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Laurentian Bank of Canada reports first quarter 2022 results

The financial information reported herein is based on the condensed interim consolidated (unaudited) information for the three-month period ended January 31, 2022, and has been prepared in accordance with International Financial Reporting standards (IFRS), as issued by the International Accounting Standards Board (IASB). All amounts are denominated in Canadian dollars. The Laurentian Bank of Canada and its entities are collectively referred to as “Laurentian Bank” or the “Bank” and provide deposit, investment, loan, securities, trust and other products or services.

MONTREAL, March 02, 2022 (GLOBE NEWSWIRE) -- Laurentian Bank of Canada reported net income of $55.5 million and diluted earnings per share of $1.17 for the first quarter of 2022, compared with $44.8 million and $0.96 for the first quarter of 2021. Return on common shareholders' equity was 8.5% for the first quarter of 2022, compared with 7.1% for the first quarter of 2021. Adjusted net income was $59.5 million and adjusted diluted earnings per share were $1.26 for the first quarter of 2022, up from $47.6 million and $1.03 for the first quarter of 2021. Adjusted return on common shareholders' equity was 9.2% for the first quarter of 2022, compared with 7.5% a year ago.

“The Bank’s year of execution is off to a good start, driven by strong performance in Commercial Banking, our continued focus on cost management, and sound credit quality. Across the board, our One Winning Team is engaged and focused on putting our customers first and executing against the Bank’s new 3-year strategic plan, which will deliver profitable growth and drive shareholder value.” said Rania Llewellyn, President and Chief Executive Officer.

In millions of dollars, except per share and percentage amounts (Unaudited)	For the three months ended **January 31, 2022**	October 31, 2021	Variance	January 31, 2021	Variance
Reported basis					
Net income (loss)	**$ 55.5**	$ (102.9)	n.m.	$ 44.8	24%
Diluted earnings (loss) per share	**$ 1.17**	$ (2.39)	n.m.	$ 0.96	22%
Return on common shareholders’ equity(2)	**8.5%**	(16.9)%		7.1%	
Efficiency ratio(3)	**69.1%**	142.3%		70.4%	
Common Equity Tier 1 capital ratio(4)	**9.8%**	10.2%		9.8%	
Adjusted basis					
Adjusted net income(1)	**$ 59.5**	$ 47.8	24%	$ 47.6	25%
Adjusted diluted earnings per share(2)	**$ 1.26**	$ 1.06	19%	$ 1.03	22%
Adjusted return on common shareholders’ equity(2)	**9.2%**	7.5%		7.5%	
Adjusted efficiency ratio(2)	**67.0%**	65.5%		68.9%	

(1) This is a non-GAAP financial measure. For more information, refer to the Non-GAAP Financial and Other Measures below and beginning on page 5 of the First Quarter 2022 Report to Shareholders, including the Management's Discussion and Analysis (MD&A) as at and for the period ended January 31, 2022, which pages are incorporated by reference herein. The MD&A is available on SEDAR at www.sedar.com

(2) This is a non-GAAP ratio. For more information, refer to the Non-GAAP Financial and Other Measures section below and beginning on page 5 of the First Quarter 2022 Report to Shareholders, including the MD&A as at and for the period ended January 31, 2022, which pages are incorporated by reference herein.
(3) This is a supplementary financial measure. For more information, refer to the Non-GAAP Financial below and beginning on page 5 of the First Quarter 2022 Report to Shareholders, including the MD&A as at and for the period ended January 31, 2022, which pages are incorporated by reference herein.
(4) In accordance with OSFI's "Capital Adequacy Requirements" guideline.

Non-GAAP Financial and Other Measures

Management uses financial measures based on generally accepted accounting principles (GAAP) and non-GAAP financial measures to assess the Bank's performance. Non-GAAP financial measures presented throughout this document are referred to as "adjusted" measures and exclude amounts designated as adjusting items. Non-GAAP financial measures are not standardized financial measures under the financial reporting framework used to prepare the financial statements of the Bank and might not be comparable to similar financial measures disclosed by other issuers. Adjusting items have been designated as such as management does not believe they are indicative of the current underlying business performance. Non-GAAP financial 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.

