bank's partnership with THE EXCHANGE® Network, customers have access to more than 3,600 automated banking machines in Canada.

### Medium-Term Performance Targets

The following table shows the medium-term performance targets for the Bank and the Bank's performance for 2019. Considering the key achievements of 2019 with regard to the core banking system, the transition of all our traditional branches into 100% Advice Financial Clinics, the launch of our digital offering and the ratification of the new collective agreement, we remain confident that we can achieve our targets. However, given 2019's labor relations environment and the impact on the current year performance as described below, we are delaying them by one year to 2022. In addition, growth drivers were adjusted to reflect our new business segmentation. These medium-term performance targets depend on a number of assumptions, as detailed in our 2019 Annual Report under the heading "Outlook".

### 2021 MEDIUM-TERM PERFORMANCE TARGETS AND 2019 PERFORMANCE

(Billions of Canadian dollars, except per share and percentage amounts)	2021 Mid-term Targets <sup>(1)</sup>	2019	2018	Variance 2019/2018
<b>Adjusted financial performance<sup>(2)</sup></b>				
Adjusted return on common shareholders' equity	Narrow gap to 250 bps <sup>(3)</sup>	7.9%	10.5%	Current gap at 790 bps
Adjusted efficiency ratio	<63%	72.3%	66.7%	5.6%
Adjusted diluted earnings per share	Grow by 5% to 10% annually	\$ 4.26	\$ 5.51	(23)%
Adjusted operating leverage	Positive	(7.8)%	(0.9)%	n.m.

<b>Key growth drivers</b>					
Loans to Business customers	Grow to \$16.0B	\$	13.0	\$ 12.0	8 %
Residential mortgage loans	Grow to \$19.0B	\$	16.0	\$ 17.0	(6)%
Deposits from clients <sup>(4)</sup>	Grow to \$28.0B	\$	22.5	\$ 24.4	(8)%

(1) Mid-term targets, as set out in the 2018 Annual Report.

(2) The 2021 financial objectives are based on non-GAAP measures that exclude adjusting items related to restructuring plans and to business combinations. Refer to the Non-GAAP and Key Performance Measures section.

(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. The current gap is based on the average of major Canadian banks for the nine months ended July 31, 2019.

(4) Including deposits from Financial Clinics, Advisors and Brokers and Business customers.

### 2019 Performance

Throughout the year, as we advanced on our strategic initiatives, we maintained an elevated capital position. In addition, during the first half of the year, we incurred significant costs to mitigate risks associated with a possible labour conflict, including from holding a higher level of liquidity as well as from additional legal and labor related expenses. The uncertainty related to our labour relations environment hampered business development activities and postponed process efficiency measures. The signature of the new collective agreement now provides us with the right conditions to resume growth in the Personal segment. Our Business Services segment, on the other hand, posted another strong performance. Our solid expertise and relationships in Real Estate Financing, Commercial Banking and Equipment and Inventory Financing are yielding results. Loans to Business customers increased by 8%, or 9% adjusting for the sale of a \$105 million loan portfolio in the first quarter of 2019, generally in line with the objective we had set last year. This strong growth contributed positively to earnings. At the same time, revenues from our Institutional segment were impacted by the unstable market environment.

As a result, profitability metrics for 2019 were impacted. Adjusted return on common shareholders' equity was 7.9% in 2019 compared with 10.5% in fiscal 2018, and the ROE gap relative to the major Canadian banks widened. The adjusted efficiency ratio of 72.3% for 2019 increased compared to the 2018 level given lower revenues and, to a lesser extent, additional operating costs. Adjusted diluted earnings per share of \$4.26 for 2019 was down 23% year-over-year, essentially for the same reasons as noted above.

### 2022 MEDIUM-TERM PERFORMANCE TARGETS

(Billions of Canadian dollars, except per share and percentage amounts)	2022 Mid-term Targets	2019
<b>Adjusted financial performance<sup>(1)</sup></b>		
Adjusted return on common shareholders' equity	Narrow gap to 250 bps <sup>(2)</sup>	<b>7.9%</b>
Adjusted efficiency ratio	<63%	<b>72.3%</b>
Adjusted diluted earnings per share	Grow by 5% to 10% annually	<b>\$ 4.26</b>
Adjusted operating leverage	Positive	<b>(7.8)%</b>

### Key growth drivers

Loans to Business customers	Grow to \$17.5 B	\$	<b>13.0</b>
Loans to Personal customers <sup>(3)</sup>	Grow to \$22.5 B	\$	<b>20.7</b>
Deposits from clients <sup>(4)</sup>	Grow to \$26.0 B	\$	<b>22.5</b>

(1) The 2022 financial objectives are based on non-GAAP measures that exclude adjusting items related to restructuring plans and to business combinations. Refer to the Non-GAAP and Key Performance Measures section.

(2) 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.

(3) Including personal loans and residential mortgage loans.

(4) Including personal deposits from Financial Clinics, Advisors and Brokers, Digital direct to customers offering and Business customers.

### New Medium-Term Targets

#### Performance Targets

As shown in the Table above, the ROE objective remains to narrow the gap with the major banks to 250 bps in 2022. As we plan to adopt the AIRB approach to credit risk in 2022, this gap reflects the initial benefit of gradually redeploying capital. We are also targeting an efficiency ratio of below 63% in 2022 versus last year's plan in 2021, and we are continuing to aim for positive operating leverage. Lastly, we are working toward an adjusted diluted earnings per share growth objective, over the medium-term, of 5% to 10% annually. We remain as committed as ever to execute our strategic plan and work toward our ultimate goal - to improve the Bank's performance and achieve a profitability level similar to that of the major Canadian banks.

