***Source :** Banque Laurentienne du Canada*

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# Laurentian Bank Financial Group reports second quarter 2020 results

The financial information reported herein is based on the condensed interim consolidated statements as at and for the three-month period ended April 30, 2020, 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.

François Desjardins, President and Chief Executive Officer, commented on the second quarter of 2020 highlights: "COVID-19 has had profound impacts on our economy, customers and communities. Despite the many hardships that have resulted from this crisis, it has also demonstrated our ability to proactively manage through and adapt to the situation in order to provide service to our customers. I am particularly proud of our team members who were able to quickly take charge of the work required to ensure that our customers received the support and advice they need - now more than ever.”

"We have a strong capital and liquidity position, and disciplined risk management, but it is a time for prudence. Although we believe that current earnings are not reflective of the future earnings power of the organisation, we have reduced the dividend to $0.40 per share which improves operational flexibility until we reap the anticipated benefits of our strategic plan.”

M. Desjardins concluded: This week marks the beginning of our 175th year of operation. Throughout this time, we have always stayed true to our mission of helping our customers improve their financial health. We are proud of our history and optimistic about our future.”

**Highlights of second quarter 2020**

- Adjusted net income(1) of $11.9 million, and reported net income of $8.9 million.
- Adjusted return on common shareholders' equity(1) of 1.5%, and reported return on common shareholders' equity of 1.0%.
- Adjusted efficiency ratio(1) of 74.8%, and reported efficiency ratio of 76.4%.
- Common Equity Tier 1 ratio at 8.8%.
- Total provision for credit losses of $54.9 million.
- Quarterly dividend prudently reduced to $0.40 per share, improving operational flexibility to support growth and pursue our strategic plan.

| In millions of Canadian dollars, except per share and percentage amounts (Unaudited) | For the three months ended **April 30 2020** | April 30 2019 | Variance | For the six months ended **April 30 2020** | April 30 2019 | Variance |
|---|---|---|---|---|---|---|
| **Reported basis** | | | | | | |
| Net income | **$ 8.9** | $ 43.3 | (79 )% | **$ 41.1** | $ 83.6 | (51 )% |
| Diluted earnings per share | **$ 0.13** | $ 0.95 | (86 )% | **$ 0.81** | $ 1.83 | (56 )% |
| Return on common | **1.0 %** | 7.3 % | | **3.0 %** | 6.9 % | |

| | | | | | | |
|---|---|---|---|---|---|---|
| shareholders’ equity | | | | | | |
| Efficiency ratio | **76.4%** | 76.3% | | **77.8%** | 76.3% | |
| Common Equity Tier 1 capital ratio | **8.8%** | 9.0% | | | | |
| **Adjusted basis**[1] | | | | | | |
| Adjusted net income | **$ 11.9** | $ 48.7 | (76)% | **$ 48.8** | $ 93.4 | (48)% |
| Adjusted diluted earnings per share | **$ 0.20** | $ 1.08 | (81)% | **$ 0.99** | $ 2.06 | (52)% |
| Adjusted return on common shareholders’ equity | **1.5%** | 8.3% | | **3.7%** | 7.8% | |
| Adjusted efficiency ratio | **74.8%** | 73.5% | | **75.7%** | 73.7% | |

(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, May 29, 2020 (GLOBE NEWSWIRE) -- Laurentian Bank Financial Group reported net income of $8.9 million and diluted earnings per share of $0.13 for the second quarter of 2020, compared with $43.3 million and $0.95 for the second quarter of 2019. Return on common shareholders' equity was 1.0% for the second quarter of 2020, compared with 7.3% for the second quarter of 2019. On an adjusted basis, net income was $11.9 million and diluted earnings per share were $0.20 for the second quarter of 2020, down from $48.7 million and $1.08 for the second quarter of 2019. Adjusted return on common shareholders' equity was 1.5% for the second quarter of 2020, compared with 8.3% a year ago. Reported results include adjusting items, as detailed in the Non-GAAP measures section.

For the six months ended April 30, 2020, net income was $41.1 million or $0.81 diluted per share, compared with $83.6 million or $1.83 diluted per share for the six months ended April 30, 2019. Return on common shareholders' equity was 3.0% for the six months ended April 30, 2020, compared with 6.9% for the six months ended April 30, 2019. On an adjusted basis, net income totalled $48.8 million or $0.99 diluted per share for the six months ended April 30, 2020, down from $93.4 million or $2.06 diluted per share for the six months ended April 30, 2019. Adjusted return on common shareholders' equity was 3.7% for the six months ended April 30, 2020, compared with 7.8% for the same period a year ago. Reported results include adjusting items, as detailed in the Non-GAAP measures section.