The following tables show a reconciliation of the non-GAAP financial measures to their most directly comparable financial measure that is disclosed in the primary financial statements of the Bank.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES — CONSOLIDATED STATEMENT OF INCOME

In thousands of dollars, except per share amounts (Unaudited)	For the three months ended **January 31, 2022**	October 31, 2021	January 31, 2021
Non-interest expenses	**$ 177,930**	$ 356,480	$ 174,063
Adjusting items, before income taxes			
Strategic review-related charges(1)	**2,342**	96,067	—
Personal Banking segment impairment charges(2)	**—**	93,392	—
Restructuring charges(3)	**—**	(88)	621
Amortization of acquisition-related intangible assets(4)	**3,028**	3,009	3,073
	5,370	192,380	3,694
Adjusted non-interest expenses	**$ 172,560**	$ 164,100	$ 170,369
Income (loss) before income taxes	**$ 70,209**	$ (130,949)	$ 56,511
Adjusting items impacting non-interest expenses (detailed above)	**5,370**	192,380	3,694
Adjusted income before income taxes	**$ 75,579**	$ 61,431	$ 60,205
Reported net income (loss)	**$ 55,518**	$ (102,876)	$ 44,819
Adjusting items, net of income taxes			
Strategic review-related charges(1)	**1,721**	70,638	—
Personal Banking segment impairment charges(2)	**—**	77,884	—
Restructuring charges(3)	**—**	(65)	457
Amortization of acquisition-related intangible assets(4)	**2,252**	2,248	2,296
	3,973	150,705	2,753
Adjusted net income	**$ 59,491**	$ 47,829	$ 47,572
Net income (loss) available to common shareholders	**$ 50,917**	$ (104,231)	$ 41,702

Adjusting items, net of income taxes (detailed above)	**3,973**	150,705	2,753
Adjusted net income available to common shareholders	**$ 54,890**	$ 46,474	$ 44,455

(1) The strategic review-related charges relate to the renewed strategic direction for the Bank. Strategic review-related charges are included in the Impairment and restructuring charges line-item and, in 2021, included impairment charges, severance charges and charges related to lease and other contracts. In the first quarter of 2022, strategic review-related charges mainly resulted from charges related to lease contracts.
(2) The Personal Banking segment impairment charges relate to the impairment of the Personal Banking segment as part of the annual goodwill impairment test. Impairment charges are included in the Impairment and restructuring charges line-item.
(3) Restructuring charges mainly consisted of charges associated with the optimization of the branch network and the related streamlining of certain back-office and corporate functions, as well as to the resolution of the union grievances and complaints in 2021. Restructuring charges are included in the Impairment and restructuring charges line-item and include severance charges, salaries, legal fees, communication expenses, professional fees and charges related to lease contracts.
(4) Amortization of acquisition-related intangible assets results from business acquisitions and is included in the Non-interest expenses line item.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES — CONSOLIDATED BALANCE SHEET

	For the three months ended		
In thousands of dollars, except per share amounts (Unaudited)	**January 31, 2022**	October 31, 2021	January 31, 2021
Shareholders' equity	**$ 2,659,840**	$ 2,640,870	$ 2,644,947
Less:			
Preferred shares	**(122,071)**	(122,071)	(244,038)
Limited recourse capital notes	**(121,315)**	(123,612)	—
Cash flow hedges reserve(1)	**(35,591)**	(42,095)	(42,260)
Common shareholders' equity	**$ 2,380,863**	$ 2,353,092	$ 2,358,649
Impact of averaging month-end balances(2)	**(5,486)**	99,451	(21,639)
Average common shareholders' equity	**$ 2,375,377**	$ 2,452,543	$ 2,337,010

(1) The cash flow hedges reserve is presented in the Accumulated other comprehensive income line item.
(2) Based on the month-end balances for the period.