#### Growth Targets

Business Services is expected to continue its profitable growth. As shown in the Table above, loans to Business customers are now projected to reach \$17.5 billion in 2022. This reflects our decision to evolve the portfolio toward higher-yielding loans to Business customers and the opportunities that we have as we leverage our investments. This represents a future annual growth of 10% over the next 3 years. Furthermore, in regards to our new Personal segment and in line with our objective to resume growth in personal loans and mortgages, we are introducing a

target for growth in loans to Personal customers at \$22.5 billion in 2022. Lastly, we are reviewing our objective for growth in deposits from clients to \$26.0 billion in 2022.

## **Strategic Plan**

In November 2015, we launched a 7-year plan focused on becoming a better and different bank to address advancements in technology, globalization of banking and better meet our customers' needs. To achieve this, we outlined three strategic objectives: Build a stronger foundation; Invest in profitable growth; and Improve financial performance. We strive to execute on these strategic objectives with our ultimate goal – to improve the Bank's performance and achieve a profitability level similar to that of the major Canadian banks once the AIRB approach is fully implemented. In that regard, 2019 remained a year of investments in our people, processes and technology. Throughout the year, we made important progress on our key initiatives, as detailed below. We also executed on our business plan by delivering strong profitable growth in equipment and inventory financing activities, as well as in real estate financing. We will continue to grow these segments to improve the Bank's profitability and diversification.

### ***New Collective Agreement***

At the beginning of the year, to move the strategic plan forward and improve the labour relations environment for the long term, we prioritize resources to resolve the collective agreement situation. From our perspective, this became an prerequisite to improve our ability to serve customers and implement process efficiencies. The signature of a new collective agreement in March 2019, along with the change in composition of the collective bargaining unit, which is now covering Quebec-based-customer-facing positions almost exclusively, strengthens our foundation and is expected to improve the Bank's financial performance. In late April, we also began to optimize certain back-office, credit and collection functions which mainly support Financial Clinics. Concurrently, we entered into certain outsourcing arrangements to generate efficiencies. In the third quarter of 2019, we reduced our liquidity levels, reduced legal expenses and other labour related costs and re-tasked team members to revenue generating priorities. We previously indicated that on an annual basis, carrying the right level of liquidity would improve net interest income by \$7.0 million and reducing legal and labor related expenses would reduce non-interest expenses by \$3 million. These items were realized during the second half of 2019.

## **Update on key initiatives**

### ***Core-banking system***

The Bank is well advanced in its multi-year plan to replace its core-banking system. The new account management platform provides the necessary tools to improve our product offering and advance our transformation to digital banking. During the transition period, we are running concurrent platforms for our core-banking systems. The program began in 2016 with the first product and account migrations occurring in November 2017 and September 2018 for our investment loan portfolio and for deposit products sourced through the Advisors and Brokers channel, respectively. The remaining products from the adviser and broker channel and most Business Services loans were migrated onto the new platform at the outset of 2019, marking the conclusion of Phase 1 of the program. Phase 2 of the program will encompass all accounts and products from our Financial Clinics, as well as the few remaining Business Services products. The target for completion of Phase 2 is December 2020, at which time, 100% of all products will have been migrated from the old banking platform to our new core banking platform. From this point on, we will be able to start decommissioning the legacy system.

The total program cost is expected to reach approximately \$200 million, relatively in line with initial estimates. As we have completed Phase 1, which encompasses the foundation for most of the Bank's operations, approximately \$180 million has been invested.

### ***Transition of Financial Clinic operations and efficiency measures***

At the beginning of fiscal year 2016, we announced our strategic plan, which included optimizing and simplifying our branch network in Quebec. This strategy led us to complete, in September 2019, the transition of all our traditional branches into 100% Advice Financial Clinics, where clients obtain financial advice. For basic transactions, such as bill payments, deposits, withdrawals and fund transfers, customers have 24/7 access to electronic and web-base platforms. The shift to this new approach has been carefully planned with all our customers to ensure a smooth transition to our new model. With this milestone behind us, our Financial Clinics in Quebec are starting a new and promising phase that will be driven by growth. Staff are engaged to succeed in the pursuit of our mission to help our customers improve their financial health.

At the end of February 2019, we announced measures to further lower costs, including headcount reductions through attrition, early retirement and targeted job reductions. As we converted our traditional branches to Financial Clinics and from the optimization of certain back-office functions, we achieved the majority of the expected cost reductions. The remaining synergies and cost reductions are expected to be gradually delivered through the end of the first half of 2020. Once fully implemented, these measures are expected to generate total savings between \$15 to \$20 million on an annual basis.

### ***Digital offering***

Once we completed Phase 1 of the implementation of our core-banking system in January 2019, we focused on the development of our new Digital direct to customers offering. This new offering was gradually launched to advisors and brokers in the fourth quarter of 2019. Furthermore, at the beginning of fiscal 2020, we launched a Digital direct to customers offering under the LBC Digital brand. In the coming year, we plan to further enhance our customer experience by adding functionalities, transactions and products to the offering.

### ***Advanced Internal Rating-Based approach to credit risk***

As part of our plan to improve the Bank's foundation, we are pursuing our initiative to adopt the AIRB approach to credit risk. Once fully implemented, it will enable the Bank to optimize regulatory capital, improve profitability and provide a level playing field for credit underwriting activities, as the Bank will be able to calculate its capital requirements on the same basis as its industry peers.

In late 2013, the Bank made the decision to suspend its AIRB development and implementation due to the uncertainty regarding the AIRB approach at the international level. However, several AIRB adoption building blocks were integrated into the Bank's operations and systems and are contributing to enhance the Bank's processes. Given positive indications, the Bank renewed its commitment to pursuing the AIRB project in early 2016 and defined a comprehensive program to realize the remaining steps toward the adoption of the AIRB approach. The Bank's objective is, subject to regulatory approval, to obtain the AIRB accreditation in 2022.