***Impact of COVID-19 Pandemic***

In December 2019, a novel strain of the coronavirus disease, COVID-19, was identified. Since then, COVID-19 has spread worldwide, and was declared a global pandemic by the World Health Organization on March 11, 2020. The unprecedented nature of COVID-19 has adversely impacted the global economy. We believe our response to date has enabled us to keep our team members and our customers safe and provided the foundation for us to be better prepared for the uncertainties to come. Our liquidity and capital positions also provide the flexibility to pursue our mission to help our customers and support them through this difficult period. COVID-19 had an impact on financial performance in the second quarter, and, as a result, improvements on certain fronts were overshadowed by the sharp increase in provision for credit losses. Nonetheless, we remain optimistic for the future and are looking ahead. We have reviewed our key initiatives and reset deliverables, but we have not changed the end goal of completing the transformation, setting a strong foundation, working on profitable growth and enhancing performance.

***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<br>**April 30 2020** | <br>January 31 2020 | <br>April 30 2019 | For the six months ended<br>**April 30 2020** | <br>April 30 2019 |
|---|---|---|---|---|---|
| **Impact on income before income taxes** | | | | | |
| Reported income before income taxes | **$ 1,553** | $ 34,679 | $ 47,160 | **$ 36,232** | $ 93,880 |
| **Adjusting items, before income taxes** | | | | | |
| Impairment and restructuring charges(1) | | | | | |
| Severance charges | **183** | 2,838 | 2,420 | **3,021** | 3,767 |
| Other restructuring charges | **143** | (104) | 1,020 | **39** | 1,679 |
| | **326** | 2,734 | 3,440 | **3,060** | 5,446 |
| Items related to business combinations | | | | | |
| Amortization of net premium on purchased financial instruments(2) | **179** | 232 | 390 | **411** | 832 |
| Amortization of acquisition-related intangible assets(3) | **3,542** | 3,399 | 3,436 | **6,941** | 6,869 |
| | **3,721** | 3,631 | 3,826 | **7,352** | 7,701 |
| | **4,047** | 6,365 | 7,266 | **10,412** | 13,147 |
| Adjusted income before income taxes | **$ 5,600** | $ 41,044 | $ 54,426 | **$ 46,644** | $ 107,027 |
| **Impact on net income** | | | | | |
| Reported net income | **$ 8,885** | $ 32,172 | $ 43,313 | **$ 41,057** | $ 83,569 |
| **Adjusting items, net of income taxes** | | | | | |
| Impairment and restructuring charges(1) | | | | | |
| Severance charges | **134** | 2,086 | 1,776 | **2,220** | 2,765 |
| Other restructuring charges | **105** | (76) | 749 | **29** | 1,232 |
| | **239** | 2,010 | 2,525 | **2,249** | 3,997 |
| Items related to business combinations | | | | | |
| Amortization of net premium on purchased financial instruments(2) | **131** | 171 | 286 | **302** | 611 |
| Amortization of acquisition-related intangible assets(3) | **2,657** | 2,547 | 2,602 | **5,204** | 5,202 |
| | **2,788** | 2,718 | 2,888 | **5,506** | 5,813 |
| | **3,027** | 4,728 | 5,413 | **7,755** | 9,810 |
| Adjusted net income | **$ 11,912** | $ 36,900 | $ 48,726 | **$ 48,812** | $ 93,379 |
| **Impact on diluted earnings per share** | | | | | |
| Reported diluted earnings per share | **$ 0.13** | $ 0.68 | $ 0.95 | **$ 0.81** | $ 1.83 |
| Adjusting items | | | | | |
| Impairment and restructuring charges | **0.01** | 0.05 | 0.06 | **0.05** | 0.09 |
| Items related to business combinations | **0.06** | 0.06 | 0.07 | **0.13** | 0.14 |
| | **0.07** | 0.11 | 0.13 | **0.18** | 0.23 |
| Adjusted diluted earnings per share(4) | **$ 0.20** | $ 0.79 | $ 1.08 | **$ 0.99** | $ 2.06 |

(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. Restructuring charges include severance charges, salaries, provisions related to the termination of lease contracts before the adoption of IFRS 16, communication expenses and professional fees. Restructuring charges are included in Non-interest expenses.

