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Laurentian Bank releases strategic plan to drive long-term profitable growth

Commits to not directly finance the exploration, production or development of coal or oil and gas, aligned with new purpose and ESG strategy

- Unveils new purpose and core values to guide the institution
- Introduces new tagline: Seeing Beyond Numbers
- Highlights proven business model in Commercial Banking and Capital Markets businesses as key growth drivers
- Repositions Personal Banking as a “digital-first” Bank that re-envision the customer experience combined with a more human approach to banking

MONTREAL, Dec. 10, 2021 (GLOBE NEWSWIRE) -- Laurentian Bank of Canada (TSX: LB) (the “Bank”) today unveiled its new strategic plan at its Investor Day, under the leadership of its new President & CEO and management team.

Following a year-long strategic review of the Bank’s operations, the new three-year strategic plan lays out a path to accelerated growth by 2024.

The Bank has already put the plan into action and has been delivering against its new strategy. For example, it has:

- Implemented a performance-oriented culture, including introducing a new “customer” quadrant in all executive scorecards
- Relunched employee engagement survey, indicating an industry-leading trust in management with a score of 89%, demonstrating the confidence of employees in the future vision of the Bank
- Implemented agile methodology to help speed up product development, including the launch of the Bank’s first mobile app which was developed in under 7 months
- Streamlined products, processes and customer interactions, including reducing the Visa product offering from 8 to 4 and improving the time to ‘yes’ on mortgages from weeks to days
- Tied Environment, Social, Governance (ESG) and financial metrics to executive compensation and launched materiality and climate risk assessments to drive the Bank’s ESG strategy

“Our strategy is focused, simple and executable,” said Rania Llewellyn. “We have a tested and proven formula for success in our Commercial Bank and Capital Markets and are now applying that to reposition the Personal Bank. We are leveraging our size to leapfrog the competition with a focus on partnerships and new digital capabilities. With the launch of our new purpose and core values, we believe we have the right plan and the right team in place to achieve long-term, sustainable growth. At Laurentian Bank, we believe we can change banking for the better by seeing beyond numbers.”

Going forward, the key components of the strategy include:

Culture: The Bank has identified culture as its driving force. A strong culture will lead to better performance and ultimately improved financial value. Underpinned by the bank’s new purpose and core values, culture will be a key differentiator for the Bank with a focus on improving employee engagement, reducing employee turnover and driving a more equitable, diverse and inclusive Bank supported by clear targets. Additionally, as part of its Future of Work strategy, the Bank will adopt a hybrid model, where working from home will be the first approach for all tasks that can be performed remotely.

Commercial Banking: Commercial Banking has been a growth engine, generating double digit loan growth across Canada and the U.S., representing 42% of the Bank’s overall business mix. These results were driven by both organic growth and strategic acquisitions including CIT Canada in 2016 and Northpoint Commercial Finance in 2017, providing Laurentian Bank with a North American platform. Moving forward, Commercial Banking will grow

its loan portfolio mix contribution from the U.S. to more than 18% from 14% today, by diversifying into new focus industries, such as technology, small construction and ESG-friendly equipment. It will also launch new products and services to deepen customer relationships such as merchant loans and digital cash management, leveraging its excellent net promoter score (NPS).

Capital Markets: Capital Markets has delivered record results over the past two years. As an alternative to the large banks, the Capital Markets business has a unique value proposition that provides mid-sized customers with personalized and boutique-style service. To continue on this growth trajectory, it will further align its capabilities to meet the needs of its Commercial Banking customers, expand its securitized and structured product capabilities, and build out ESG-focused advisory services.

Personal Banking: Personal Banking is repositioning itself for growth. It will follow the Bank’s proven business model with a new experienced leadership team, focused operating model and the introduction of a performance-oriented culture.

The top priority for Personal Banking is to retain and attract customers, which it will achieve through a new “digital-first” approach. By introducing new and enhanced digital capabilities, Personal Banking will close key foundational gaps including tap on debit, a redesigned web experience, and a new digital streamlined onboarding process by leveraging new partnerships. This will allow Personal Banking to expand its offering on a national basis, by combining its physical branch footprint with digital and virtual capabilities.

Over the past year the Bank has also begun to refresh and modernize its brand, including the launch of a new purpose. As digital capabilities are expanded, the Bank will scale its marketing campaign across Canada to acquire new customers by targeting underserved segments. Laurentian Bank believes they can change banking for the better, by combining leading digital capabilities with a more “human-approach” to banking, and reminding its customers that they are more than just numbers. As part of this effort, each customer will be assigned to a personal advice team who will complete a financial health assessment annually. This supports the Bank’s strategy to drive deep relationships and enhance customer retention. The Bank’s new purpose video can be viewed here: <https://youtu.be/nzVipe5C7co>

This strategy will also drive growth by focusing on improving key foundational customer products by streamlining the mortgage process, accelerating the transformation of the Visa product suite and simplifying deposit products and processes.