Total AIRB program cost is expected to reach \$105 million, of which approximately \$76 million has been invested to date.

## **Consolidated Results**

### ***Non-GAAP measures***

Management uses both generally accepted accounting principles (GAAP) and non-GAAP measures to assess the Bank's performance. Results prepared in accordance with GAAP are referred to as "reported" results. Non-GAAP measures presented throughout this document are referred to as "adjusted" measures and exclude 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.

The following table shows adjusting items and their impact on reported results.

## IMPACT OF ADJUSTING ITEMS ON REPORTED RESULTS

In thousands of Canadian dollars, except per share amounts (Unaudited)	For the three months ended			For the year ended	
	October 31 2019	July 31 2019	October 31 2018	October 31 2019	October 31 2018
<b>Impact on income before income taxes</b>					
Reported income before income taxes	\$ 47,926	\$ 54,359	\$ 61,325	\$ 196,165	\$ 280,333
<b>Adjusting items, before income taxes</b>					
Impairment and restructuring charges <sup>(1)</sup>					
Severance charges	1,735	972	925	6,474	925
Other restructuring charges	3,696	830	107	6,205	5,019
	5,431	1,802	1,032	12,679	5,944
Items related to business combinations					
Amortization of net premium on purchased financial instruments <sup>(2)</sup>	284	336	495	1,452	2,296
Amortization of acquisition-related intangible assets <sup>(3)</sup>	3,416	3,426	3,366	13,711	12,705
Other costs related to business combinations <sup>(4)</sup>	—	—	—	—	2,357
	3,700	3,762	3,861	15,163	17,358
	9,131	5,564	4,893	27,842	23,302
Adjusted income before income taxes	\$ 57,057	\$ 59,923	\$ 66,218	\$ 224,007	\$ 303,635
<b>Impact on net income</b>					
Reported net income	\$ 41,343	\$ 47,798	\$ 50,801	\$ 172,710	\$ 224,646
<b>Adjusting items, net of income taxes</b>					
Impairment and restructuring charges <sup>(1)</sup>					
Severance charges	1,274	713	678	4,752	678
Other restructuring charges	2,712	610	78	4,554	3,679
	3,986	1,323	756	9,306	4,357
Items related to business combinations					
Amortization of net premium on purchased financial instruments <sup>(2)</sup>	209	247	364	1,067	1,688
Amortization of acquisition-related intangible assets <sup>(3)</sup>	2,428	2,514	2,423	10,144	9,143
Other costs related to business combinations <sup>(4)</sup>	—	—	—	—	1,726
	2,637	2,761	2,787	11,211	12,557
	6,623	4,084	3,543	20,517	16,914
Adjusted net income	\$ 47,966	\$ 51,882	\$ 54,344	\$ 193,227	\$ 241,560
<b>Impact on diluted earnings per share</b>					
Reported diluted earnings per share	\$ 0.90	\$ 1.05	\$ 1.13	\$ 3.77	\$ 5.10
Adjusting items					
Impairment and restructuring charges	0.09	0.03	0.02	0.22	0.11
Items related to business combinations	0.06	0.07	0.07	0.27	0.30
	0.15	0.10	0.08	0.49	0.41
Adjusted diluted earnings per share <sup>(5)</sup>	\$ 1.05	\$ 1.15	\$ 1.22	\$ 4.26	\$ 5.51

(1) Restructuring charges mainly result from the optimization of our Financial Clinic operations and the related streamlining of certain back-office and corporate functions. Restructuring charges also result from the reorganization of retail brokerage activities and other measures aimed at improving efficiency as detailed in the Efficiency measure topic in the "Outlook" section. Restructuring charges include severance charges, salaries, provisions related to the termination of lease contracts, communication expenses and professional fees. Restructuring charges are included on the Non-interest expenses line item. For the year ended October 31, 2019, severance charges are presented net of a \$4.8 million curtailment gain on pension plans and other post-employment benefits obligations, as well as of reversals of provisions amounting to \$3.5 million.

(2) Amortization of net premium on purchased financial instruments results from a one-time gain on a business acquisition in 2012 and is included on the Amortization of net premium on purchased financial instruments line item.

(3) Amortization of acquisition-related intangible assets results from business acquisitions in 2016 and 2017 and is included on the Non-interest expenses line item.

(4) Other costs related to business combinations result from the transaction and integration of business acquisitions in 2016 and are included on the Non-interest expenses line item.

(5) The impact of adjusting items on a per share basis may not add due to rounding.

### **Three months ended October 31, 2019 compared with three months ended October 31, 2018**

Net income was \$41.3 million or \$0.90 diluted per share for the fourth quarter of 2019, compared with \$50.8 million or \$1.13 diluted per share for the fourth quarter of 2018. Adjusted net income was \$48.0 million for the fourth quarter of 2019, down 12% from \$54.3 million for the fourth quarter of 2018, while adjusted diluted earnings per share was \$1.05, down 14% compared with \$1.22 for the fourth quarter of 2018. The decrease in earnings per share for the fourth quarter of 2019 is further detailed below.

#### **Total revenue**

Total revenue decreased by \$14.2 million or 6% to \$241.6 million for the fourth quarter of 2019 from \$255.9 million for the fourth quarter of 2018. This decrease was driven by lower other income.

**Net interest income** was \$173.2 million for the fourth quarter of 2019, which is in line with the fourth quarter of 2018. Net interest margin as a percentage of average earning assets stood at 1.84% for the fourth quarter of 2019, an increase of 7 basis points compared with the fourth quarter of 2018, due to the combined effect of an improving loan portfolio mix, a reduction in liquidity and an improvement in the Prime/BA spread.