Consolidated Results

Three months ended January 31, 2022 financial performance

Net income was $55.5 million and diluted earnings per share was $1.17 for the first quarter of 2022, compared with net income of $44.8 million and diluted earnings per share of $0.96 for the first quarter of 2021. Adjusted net income was $59.5 million for the first quarter of 2022, up from $47.6 million for the first quarter of 2021, and adjusted diluted earnings per share were $1.26, compared with $1.03 for the first quarter of 2021. Net income available to common shareholders included interest paid semi-annually on the limited recourse capital notes and the quarterly dividend declared on the Preferred Shares Series 13 in the first quarter of 2022, whereas, in the first quarter of 2021, it included dividends declared on the Preferred Shares Series 13 and on the Preferred Shares Series 15 redeemed in June 2021.

Total revenue

Total revenue was $257.5 million for the first quarter of 2022, up 4% compared with $247.4 million for the first quarter of 2021.

Net interest income increased by $7.8 million to $180.9 million for the first quarter of 2022, compared with $173.1 million for the first quarter of 2021. The increase was mainly due to higher inventory financing volumes and improved funding costs. Net interest margin was 1.88% for the first quarter of 2022, an increase of 4 basis points compared with the first quarter of 2021 for the same reasons.

Other income increased by $2.3 million or 3% to $76.6 million for the first quarter of 2022, compared with $74.3 million for the first quarter of 2021. The increase was mainly due to higher commissions from sales of mutual funds and strong revenues from lending fees which improved respectively by $1.5 million and $1.2 million compared with the first quarter of 2021.

Provision for credit losses

The provision for credit losses was $9.4 million for the first quarter of 2022 compared with $16.8 million for the first quarter of 2021, a decrease of $7.4 million as lower provisions on impaired loans were partly offset by higher provisions on performing loans. The provision for credit losses as a percentage of average loans and acceptances stood at 11 bps for the quarter, compared to 20 bps for the same quarter a year ago.

The provision for credit losses on performing loans was $5.5 million for the first quarter of 2022 compared with a recovery of $0.9 million for the first quarter of 2021, mainly reflecting higher provisions on the personal loan portfolio. The provision for credit losses on impaired loans was $3.9 million for the first quarter of 2022 and decreased by $13.8 million, due to favourable repayments leading to lower write-offs in the commercial loan portfolio.

Refer to the “Credit risk management” section on pages 14 to 16 of the Bank's MD&A for the quarter ended January 31, 2022 and to Note 5 to the Condensed Interim Consolidated Financial Statements for more information on provision for credit losses and allowances for credit losses.

Non-interest expenses

Non-interest expenses amounted to $177.9 million for the first quarter of 2022, an increase of $3.9 million compared with the first quarter of 2021. Adjusted non-interest expenses amounted to $172.6 million for the first quarter of 2022, an increase of $2.2 million or 1% compared with the first quarter of 2021.

Salaries and employee benefits amounted to $97.7 million for the first quarter of 2022 an increase of $2.3 million compared with the first quarter of 2021 mostly due to higher payroll charges due to a higher level of performance-based compensation paid at the beginning of 2022, as well as to increases in group insurance charges.

Premises and technology costs were $45.0 million for the first quarter of 2022, a decrease of $3.5 million compared with the first quarter of 2021. The decrease mostly stems from lower amortization charges and rent expenses resulting from the strategic review and the impairment effected in the fourth quarter of 2021.

Other non-interest expenses were $32.9 million for the first quarter of 2022, an increase of $3.3 million compared with the first quarter of 2021, mainly resulting from higher professional fees, as well as higher advertising, business development and travel expenses.