Environment, Social, Governance (ESG): The Bank will launch its first ESG report in 2022. Its new ESG strategy will be underpinned by data and aligned with best practices on disclosure and targets. It will also integrate ESG across the organization and ensure that all decisions are seen through the ESG lens.

Moving forward, the Bank has committed to not directly finance the exploration, production, or development of coal or oil and gas. This commitment is a key differentiator from the other Canadian banks and will help the Bank attract businesses that are working to accelerate their green energy transition, as well as attract customers and talent who prioritize sustainability.

Financial Roadmap

The Bank’s financial roadmap is based on strong fundamentals with prudent capital management, a diversified funding strategy and a strong record of credit quality. This foundation allows a path forward to improved profitability from an efficiency gain as well as from revenue growth driven by sound business strategies. In addition to the business line growth strategies, the Bank identified a number of structural cost optimization opportunities that will further improve the Bank’s overall efficiency ratio.

The Bank maintains a strong capital and liquidity position with CET1 of 10.2% on a standardized basis as at October 31, 2021, representing excess capital of more than \$300 million, providing it with flexibility to support organic and strategic acquisitions.

Over the past 12 months, the Bank has improved its DBRS and S&P credit outlooks and issued Limited Recourse Capital Notes and Covered bonds, allowing it to diversify its funding sources. Moving forward, it will add new digital and cash management capabilities to drive deposits, initiate USD institutional funding, and will introduce a sustainable bond framework.

Accordingly, the Bank is setting the following medium-term financial targets:

Financial Targets¹

	2022	Medium-Term
Adjusted diluted EPS growth	>5%	7-10%
Adjusted ROE	>8.5%	>10%

Adjusted efficiency ratio	<68%	<65%
Adjusted operating leverage	Positive	Positive

¹ The financial targets are non-GAAP ratios based on non-GAAP financial measures. For more information, refer to the non-GAAP financial and other measures section beginning on page 28 of the 2021 Annual Report, including the MD&A for the fiscal year ended October 31, 2021, which page is incorporated by reference herein

Caution Regarding Forward-Looking Statements

The Bank may, from time to time, make written or oral forward-looking statements within the meaning of applicable securities legislation, including in this document and in other documents filed with Canadian regulatory authorities or in other written or oral communications. Forward-looking statements include, but are not limited to, statements regarding business plans and strategies, priorities and financial objectives, accounting estimates and expected accounting and financial reporting effects and cost savings (including those for the fourth quarter and year ended October 31, 2021 and future periods) the regulatory environment in which the Bank operates, the anticipated impact of the coronavirus (“COVID-19”) pandemic on the Bank’s operations, earnings results and financial performance and statements under the headings “Outlook”, “COVID-19 Pandemic” and “Risk Appetite and Risk Management Framework” contained in the Bank’s 2020 Annual Report, including the Management’s Discussion and Analysis for the fiscal year ended October 31, 2020 , as updated by the Bank’s most recent quarterly Management’s Discussion and Analysis, 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”, “plan”, “goal”, “aim”, “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. Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2020 Annual Report under the heading “Outlook”, as updated by the Bank’s most recent quarterly Management’s Discussion and Analysis. There is significant risk that the predictions, forecasts, projections or conclusions will prove to be inaccurate, that the Bank’s assumptions may not be correct, and that actual results may differ materially from such predictions, forecasts, projections or conclusions.

The Bank cautions readers against placing undue reliance on forward-looking statements, as a number of factors, many of which are beyond its control and the effects of which can be difficult to predict, could influence, individually or collectively, the accuracy of the forward-looking statements and cause actual future results to differ significantly from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These factors include, but are not limited to, risks relating to: the impacts of the COVID-19 pandemic on the Bank, its business, financial condition and prospects (including market, credit, funding and liquidity); technology, information systems and cybersecurity; technological disruption, competition and the Bank’s ability to execute on its strategic objectives; the economic climate in the U.S. and Canada; accounting policies, estimates and developments; legal and regulatory compliance; fraud and criminal activity; human capital; insurance; business continuity; business infrastructure; environmental and social risk and climate change; and its ability to manage operational, regulatory, legal, strategic, reputational and model risks, all of which are described in more detail in the section titled “Risk Appetite and Risk Management Framework” beginning on page 43 of the 2020 Annual Report, including the Management’s Discussion and Analysis for the fiscal year ended October 31, 2020 , as updated by the Bank’s most recent quarterly Management’s Discussion and Analysis.

The Bank further cautions that the foregoing list of factors is not exhaustive. Additional risks and uncertainties not currently known to us or that the Bank currently deems to be immaterial may also have a material adverse effect on its financial position, financial performance, cash flows, business or reputation. 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. The Bank does 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 under applicable securities regulation. Additional information relating to the Bank can be located on the SEDAR website at www.sedar.com.

About Laurentian Bank

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

Founded in Montreal in 1846, Laurentian Bank helps families, businesses and communities thrive. Today, we have more than 2,800 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 \$45.1 billion in balance sheet assets and \$31.0 billion in assets under administration.

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

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