**Other income** decreased by \$14.3 million to \$68.4 million for the fourth quarter of 2019, compared with \$82.7 million for the fourth quarter of 2018. Other income for the fourth quarter of 2019 was impacted by lower capital market related revenues, including a \$3.8 million loss resulting from a revaluation of trading securities, whereas other income for the fourth quarter of 2018 included gains of \$4.9 million on available-for-sale securities, no longer available as a result of the adoption of IFRS 9 which eliminates gains on available-for-sale equity securities in other income and drove changes to our portfolios' compositions. Fees and commissions on loans and deposits which include lending fees, service charges and card service revenues, also decreased by \$3.0 million, mainly as a result of lower lending fees given the evolving mix towards commercial loans favoring higher margins.

#### **Amortization of net premium on purchased financial instruments**

For the fourth quarter of 2019, amortization of net premium on purchased financial instruments amounted to \$0.3 million compared with \$0.5 million for the fourth quarter of 2018. Refer to the Consolidated Financial Statements for additional information.

#### **Provision for credit losses**

The provision for credit losses amounted to \$12.6 million for the fourth quarter of 2019 compared with \$17.6 million for the fourth quarter of 2018. Credit losses for the fourth quarter of 2018 were impacted by a \$10.0 million loss on a single syndicated commercial exposure. Credit losses for the fourth quarter of 2019 were impacted, in part, by higher losses on personal loans. The overall level of losses remains low and is commensurate with the gradual increase in higher margin loans.

#### **Non-interest expenses**

Non-interest expenses amounted to \$180.8 million for the fourth quarter of 2019, an increase of \$4.4 million compared with the fourth quarter of 2018. Adjusted non-interest expenses of \$172.0 million for the fourth quarter of 2019 were relatively unchanged compared to the fourth quarter of 2018.

**Salaries and employee benefits** decreased by \$3.0 million or 3% to \$84.8 million for the fourth quarter of 2019, compared with the fourth quarter of 2018, mainly due to lower performance-based compensation, a favourable adjustment to pension costs and lower headcount.

**Premises and technology costs** increased by \$0.7 million or 1% to \$49.0 million for the fourth quarter of 2019 compared with the fourth quarter of 2018, mainly as a result of higher technology costs and higher amortization expense for the completed Phase 1 of the core-banking system program, partly offset by lower rent expenses.

**Other non-interest expenses** amounted to \$41.6 million for the fourth quarter of 2019, an increase of \$2.4 million or 6% compared with the fourth quarter of 2018. This increase was mainly due to higher advertising and business development expenses as we developed our strategy to support the launch of our new digital offering.

**Restructuring charges** amounted to \$5.4 million for the fourth quarter of 2019 and mainly included expenses for the optimization of the Financial Clinic operations and the related streamlining of certain back-office and corporate functions. Restructuring charges for the fourth quarter of 2019 also resulted from other measures aimed at improving efficiency as detailed in the Strategic Plan section above.

#### **Efficiency ratio**

The adjusted efficiency ratio was 71.2% for the fourth quarter of 2019, compared with 67.2% for the fourth quarter of 2018, mainly as a result of lower revenue. The adjusted operating leverage was also negative year-over-year. The efficiency ratio, on a reported basis, was 74.8% for the fourth quarter of 2019, compared with 69.0% for the fourth quarter of 2018, essentially for the same reasons.

#### **Income taxes**

For the quarter ended October 31, 2019, income tax expense was \$6.6 million and the effective tax rate was 13.7%. The lower tax rate, compared to the statutory rate, mainly resulted from the lower taxation level on revenues from foreign operations, as well as from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income. For the quarter ended October 31, 2018, income tax expense was \$10.5 million and the effective tax rate was 17.2%. The lower tax rate, compared to the statutory rate, resulted from the same factors as noted above.

### **Three months ended October 31, 2019 compared with three months ended July 31, 2019**

Net income was \$41.3 million or \$0.90 diluted per share for the fourth quarter of 2019, compared with \$47.8 million or \$1.05 diluted per share for the third quarter of 2019. Adjusted net income was \$48.0 million or \$1.05 diluted per share for the fourth quarter of 2019, compared with \$51.9 million or \$1.15 diluted per share for the third quarter of 2019.

Total revenue decreased by \$3.0 million to \$241.6 million for the fourth quarter of 2019, compared with \$244.7 million for the previous quarter. Net interest income decreased by \$2.8 million sequentially to \$173.2 million. The third quarter benefitted from seasonal mortgage prepayments while the fourth quarter was impacted by a lower average loan volume. Net interest margin stood at 1.84% for the fourth quarter of 2019, a decrease of 1 basis point compared with the third quarter of 2019 due to lower mortgage prepayments.

Other income was \$68.4 million for the fourth quarter of 2019, which is comparable to the previous quarter's \$68.6 million. The fourth quarter 2019 included a \$3.8 million loss resulting from a revaluation of trading securities, which was offset by overall improvements in other brokerage

operations.

The line item "Amortization of net premium on purchased financial instruments" amounted to \$0.3 million for the fourth quarter of 2019, essentially unchanged from the third quarter of 2019.

Provision for credit losses totalled \$12.6 million for the fourth quarter of 2019, a \$0.5 million increase compared with \$12.1 million for the third quarter of 2019. Refer to Note 7 to the annual consolidated financial statements for additional information.

Non-interest expenses increased by \$3.0 million to \$180.8 million for the fourth quarter of 2019 from \$177.9 million in the third quarter of 2019. Adjusted non-interest expenses decreased by \$0.6 million and amounted to \$172.0 million in the current quarter, compared with \$172.6 million in the third quarter of 2019. Salaries and employee benefits decreased by \$5.3 million due to a favorable adjustment to pension cost and seasonally lower payroll charges, as well as a lower headcount. The decrease in Salaries and employee benefits was partly offset by a \$4.4 million increase in Other expenses mainly due to higher advertising and business development expenses to support the launch of our new digital offering.