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

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

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

## Strategic Plan

In November 2015, we launched a 7-year plan to become a better and different bank, to take advantage of advancements in technology, to address the globalization of banking and to 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. Looking forward, in the context of the evolving global pandemic, we have not changed our goal of completing the transformation. We strive to execute on these strategic objectives with the 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. Much of the heavy-lifting on upgrading our customer-facing technology to allow the Bank to pursue growth, cost efficiency and performance was expected to be behind us by the end of 2020. We are reviewing the timetable of transformation initiatives as the current situation is expected to cause delays. However, it is still too early to fully assess to what extent.

### Update on key initiatives

#### *Digital Offering*

In the first quarter of 2020, we successfully launched LBC Digital, a direct-to-customer channel, expanding our customer reach from coast to coast. The initial digital offering includes chequing accounts, high-interest savings accounts and guaranteed investment certificates. This pan-Canadian launch provided us with the opportunity to welcome thousands of new customers. Over time, our goal is to broaden and deepen customer relationships and use this platform to build out a high-value and complete product suite, with the next product being a credit card which is now expected to be launched in 2021. At the end of the second quarter, LBC Digital related demand deposits stood at $0.7 billion, in line with our expectations.

#### *Core-Banking System Replacement Program*

In 2019, we completed Phase 1 of the core banking system replacement program resulting in the migration of all B2B Bank products and most of our loans to business customers to this new system. Phase 2 of the program has already begun and encompasses the products offered in Financial Clinics and the remaining Business Services products. Preparations are underway to build out products and features. Given the current situation with COVID-19, we now expect that we will gradually migrate all existing personal customer accounts onto the new platform starting mid-2021. The migration of all remaining commercial banking customers is now scheduled to start in November 2021. Phase 2 should be completed by early 2022, after which we should be able to progressively decommission our legacy systems, gradually eliminating the operating costs. The overall investment in the core banking system is now estimated at approximately $250 million. As at April 30, 2020 we have invested about 75% of that amount.

#### *Evolution of 100% Advice Model*

After converting the traditional branch network to a 100% advice model over the last few years, and optimizing the footprint, we are now working towards developing a fully digital experience. By mid-2021, all new customers will be onboarded digitally and we will begin the migration of all our personal banking customers to our digital platform with the objective of completing the process by the end of 2021. This will enable all our customers to enjoy the same experience in managing their accounts and day-to-day transactions combined with the benefit of professional financial advice for more complex banking and investment needs. On that front, our Financial Clinic 100% Advice model is gaining momentum and we have onboarded 25 new advisors since the beginning of the year, for a total 400.

### Advanced Internal Ratings-Based approach to credit risk

As part of our plan to improve the Bank's foundation, we are pursuing our initiative to adopt, subject to regulatory approval, the AIRB approach to credit risk. Last quarter, we had targeted the adoption of AIRB for the end of 2022 but, in the current context of the pandemic, we are currently reviewing this timing and expect to delay the implementation by at least 12 months.

**Update on efficiency measures**

Since 2019, we have been identifying opportunities to improve our efficiency. The conversion of our traditional branches to a 100% Advice model in Financial Clinics and the optimization of certain back-office functions in 2019 provided significant savings toward our objective to reduce costs by $15 million. As we entered 2020, we maintained our focus on improving efficiency. With this in mind, we decided in May to merge fourteen additional Financial Clinics, bringing this to a total of twenty to be merged over the next two quarters, taking into account previously scheduled mergers. This is also a consequence of recent changes in the economic landscape and the ongoing reduction in the number of branch visits. Customers will continue to be served by Financial Clinics generally located in close proximity to them and based on our experience, the expected attrition should be relatively low. In May 2020, we also reduced headcount by about 100 people through attrition, retirement and targeted job reductions to realign our workforce with our operational needs. These strategic decisions will contribute to providing the necessary leverage to pursue our transformation and will improve our efficiency ratio. These measures will result in an impairment charge related to lease contracts and severance charges of approximately $6 million, which will be recorded in the third quarter of 2020. With these actions, we will have completed this phase of optimization.

**Consolidated Results**

***Three months ended April 30, 2020 financial performance***

Net income was $8.9 million and diluted earnings per share were $0.13 for the second quarter of 2020, compared with $43.3 million and $0.95 for the second quarter of 2019. Adjusted net income was $11.9 million for the second quarter of 2020, down 76% from $48.7 million for the second quarter of 2019, while adjusted diluted earnings per share were $0.20, down 81% compared with $1.08 for the second quarter of 2019.