Impairment and restructuring charges were $2.3 million for the first quarter of 2022, an increase of $1.7 million compared with the first quarter of 2021. In the first quarter of 2022, in line with its future of work plans, the Bank successfully completed the reduction of its leased corporate office premises in Toronto, which required an adjustment of the charges recorded in the fourth quarter of 2021 by $2.3 million. In the first quarter of 2021, restructuring charges mainly included severance charges, as well as professional fees.

Efficiency ratio

The efficiency ratio on a reported basis was 69.1% for the first quarter of 2022, compared with 70.4% for the first quarter of 2021. The adjusted efficiency ratio was 67.0% for the first quarter of 2022, compared to 68.9% for the first quarter of 2021. This improvement in both indicators was a result of an increase in total revenue partly offset by an increase in non-interest expenses year-over-year.

Income taxes

For the quarter ended January 31, 2022, income taxes were $14.7 million, and the effective tax rate was 20.9%. The lower effective tax rate, compared to the statutory rate, is attributed to a lower taxation level of income from foreign operations, as well as from the favourable effect of holding investments in Canadian securities that generate non-taxable dividend income. For the quarter ended January 31, 2021, the income tax expense was $11.7 million, and the effective tax rate was 20.7%.

Financial Condition

As at January 31, 2022, total assets amounted to $46.1 billion, a 2% increase from $45.1 billion as at October 31, 2021, mostly due to the higher level of loans and liquid assets.

Liquid assets

Liquid assets consist of cash, deposits with banks, securities and securities purchased under reverse repurchase agreements. As at January 31, 2022, these assets amounted to $10.2 billion, an increase of $0.3 billion compared with $9.9 billion as at October 31, 2021.

The Bank continues to prudently manage its level of liquid assets. The Bank's funding sources remain well diversified and sufficient to meet all liquidity requirements. Liquid assets represented 22% of total assets as at January 31, 2022, in line with October 31, 2021.

Loans

Loans and bankers’ acceptances, net of allowances, stood at $34.2 billion as at January 31, 2022, an increase of $0.7 billion or 2% since October 31, 2021. During the first quarter of 2022, strong commercial loan growth was partly offset by a decrease in personal and residential mortgage loans.

Commercial loans and acceptances amounted to $15.4 billion as at January 31, 2022, an increase of $1.3 billion or 9% since October 31, 2021. Growth in inventory financing volumes continued the first quarter of 2022, despite the impact of lingering supply chain challenges and high consumer demand for recreational products reducing the need for inventory financing. Continued growth in real estate lending also contributed to the increase.

Personal loans amounted to $3.5 billion as at January 31, 2022, a decrease of $0.1 billion since October 31, 2021, mainly as a result of the continued decline in the investment loan portfolio.

Residential mortgage loans amounted to $15.5 billion as at January 31, 2022, a decrease of $0.4 billion or 2% since October 31, 2021. As discussed in the Business Highlights section, as part of its plan to renew growth in residential mortgage loans, the Bank completed an end-to-end review for both the broker and branch channel mortgage processes and identified improvements and opportunities for harmonization and simplification.

Deposits

Deposits increased by $1.1 billion or 5% to $24.1 billion as at January 31, 2022 compared with $23.0 billion as at October 31, 2021, mainly as a result of deepening and expanding relationships with advisors and brokers. Personal deposits stood at $18.8 billion as at January 31, 2022, up $0.7 billion compared with October 31, 2021 mostly due to higher personal notice and demand deposits sourced through advisors and brokers.

Personal deposits represented 78% of total deposits as at January 31, 2022, in line with October 31, 2021, and contributed to the Bank's good liquidity position.

Business and other deposits increased by $0.4 billion over the same period to $5.3 billion, due to an increase in wholesale funding.

Debt related to securitization activities

Debt related to securitization activities increased by $0.1 billion or 1% compared with October 31, 2021 and stood at $11.3 billion as at January 31, 2022. Since the beginning of the year, mortgage loan securitization through the CMHC programs, supplemented by other secured funding, more than offset maturities of liabilities related to the Canada Mortgage Bond program, as well as normal repayments.