## **Financial Condition**

As at October 31, 2019, total assets amounted to \$44.4 billion, a 3% decrease compared with \$45.9 billion as at October 31, 2018. This mainly reflects a decrease in liquid assets of \$1.0 billion, as the new labor relations environment allowed us to reduce liquidity as of the end of the second quarter. Commercial loans increased as a result of our efforts to optimize capital allocation and focus on higher-yielding loans. Lower personal and residential mortgage loans also contributed to the decrease as explained below.

### ***Liquid assets***

Liquid assets consist of cash, deposits with banks, securities and securities purchased under reverse repurchase agreements. As at October 31, 2019, these assets totalled \$9.3 billion, a decrease of \$1.0 billion compared with \$10.2 billion as at October 31, 2018.

Over the past year, we continued to prudently manage the level of liquid assets as we are progressing on our various initiatives. The Bank benefits from well-diversified funding sources and the current level of cash resources is sufficient to meet obligations, under both normal and stressed conditions.

### ***Loans***

Loans and bankers' acceptances, net of allowances, stood at \$33.6 billion as at October 31, 2019, down \$0.7 billion or 2% from October 31, 2018. This is consistent with the continued optimization of our portfolio mix aimed at improving capital allocation and returns on risk-weighted assets. Variances are further explained by the items outlined below.

Personal loans amounted to \$4.7 billion and decreased by \$0.7 billion or 13% since October 31, 2018, mainly as a result of the continued reduction in the investment loan portfolio, reflecting an ongoing consumer behavior to reduce leverage.

Residential mortgage loans stood at \$16.0 billion as at October 31, 2019, a decrease of \$0.9 billion or 6% year-over-year. This mostly reflects a gradual decrease in origination and a focus on higher-yielding commercial loans to optimize product mix. The decrease was partly offset by the acquisition of mortgage loans originated by third-parties as part of our program to optimize the usage of National Housing Act mortgage-backed securities (NHA MBS) allocations.

Commercial loans and acceptances amounted to \$13.0 billion as at October 31, 2019, up 8% since October 31, 2018. This increase is mainly due to inventory financing volumes through NCF, as well as to equipment financing and real estate financing loans. At the beginning of the year, we sold lower-yielding commercial loans amounting to \$105 million, which concluded the realignment of our commercial loan portfolio. As a result, the commercial loan portfolio increased by 9% net of loan sales since October 31, 2018.

### ***Other assets***

Other assets were essentially unchanged compared with October 31, 2018 and stood at \$1.5 billion as at October 31, 2019. They mainly included cheques and other items in transit, software and other intangible assets, derivatives, as well as goodwill.

### ***Liabilities***

Deposits decreased by \$2.4 billion or 8% to \$25.7 billion as at October 31, 2019 compared with \$28.0 billion as at October 31, 2018 mainly given the reduction in liquidity following the ratification of the new collective agreement mid-year, and as we increased our funding through securitization. Personal deposits stood at \$19.7 billion as at October 31, 2019, down \$1.2 billion compared with October 31, 2018 driven by lower term deposits sourced through the Advisors and Brokers channel. Business and other deposits decreased by \$1.1 billion to \$5.9 billion over the same period, mostly in institutional funding. Personal deposits represented 77% of total deposits as at October 31, 2019, compared with 75% as at October 31, 2018, and contributed to our good liquidity position.

Debt related to securitization activities increased by \$1.1 billion or 14% compared with October 31, 2018 and stood at \$8.9 billion as at October 31, 2019. Since the beginning of the year, mortgage loan securitization through both the CMHC programs and a third-party program, as well as securitization of finance lease receivables and investment loans more than offset maturities of liabilities related to the Canada Mortgage Bond program, as well as normal repayments. For additional information, please refer to the Securitization and Off-Balance Sheet Arrangements section of our 2019 Annual Report.

Subordinated debt was essentially unchanged and stood at \$349.1 million as at October 31, 2019, compared with \$348.8 million as at October 31, 2018.

### ***Shareholders' equity and regulatory capital***

Shareholders' equity stood at \$2,567.7 million as at October 31, 2019, compared with \$2,496.2 million as at October 31, 2018. As at November 1, 2018, the adoption of IFRS 9 resulted in a net decrease of \$7.7 million of shareholders' equity. In 2019, shareholders' equity increased mainly as a result of the net income contribution, net of declared dividends, and an increase in AOCI related to cash flow hedges, as well as the issuance of common shares under the Shareholder Dividend Reinvestment and Share Purchase Plan. For additional information, please refer to the Consolidated Statement of Changes in Shareholders' Equity.

The Bank's book value per common share appreciated to \$54.02 as at October 31, 2019 from \$53.72 as at October 31, 2018.

The Common Equity Tier 1 capital ratio stood at 9.0% October 31, 2019, unchanged compare to the previous year. This level of capital provides the Bank's with the flexibility to pursue organic growth, as well as to continue to invest in the implementation of our core banking system, the

development of our digital solutions and the project to adopt the AIRB approach to credit risk. During the year, we continued to manage capital, as well as to optimize the product mix with a view to improving profitability as we redeploy capital.

## Future Changes to Accounting Policies

The International Accounting Standards Board (IASB) has issued new standards and amendments to existing standards on leases, insurance contracts and employee benefits which were not yet effective for the year ended October 31, 2019. These future accounting changes are applicable for the Bank in various annual periods beginning on November 1, 2019.

Additional information on the new standards and amendments to existing standards can be found in Note 4 of the Consolidated Financial Statements and in the "Future Changes to Accounting Policies" section in our 2019 Annual Report.