**Total revenue**

Total revenue remained relatively stable at $240.1 million for the second quarter of 2020, compared to $239.9 million for the second quarter of 2019.

***Net interest income*** increased by $6.2 million or 4% to $170.7 million for the second quarter of 2020, from $164.6 million for the second quarter of 2019. The increase was mainly due to a higher proportion of higher-yielding loans to business customers and an improvement in funding costs through the greater use of secured funding. The increase was partly offset by a year-over-year decrease in loan volumes to personal customers, as well as by the unfavorable impact of the decrease in the Prime/BA spread. As of November 1, 2019, the introduction of IFRS 16, Leases, added a financing cost component, presented as part of interest expense, on the new lease liability which amounted to $1.2 million for the second quarter of 2020 and impacted NIM negatively by 1 basis point. Net interest margin was 1.88% for the second quarter of 2020, an increase of 11 basis points compared with the second quarter of 2019, mainly as a result of the change in the loan portfolio mix, as well as the reduction in funding costs, which was partly offset by the decrease in the Prime/BA spread, as noted above.

***Other income*** decreased by $5.9 million, or 8% to $69.4 million for the second quarter of 2020, compared with $75.3 million for the second quarter of 2019. Service charges decreased by $1.9 million compared with the second quarter of 2019 due to the ongoing changes to the retail banking environment and the related customers banking behavior. Card service revenues decreased by $1.7 million, mostly as Visa credit card transaction volumes declined as a result of the COVID-19 pandemic. Insurance income (net of claims) also contributed to the decline of other income by $1.6 million compared with the second quarter of 2019, driven by higher customer claims.

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

For the second quarter of 2020, amortization of net premium on purchased financial instruments amounted to $0.2 million, compared with $0.4 million for the second quarter of 2019. Refer to the 2019 Annual Consolidated Financial Statements for additional information.

**Provision for credit losses**

The provision for credit losses amounted to $54.9 million for the second quarter of 2020 compared with $9.2 million for the second quarter of 2019, an increase of $45.7 million year-over-year, mainly as a result of higher collective allowances. Individual allowances on a limited number of loans to business customers also contributed to the increase. Net write-offs were $9.0 million and represented 0.03% of gross loans compared to 0.02% in the second quarter of 2019.

Collective allowances are sensitive to model inputs, including macroeconomic variables in the forward-looking scenarios and their respective probability weighting, among other factors. The outbreak of COVID-19 led to changes to this forward-looking information during the second quarter of 2020, resulting in a significant increase in expected credit losses. As the full extent of the COVID-19 impact on the Canadian and U.S. economies, including government and/or regulatory responses to the outbreak, remains highly uncertain, it is difficult to predict at this time how the increase in expected credit losses will translate into write-offs and whether we will be required to recognize additional increases in expected credit losses in subsequent periods.

Refer to the “Risk Management” section of our Management Discussion and Analysis for additional information relating to the COVID-19 impact on credit risk and measurement uncertainty on expected credit losses estimates and Note 7, Loans and allowances for credit losses, to the unaudited interim consolidated financial statements for more information on provision for credit losses and continuity of the allowance for credit losses for the quarter.

**Non-interest expenses**

Non-interest expenses amounted to $183.5 million for the second quarter of 2020, an increase of $0.4 million compared with the second quarter of 2019. Adjusted non-interest expenses amounted to $179.6 million for the second quarter of 2020, an increase of $3.4 million compared with the second quarter of 2019.

***Salaries and employee benefits*** increased by $3.5 million to $94.0 million for the second quarter of 2020, compared with the second quarter of 2019, mainly due to higher wages and special compensation paid to team members whose position required them to work in our Financial Clinics or in our corporate offices during the COVID-19 pandemic. An increase in performance-based compensation related to brokerage operations, as well as other sales driven compensation in the growing segments of Business Services also contributed to the higher level of expense.