Shareholders’ equity and regulatory capital

Shareholders’ equity amounted to $2,659.8 million as at January 31, 2022, compared with $2,640.9 million as at October 31, 2021.

Compared to October 31, 2021, retained earnings increased by $26.8 million, mainly as a result of the net income contribution of $55.5 million, partly offset by dividends. The Bank also repurchased 294,000 common shares under its Normal Course Issuer Bid, which reduced common shares by $7.9 million and retained earnings by $4.7 million in the first quarter of 2022. For additional information, please refer to the Capital Management section of the Bank's MD&A as at and for the period ended January 31, 2022 and to the Consolidated Statement of Changes in Shareholders' Equity.

The Bank’s book value per common share was $54.97 as at January 31, 2022 compared to $53.99 as at October 31, 2021.

The Common Equity Tier 1 capital ratio stood at 9.8% as at January 31, 2022, compared with 10.2% as at October 31, 2021. The decrease compared with October 31, 2021 mainly results from growth in risk-weighted assets, partly offset by internal capital generation. This level of capital provides the Bank with the necessary operational flexibility to pursue growth and key initiatives prudently, considering economic conditions.

On March 1, 2022, the Board of Directors declared a quarterly dividend of $0.44 per common share, payable on May 1, 2022 to shareholders of record on April 1, 2022. This quarterly dividend increased by 10% compared with the dividend declared in the previous year. The Board also determined that shares attributed under the Bank's Shareholder Dividend Reinvestment and Share Purchase Plan will be made in common shares issued from Corporate Treasury without a discount.

Caution Regarding Forward-Looking Statements

From time to time, Laurentian Bank of Canada (the "Bank") will make written or oral forward-looking statements within the meaning of applicable securities legislation, including such as those contained in this document (and in the documents incorporated by reference herein), and in other documents filed filings with Canadian regulatory authorities, in reports to shareholders, and in other written or oral communications. These forward-looking statements are made in accordance with, and are intended to be forward-looking statements under, current securities legislation in Canada. They include, but are not limited to, statements regarding the Bank's vision, strategic goals, business plans and strategies, priorities and financial performance objectives; the economic and market review and outlook for Canadian, United States (U.S.), European, and global economies; the regulatory environment in which the Bank operates; the risk environment, including, credit risk, liquidity, and funding risks; the anticipated ongoing and potential impact of the coronavirus (COVID-19) pandemic on the Bank's operations, earnings, financial results and financial performance, condition, objectives, and on the global economy and financial markets conditions; the statements under the headings "Outlook", "Impact of COVID-19 Pandemic" and "Risk Appetite and Risk Management Framework" contained in the Bank's 2021 Annual Report for the year ended October 31, 2021 (the "2021 Annual Report"), including the Management's Discussion and Analysis for the fiscal year ended October 31, 2021; and other statements that are not historical facts.

Forward-looking statements typically are identified with words or phrases such as "believe", "assume", "estimate", "forecast", "outlook", "project", "vision", "expect", "foresee", "anticipate", "intend", "plan", "goal", "aim", "target", and expressions of future or conditional verbs such as "may", "should", "could", "would", "will", "intend" or the negative of any of these terms, variations thereof or similar terminology.

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, both general and specific in nature, which give rise to the possibility that the Bank's predictions, forecasts, projections, expectations, or conclusions may prove to be inaccurate; that the Bank's assumptions may be incorrect (in whole or in part); and that the Bank's financial performance objectives, visions, and strategic goals may not be achieved. Forward-looking statements should not be read as guarantees of future performance or results, or indications of whether or not actual results will be achieved. Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2021 Annual Report under the heading "Outlook", which assumptions are incorporated by reference herein.