### Transition Impact for IFRS 16, Leases

Based on current estimates, the adoption of IFRS 16 is expected to result in the recognition of right-of-use assets of approximately \$138.6 million, net of deferred credits related to previously recorded lease inducements, and lease liabilities of approximately \$170.7 million as at November 1, 2019. The decrease in shareholders' equity at IFRS 16 transition is not expected to exceed \$8.5 million. The adoption of IFRS 16 is expected to decrease the Bank's Common Equity Tier 1 (CET1) capital ratio by up to 10 basis points. Management is finalizing its analyses of the impact of the adoption of this standard on its Consolidated Financial Statements.

## Condensed Interim Consolidated Financial Statements (unaudited)

### Consolidated Balance Sheet

In thousands of Canadian dollars (Unaudited)	As at October 31 2019	As at October 31 2018
<b>Assets</b>		
Cash and non-interest bearing deposits with banks	\$ 90,658	\$ 116,490
Interest bearing deposits with banks	322,897	374,237
<b>Securities</b>		
Available-for-sale	n/a	2,710,249
Held-to-maturity	n/a	655,757
Held-for-trading	n/a	2,695,138
	6,299,936	6,061,144
Securities purchased under reverse repurchase agreements	2,538,285	3,652,498
<b>Loans</b>		
Personal	4,660,524	5,372,468
Residential mortgage	16,039,680	16,986,338
Commercial	12,646,332	11,839,106
Customers' liabilities under acceptances	319,992	196,776
	33,666,528	34,394,688
Allowances for loan losses	(100,457)	(93,026)
	33,566,071	34,301,662
<b>Other</b>		
Derivatives	143,816	94,285
Premises and equipment	77,802	80,961
Software and other intangible assets	391,162	367,345
Goodwill	116,649	116,617
Deferred tax assets	37,045	25,437
Other assets	768,806	704,007
	1,535,280	1,388,652
	\$ 44,353,127	\$ 45,894,683
<b>Liabilities and shareholders' equity</b>		
<b>Deposits</b>		
Personal	\$ 19,747,260	\$ 20,995,453
Business, banks and other	5,905,344	7,011,119
	25,652,604	28,006,572
<b>Other</b>		
Obligations related to securities sold short	2,618,147	3,008,666
Obligations related to securities sold under repurchase agreements	2,558,883	2,515,823
Acceptances	319,992	196,776
Derivatives	112,737	285,492
Deferred tax liabilities	53,102	19,081
Other liabilities	1,207,567	1,229,556
	6,870,428	7,255,394
<b>Debt related to securitization activities</b>	8,913,333	7,787,753
<b>Subordinated debt</b>	349,101	348,762
<b>Shareholders' equity</b>		

Preferred shares		244,038		244,038
Common shares		1,139,193		1,115,416
Retained earnings		1,161,668		1,152,470
Accumulated other comprehensive income		20,947		(15,990)
Share-based compensation reserve		1,815		268
		2,567,661		2,496,202
		\$ 44,353,127	\$	45,894,683

### Consolidated Statement of Income

In thousands of Canadian dollars, except per share amounts (Unaudited)	For the three months ended			For the year ended	
	October 31 2019	July 31 2019	October 31 2018	October 31 2019	October 31 2018
<b>Interest income</b>					
Loans	\$ 360,367	\$ 365,422	\$ 356,135	\$ 1,440,102	\$ 1,396,936
Securities	18,318	18,887	18,681	76,562	62,035
Deposits with other banks	2,120	1,899	1,488	8,356	3,428
Other, including derivatives	6,551	7,465	8,276	31,362	28,384
	387,356	393,673	384,580	1,556,382	1,490,783
<b>Interest expense</b>					
Deposits	157,984	161,570	158,290	638,389	583,203
Debt related to securitization activities	44,961	43,535	42,449	172,419	166,077
Subordinated debt	3,835	3,835	3,835	15,214	15,214
Other, including derivatives	7,371	8,691	6,854	43,949	20,377
	214,151	217,631	211,428	869,971	784,871
<b>Net interest income</b>	173,205	176,042	173,152	686,411	705,912
<b>Other income</b>					
Lending fees	16,630	15,499	18,654	61,459	66,540
Service charges	10,109	10,973	11,154	42,033	48,972
Card service revenues	7,855	8,351	7,821	33,238	33,785
Fees and securities brokerage commissions <sup>(1)</sup>	11,919	10,330	13,438	43,892	51,388
Commissions from sales of mutual funds	10,706	10,749	11,630	42,892	47,609
Fees on investment accounts	4,593	4,378	4,508	18,231	20,146
Insurance income, net	3,334	3,270	3,701	13,941	15,273
Income from financial instruments <sup>(1)</sup>	(584)	1,910	8,992	12,460	32,687
Other	3,871	3,151	2,807	13,953	21,098
	68,433	68,611	82,705	282,099	337,498
<b>Total revenue</b>	241,638	244,653	255,857	968,510	1,043,410
<b>Amortization of net premium on purchased financial instruments</b>	284	336	495	1,452	2,296
<b>Provision for credit losses</b>	12,600	12,100	17,600	44,400	44,000
<b>Non-interest expenses</b>					
Salaries and employee benefits	84,755	90,078	87,800	357,396	366,022
Premises and technology	49,017	48,705	48,358	197,351	192,377
Other	41,625	37,273	39,247	159,067	150,081
Restructuring charges	5,431	1,802	1,032	12,679	5,944
Costs related to business combinations and other	—	—	—	—	2,357
	180,828	177,858	176,437	726,493	716,781
<b>Income before income taxes</b>	47,926	54,359	61,325	196,165	280,333
Income taxes	6,583	6,561	10,524	23,455	55,687
<b>Net income</b>	\$ 41,343	\$ 47,798	\$ 50,801	\$ 172,710	\$ 224,646
Preferred share dividends, including applicable taxes	3,196	3,257	3,253	12,966	14,038
<b>Net income available to common shareholders</b>	\$ 38,147	\$ 44,541	\$ 47,548	\$ 159,744	\$ 210,608
<b>Average number of common shares outstanding (in thousands)</b>					
Basic	42,518	42,370	42,023	42,310	41,280
Diluted	42,583	42,429	42,023	42,356	41,280
<b>Earnings per share</b>					
Basic	\$ 0.90	\$ 1.05	\$ 1.13	\$ 3.78	\$ 5.10
Diluted	\$ 0.90	\$ 1.05	\$ 1.13	\$ 3.77	\$ 5.10
<b>Dividends declared per share</b>					
Common share	\$ 0.66	\$ 0.66	\$ 0.64	\$ 2.62	\$ 2.54
Preferred share - Series 11	\$ —	\$ —	\$ —	\$ —	\$ 0.25
Preferred share - Series 13	\$ 0.26	\$ 0.27	\$ 0.27	\$ 1.06	\$ 1.08