***Premises and technology costs*** were $50.7 million for the second quarter of 2020, an increase of $0.1 million compared with the second quarter of 2019. Rent decreased by $4.8 million as a result of the introduction, as of November 1, 2019, of IFRS 16, *Leases*, as well as of a reduction in the square-footage utilization given the right-sizing of our Financial Clinic network. This decrease was partially offset by a $4.0 million increase in amortization on the newly created right-of-use assets. Including the impact of the interest charge on the new lease liability of $1.2 million, as noted above, overall rental costs increased slightly. Technology costs increased year-over-year, and remain elevated as we are currently operating multiple platforms simultaneously. Premises and technology costs also include costs of $0.5 million associated with precautionary measures such as increasing the intensity of cleaning and reinforcing security measures required to work remotely in accordance with social distancing and separating the workforce.

***Other non-interest expenses*** were $38.5 million for the second quarter of 2020, a slight decrease of $0.1 million compared with the second quarter of 2019.

***Restructuring charges*** were $0.3 million for the second quarter of 2020 and mainly reflected expenses for the optimization of the Financial Clinic operations and the related streamlining of certain back-office and corporate functions.

*Efficiency ratio*

The adjusted efficiency ratio was 74.8% for the second quarter of 2020, compared with 73.5% for the second quarter of 2019, as a result of higher expenses and a decrease in other income. Adjusted operating leverage was negative year-over-year. The efficiency ratio on a reported basis was 76.4% for the second quarter of 2020, compared with 76.3% for the second quarter of 2019, essentially unchanged as the aforementioned items were offset by lower restructuring costs in fiscal 2020.

**Income taxes**

For the quarter ended April 30, 2020, the income tax recovery was $7.3 million. The recovery resulted from losses incurred in domestic operations following the increase in provision for credit losses, while income from foreign operations remains subject to a lower taxation level. The favourable effect of holding investments in Canadian securities that generate non-taxable dividend income also contributed to the recovery in the second quarter. For the quarter ended April 30, 2019, income tax expense was $3.8 million, and the effective tax rate was 8.2%. The lower tax rate for the quarter ended April 30, 2019, when compared with the statutory rate was mainly driven by the lower taxation level of income from foreign operations.

**Financial Condition**

As at April 30, 2020, total assets amounted to $45.4 billion, an increase of 2% compared with $44.4 billion as at October 31, 2019. The increase essentially results from the higher level of liquid assets and the increase in fair value of derivatives.

### *Liquid assets*

Liquid assets consist of cash, deposits with banks, securities and securities purchased under reverse repurchase agreements. As at April 30, 2020, these assets totalled $9.9 billion, an increase of $0.6 billion compared with $9.3 billion as at October 31, 2019.

In the context of the evolving global pandemic, we very prudently managed our level of liquid assets. In March 2020, financial markets became extremely volatile, causing severe disruption to business and economic activity and, to support our customers and provide the bank with necessary buffers, we participated in various BoC programs introduced in the wake of the crisis which has enabled us to diversify our funding sources at lower cost and maintain higher liquid assets. During this period, the Bank also benefitted from a significant increase in core direct retail deposits, as we leveraged our Financial Clinics network, further contributing to our well-diversified funding sources. Liquid assets represented 22% of total assets as at April 30, 2020, compared with 21% as at October 31, 2019.

### *Loans*

Loans and bankers' acceptances, net of allowances, stood at $33.6 billion as at April 30, 2020, relatively unchanged compared with October 31, 2019. Since the beginning of the year, the decrease in loans to personal customers was offset by growth in commercial loan portfolios, in line with our aim to focus on higher-yielding commercial loans. Variances are further explained below.

Personal loans amounted to $4.3 billion and decreased by $0.3 billion or 7% since October 31, 2019, 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 $15.8 billion as at April 30, 2020, a decrease of $0.2 billion or 1% since October 31, 2019. Since the beginning of the year, the acquisition of mortgage loans from third parties, as part of our program to optimize the usage of National Housing Act mortgage-backed securities allocations, has contributed to mitigate the impact of maturities.

Commercial loans and acceptances amounted to $13.5 billion as at April 30, 2020, up 4% since October 31, 2019. This increase is mainly due to inventory and equipment financing volumes.

### *Other assets*

Other assets stood at $2.0 billion as at April 30, 2020, an increase of $0.4 billion compared with October 31, 2019.