We caution readers against placing undue reliance on forward-looking statements, as a number of risk factors, many of which are beyond the Bank's control and the effects of which can be difficult to predict or measure, could influence, individually or collectively, the accuracy of the forward-looking statements and cause the Bank's actual future results to differ significantly from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These risk factors include, but are not limited to, risks relating to: credit; market; liquidity and funding; insurance; operational; regulatory compliance (which could lead to us being subject to various legal and regulatory proceedings, the potential outcome of which could include regulatory restrictions, penalties, and fines); strategic; reputation; legal and regulatory environment; competitive and systemic risks; and other significant risks discussed in the risk-related portions of the Bank's 2021 Annual Report, such as those related to: the ongoing and potential impacts of the COVID-19 pandemic on the Bank, the Bank's business, financial condition and prospects; Canadian and global economic conditions (including the risk of higher inflation); geopolitical issues; Canadian housing and household indebtedness; technology, information systems and cybersecurity; technological disruption, privacy, data and third-party related risks; competition and the Bank's ability to execute on its strategic objectives; the economic climate in the U.S. and Canada; digital disruption and innovation (including, emerging fintech competitors); Interbank offered rate (IBOR) transition; changes in currency and interest rates (including the possibility of negative interest rates); accounting policies, estimates and developments; legal and regulatory compliance and changes; changes in government fiscal, monetary and other policies; tax risk and transparency; modernization of Canadian payment systems; fraud and criminal activity; human capital; insurance; business continuity; business infrastructure; emergence of widespread health emergencies or public health crises; emergence of COVID-19 variants; development and use of 'vaccine passports'; environmental and social risk; and climate change; and the Bank's ability to manage, measure or model operational, regulatory, legal, strategic or reputational risks, all of which are described in more detail in the section titled "Risk Appetite and Risk Management Framework" beginning on page 50 of the 2021 Annual Report, including the Management's Discussion and Analysis for the fiscal year ended October 31, 2021.

We further caution that the foregoing list of factors is not exhaustive. Additional risks, events, and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on the Bank's financial position, financial performance, cash flows, business or reputation. When relying on the

Bank's forward-looking statements to make decisions involving the Bank, investors and others should carefully consider the foregoing factors, uncertainties, and current and potential events.

The forward-looking information contained in this document presented for the purpose of assisting investors, financial analysts, and others in understanding the Bank's financial position and the results of the Bank's operations as at, and for the period ended on, the date presented, as well as the Bank's financial performance objectives, vision and strategic goals, and may not be appropriate for other purposes.

Any forward-looking statements contained in this document represent the views of management only as at the date hereof, are presented for the purposes of assisting investors and others in understanding certain key elements of the Bank's current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of the Bank's business and anticipated operating environment and may not be appropriate for other purposes. We do not undertake to update any forward-looking statements , whether oral or written, made by the Bank or on its behalf whether as a result of new information, future events or otherwise, except to the extent required by applicable securities regulations. Additional information relating to the Bank can be located on the SEDAR website at www.sedar.com.

Access to Quarterly Results Materials

This press release can be found on our website at www.lbcfg.ca, under the Press Room tab, and our Report to Shareholders, Investor Presentation and Supplementary Financial Information under the Investor Centre tab, Financial Results.

Conference Call

Laurentian Bank of Canada invites media representatives and the public to listen to the conference call to be held at 9:00 a.m. (ET) on March 2, 2022. The live, listen-only, toll-free, call-in number is 1-800-289-0720, code 1750906. A live webcast will also be available on the Group's website under the Investor Centre tab, Financial Results.

The conference call playback will be available on a delayed basis from 12:00 p.m. (ET) on March 2, 2022 until 12:00 p.m. (ET) on April 1, 2022, on our website under the Investor Centre tab, Financial Results.

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

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About Laurentian Bank of Canada

At Laurentian Bank, we believe we can change banking for the better. By seeing beyond numbers.

Founded in Montréal in 1846, Laurentian Bank helps families, businesses and communities thrive. Today, we have more than 2,900 employees working together as one team, to provide a broad range of financial services and advice-based solutions for customers across Canada and the United States. We protect, manage and grow $46.1 billion in balance sheet assets and $30.2 billion in assets under administration.

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