(1) Comparative figures have been reclassified to conform the current year presentation.

### Consolidated Statement of Comprehensive Income

In thousands of Canadian dollars (Unaudited)	For the three months ended			For the year ended	
	October 31 2019	July 31 2019	October 31 2018	October 31 2019	October 31 2018
<b>Net income</b>	<b>\$ 41,343</b>	<b>\$ 47,798</b>	<b>\$ 50,801</b>	<b>\$ 172,710</b>	<b>\$ 224,646</b>
<b>Other comprehensive income (loss), net of income taxes</b>					
Items that may subsequently be reclassified to the statement of income					
Net change in debt securities at FVOCI					
Unrealized net gains (losses) on debt securities at FVOCI	(114)	276	n/a	2,327	n/a
Reclassification of net (gains) losses on debt securities at FVOCI to net income	115	(392)	n/a	(378)	n/a
	1	(116)	n/a	1,949	n/a
Net change in available-for-sale securities					
Unrealized net losses on available-for-sale securities	n/a	n/a	(4,797)	n/a	(7,672)
Reclassification of net gains on available-for-sale securities to net income	n/a	n/a	(3,144)	n/a	(5,206)
	n/a	n/a	(7,941)	n/a	(12,878)
Net change in value of derivatives designated as cash flow hedges	(1,764)	(274)	(5,191)	33,293	(4,951)
Net foreign currency translation adjustments					
Net unrealized foreign currency translation gains (losses) on investments in foreign operations	(432)	(6,007)	4,404	445	9,012
Unrealized net losses on hedges of investments in foreign operations	(242)	1,438	(3,341)	(5,158)	(6,677)
	(674)	(4,569)	1,063	(4,713)	2,335
	(2,437)	(4,959)	(12,069)	30,529	(15,494)
Items that may not subsequently be reclassified to the statement of income					
Remeasurement gains (losses) on employee benefit plans	(3,938)	(6,498)	58	(7,311)	13,023
Net losses on equity securities designated at FVOCI	(3,338)	(3,342)	n/a	(18,411)	n/a
	(7,276)	(9,840)	58	(25,722)	13,023
Total other comprehensive income (loss), net of income taxes	(9,713)	(14,799)	(12,011)	4,807	(2,471)
<b>Comprehensive income</b>	<b>\$ 31,630</b>	<b>\$ 32,999</b>	<b>\$ 38,790</b>	<b>\$ 177,517</b>	<b>\$ 222,175</b>

### Income Taxes — Other Comprehensive Income

The following table shows income tax expense (recovery) for each component of other comprehensive income.

In thousands of Canadian dollars (Unaudited)	For the three months ended			For the year ended	
	October 31 2019	July 31 2019	October 31 2018	October 31 2019	October 31 2018
Net change in debt securities at FVOCI					
Unrealized net gains (losses) on debt securities at FVOCI	\$ 140	\$ (42)	n/a	\$ 846	n/a
Reclassification of net gains on debt securities at FVOCI to net income	(137)	—	n/a	(137)	n/a
	3	(42)	n/a	709	n/a
Net change in available-for-sale securities					
Unrealized net losses on available-for-sale securities	n/a	n/a	\$ (1,670)	n/a	\$ (2,584)
Reclassification of net gains on available-for-sale securities to net income	n/a	n/a	(1,732)	n/a	(2,436)
	n/a	n/a	(3,402)	n/a	(5,020)
Net change in value of derivatives designated as cash flow	(639)	(103)	(1,877)	12,034	(1,793)

hedges									
Net foreign currency translation adjustments									
Unrealized net losses on hedges of investments in foreign operations				142	(298)	—	—	—	—
Remeasurement gains (losses) on employee benefit plans				(1,443)	(2,355)	22	(2,666)	4,740	
Net losses on equity securities designated at FVOCI				(1,181)	(1,212)	—	(6,648)	—	
				\$ (3,118)	\$ (4,010)	\$ (5,257)	\$ 3,429	\$ (2,073)	