### *Liabilities*

Deposits decreased by $0.3 billion or 1% to $25.3 billion as at April 30, 2020 compared with $25.7 billion as at October 31, 2019. Personal deposits stood at $19.8 billion as at April 30, 2020, up $0.1 billion compared with October 31, 2019. The increase mainly results from the higher level of demand deposits generated through the various distribution channels of the Bank. At the end of the first quarter, following the successful launch of LBC Digital, related demand deposits had raised to $1.0 billion. With the decrease in the offered interest rates during the second quarter, outstanding volumes have decreased to $0.7 billion as at April 30, 2020, in line with our expectations. These deposits are further contributing to our well diversified funding. During the second quarter, core direct retail deposits sourced through our Financial Clinics network increased by close to $200 million, while other demand deposits from intermediaries increased by more than $340 million. Since the beginning of the year, these increases have been offset by a lower level of term deposits sourced through the Advisors and Brokers channel, as well as by a decrease in institutional funding. Personal deposits represented 78% of total deposits as at April 30, 2020, compared with 77% as at October 31, 2019, and contributed to our good liquidity position.

Obligations related to securities sold short stood at $3.4 billion as at April 30, 2020, an increase of $0.8 billion compared to October 31, 2019.

Debt related to securitization activities increased by $0.4 billion compared with October 31, 2019 and stood at $9.3 billion as at April 30, 2020.

### *Shareholders' equity and regulatory capital*

Shareholders' equity stood at $2,574.5 million as at April 30, 2020, compared with $2,567.7 million as at October 31, 2019.

As mentioned in the "Basis of Presentation" section of our MD&A, the adoption of IFRS 16 at the outset of the year resulted in a net decrease of $7.3 million of retained earnings as at November 1, 2019. Since the beginning of the year, retained earnings decreased by $61.0 million, as the net income contribution of $41.1 million was more than offset by dividends amounting to $63.6 million, as well as by other charges related to employee benefit plans and equity securities designated at fair value through other comprehensive income (FVOCI) of $31.2 million. Increases in accumulated other comprehensive income (AOCI) of $55.8 million and common share issuances of $10.9 million as part of the Bank's Shareholder Dividend Reinvestment and Share Purchase Plan contributed positively to shareholders' equity. For additional information, please refer to the Consolidated Statement of Changes in Shareholders' Equity in the condensed interim consolidated financial statements for the second quarter of 2020.

The Bank's book value per common share was $52.99 as at April 30, 2020 compared to $54.02 as at October 31, 2019.

There were 42,939,557 common shares outstanding as at May 25, 2020.

The Common Equity Tier 1 capital ratio stood at 8.8% as at April 30, 2020, compared with 9.0% as at October 31, 2019. This level of capital provides the Bank 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.

As we will continue to support our customers, and in accordance with regulatory developments and policy response, we expect that our regulatory capital ratios will remain below the level observed over the recent quarters.

## Dividend

On May 28, 2020, the Board of Directors declared a quarterly dividend of $0.40 per common share, payable on August 1, 2020 to shareholders of record on July 2, 2020. Although we believe that current earnings are not reflective of the future earnings power of the organisation, given the highly uncertain environment, Management recommended, and the Board of Directors approved, a reduction of the quarterly dividend by $0.27 or 40%. This prudent decision will provide us with additional operational flexibility to ensure continued growth, as well as the pursuit of our strategic plan. Furthermore, this will better align with our dividend policy until we reap the anticipated benefits from our transformation. Management and the Board of Directors also determined that shares attributed under the Bank's Shareholder Dividend Reinvestment and Share Purchase Plan will continue to be made in common shares issued from the treasury at a 2% discount.

## 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, including the direct and indirect impacts of the novel coronavirus (COVID-19) pandemic, 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 the 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.

Since December 31, 2019, the outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, temporary business and school closures, self-imposed quarantine periods and physical distancing, have caused considerable financial and social disruption resulting in economic weakness and market volatility. Governments and central banks have reacted with monetary and fiscal interventions and proposed measures and subsidies designed to stabilize economic conditions. The magnitude, duration and outcome of the outbreak, including its impact on customers, team members and third-party providers; the efficacy of government and central bank interventions; and the related financial and social impacts are uncertain, and could have a material and adverse effect on our business. Such adverse effect could be rapid and unexpected. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Bank.

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 see the more detailed description of the risks associated with COVID-19 pandemic and related impacts in the Risk Management section of our MD&A, the “Risk Appetite and Risk Management Framework” section of our 2019 Annual Report, as well as our 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 on our website at 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 9:00 a.m. Eastern Time on May 29, 2020. The live, listen-only, toll-free, call-in number is 1-800-263-0877, code 9768207. 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 12:00 p.m. on May 29, 2020 until 12:00 p.m. on June 28, 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 3,100 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 $45.4 billion in balance sheet assets and $27.1 billion in assets under administration.