*Consolidated Statement of Changes in Shareholders' Equity*

For the year ended October 31, 2019

(in thousands of Canadian dollars)	Preferred shares	Common shares	Retained earnings	Accumulated Other Comprehensive Income				Share-based compensation reserve	Total shareholders' equity	
				Retained earnings at FVOCI	Debt securities	Available-for-sale securities	Cash flow hedges			Translation of foreign operations
Balance as at October 31, 2018	\$ 244,038	\$ 1,115,416	\$ 1,152,470	\$ —	\$ (8,029)	\$(12,244)	\$ 4,283	\$(15,990)	268	\$ 2,496,202
Impact of adoption of new accounting standards			(14,087)	(1,621)	8,029			6,408		(7,679)
Balance as at November 1, 2018	244,038	1,115,416	1,138,383	(1,621)	—	(12,244)	4,283	(9,582)	268	2,488,523
Net income			172,710							172,710
Other comprehensive income (net of income taxes)										
Unrealized net gains on debt securities at FVOCI				2,327				2,327		2,327
Reclassification of net gains on debt securities at FVOCI to net income				(378)				(378)		(378)
Net change in value of derivatives designated as cash flow hedges						33,293		33,293		33,293
Net unrealized foreign currency translation gains on investments in foreign operations							445	445		445
Net losses on hedges of investments in foreign operations							(5,158)	(5,158)		(5,158)
Remeasurement of losses on employee benefit plans				(7,311)						(7,311)
Net losses on equity securities designated at FVOCI				(18,411)						(18,411)
Comprehensive income			146,988	1,949	n/a	33,293	(4,713)	30,529		177,517
Issuance of share capital		23,777								23,777
Share-based									1,547	1,547

compensation										
Dividends										
Preferred shares, including applicable taxes			(12,966)							(12,966)
Common shares			(110,737)							(110,737)
Balance as at October 31, 2019	\$ 244,038	\$ 1,139,193	\$ 1,161,668	\$ 328	n/a	\$ 21,049	\$ (430)	\$ 20,947	\$ 1,815	\$ 2,567,661

(in thousands of Canadian dollars)	For the year ended October 31, 2018									
	Preferred shares	Common shares	Retained earnings	Accumulated Other Comprehensive Income				Share-based compensation reserve	Total shareholders' equity	
				Available-for-sale securities	Cash flow hedges	Translation of foreign operations	Total			
Balance as at October 31, 2017	\$ 341,600	\$ 953,536	\$ 1,035,770	\$ 4,849	\$ (7,293)	\$ 1,948	\$ (496)	\$ —	\$ 2,330,410	
Net income			224,646						224,646	
Other comprehensive income (loss), (net of income taxes)										
Unrealized net losses on available-for-sale securities				(7,672)			(7,672)		(7,672)	
Reclassification of net gains on available-for-sale securities to net income				(5,206)			(5,206)		(5,206)	
Net change in value of derivatives designated as cash flow hedges					(4,951)		(4,951)		(4,951)	
Net unrealized foreign currency translation gains on investments in foreign operations						9,012	9,012		9,012	
Unrealized net losses on hedges of investments in foreign operations						(6,677)	(6,677)		(6,677)	
Remeasurement of gains on employee benefit plans			13,023						13,023	
Comprehensive income			237,669	(12,878)	(4,951)	2,335	(15,494)		222,175	
Issuance of share capital		161,880							161,880	
Repurchase of share capital	(97,562)		(2,438)						(100,000)	
Share-based compensation								268	268	
Dividends										
Preferred shares, including applicable taxes			(14,038)						(14,038)	
Common shares			(104,493)						(104,493)	
Balance as at	\$ 244,038	\$ 1,115,416	\$ 1,152,470	\$ (8,029)	\$ (12,244)	\$ 4,283	\$ (15,990)	\$ 268	\$ 2,496,202	

## 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 may include, but are not limited to, statements regarding our business plan and financial objectives including statements contained in our 2019 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 are identified with words or phrases such as believe, estimate, forecast, project, expect, anticipate, plan, goal, target, may, should, could, would, will, intend or the negative of these terms, variations thereof or similar terminology.

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, both general and specific in nature. There is significant risk that the predictions, forecasts, projections or conclusions will prove to be inaccurate, that our assumptions may not be correct, and that actual results may differ materially from such predictions, forecasts, projections or conclusions.

We caution readers against placing undue reliance on forward-looking statements, as a number of factors, many of which are beyond our control and the effects of which can be difficult to predict, could cause our actual results to differ materially from the targets, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions; changes in government monetary, fiscal or economic policies; changes in currency and interest rates; legislative and regulatory developments, including tax legislation and interpretation; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; changes in competition; modifications to credit ratings; scarcity of human resources; developments with respect to labour relations; information technology and cyber security; developments in the technological environment; environmental risk including changes to global environmental policy and the effects of climate change; the possible effects of global conflicts and terrorism, natural disasters, public health emergencies, disruptions to public infrastructure and other catastrophic events; our ability to execute our strategic plans including the reorganization of our retail branches, the modernization of our core banking system and implementation of the Advanced Internal Ratings-Based (AIRB) Approach to credit risk, as well as our ability to anticipate and effectively manage risks arising from the foregoing.

We further caution that the foregoing list of factors is not exhaustive. Other factors and risks could adversely affect our results. 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 2019 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 securities regulations.

## Access to Quarterly Results Materials

Interested investors, the media and others may review this press release on our website at [www.lbcfg.ca](http://www.lbcfg.ca), under the Press Room tab, and our report to shareholders, presentation to investors and supplementary financial information under the Investor Centre tab, Financial Results.

## Conference Call

Laurentian Bank Financial Group invites media representatives and the public to listen to the conference call to be held at 10:00 a.m. Eastern Time on December 4, 2019. The live, listen-only, toll-free, call-in number is 1-800-239-9838, code 7408149. 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 1:00 p.m. on December 4, 2019 until 1:00 p.m. on January 3, 2020, 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

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## About Laurentian Bank Financial Group

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

With more than 3,200 employees guided by the values of proximity, simplicity and honesty, the Group provides a broad range of advice-based solutions and services to its personal, business and institutional customers. With pan-Canadian activities and a presence in the U.S., the Group is an important player in numerous market segments.

The Group has \$44 billion in balance sheet assets and \$29 billion in assets under administration.