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Laurentian Bank updates timing on strategic plan and provides information on certain charges impacting fourth quarter 2021 results

MONTREAL, Nov. 23, 2021 (GLOBE NEWSWIRE) -- Laurentian Bank of Canada (TSX: LB) (the "Bank") today announced that it expects to record certain charges in its fourth quarter and fiscal 2021 results in relation to its strategic review. The Bank also announced that it will hold a virtual Investor Day on December 10, 2021, to unveil its new strategic plan, under the leadership of its new President & CEO and management team.

As a result of its strategic review, the Bank expects to record certain charges to its fiscal 2021 fourth quarter earnings, estimated to reduce reported earnings by \$209 million pre-tax, or \$163 million after tax, and adjusted earnings¹ by \$19 million pre-tax, or \$14 million after tax. Reported diluted earnings per share are expected to be impacted by approximately \$3.73 and adjusted diluted earnings per share² by \$0.33. The expected charges would also impact the Bank's Common Equity Tier 1 capital ratio³ by approximately 25 basis points which is expected to remain above 10%.

The expected charges are divided into four categories: Personal Banking Segment Impairment, Future of Work, Technology and Credit Provisions. Unless otherwise indicated, all amounts noted below are on a pre-tax basis and may not add due to rounding.

Personal Banking Segment Impairment

- Annually, the Bank conducts a goodwill impairment test. As a result of this year's test, the Bank expects to record an impairment charge on the value of its Personal Banking segment. This expected impairment reflects the recent decline in assets and deposit volumes, which, combined with the Bank's limited digital capabilities to support the ongoing changing needs of customers during the pandemic, made it challenging to retain existing customers and acquire net new ones. In addition, the Bank has also previously commented on the fact that it currently has two digital platforms, resulting in an inconsistent customer experience. In order to simplify the structure of the Bank and improve the customer experience the Bank will consolidate its two digital platforms into one. As a result, the Bank expects to record an impairment charge of approximately \$93 million as follows: 1) goodwill for an amount of \$35 million, 2) software and intangible assets for \$53 million and, 3) premises and equipment for \$6 million.

Future of Work

- The pandemic has shifted the way many people work. As a result, over the past few months, the Bank has been working to refine its future of work plans, considering both customer and employee expectations. The Bank has decided to pursue and will be adopting a hybrid model, where working from home will be the first approach for all tasks that can be performed remotely. This is in line with the Bank's new strategic plan to be a more customer and people-focused Bank and is a key differentiator to attracting new talent. Given the shift to work-from-home, the Bank expects to record a charge of approximately \$49 million related to a 50 percent planned reduction in leased corporate office premises in Toronto, Burlington and Montreal. This will not impact the Bank's branch footprint.
- In pursuing a performance-oriented culture while simplifying the organizational structure, the Bank expects to record severance charges of approximately \$9 million related to 64 positions across all levels, within different entities, and are split between roles in Ontario (60%) and Quebec (40%).

Technology

- In 2016, the Bank began a multi-year program to replace its core-banking system over two phases. While Phase 1 of the program has been completed and deployed, the Bank reassessed, as part of its strategic review, the second phase of the project, which mostly included accounts and products from the retail branch network. Given the rapid evolution and advancement of technology, the Bank is looking to leverage new capabilities through partnerships to deliver products and services in a faster, more efficient way to market, while improving the overall customer experience. As a result, the Bank has made the decision to cease Phase 2 of the program and expects to record a charge of approximately \$38 million.

Credit Provisions

- As part of the overall strategic review, the Bank reassessed the investment loan product design and adjusted its credit standards resulting in an acceleration of remediation of a portion of the investment loan portfolio. As a result, allowances and provisions for credit losses are expected to increase by approximately \$19 million in the fourth quarter of 2021. This anticipated charge will not be designated as an adjusting item to calculate the Bank's adjusted (non-GAAP) results and ratios.

Ongoing cost reductions

The expected impact on expenses on a pre-tax basis, stemming from these decisions is estimated to generate approximately \$4 million of cost reductions for the fourth quarter of 2021 and \$20 million of ongoing cost reductions starting in 2022. These are mainly as a result of lower amortization charges and lower rent expenses.

"These difficult but necessary changes make us more confident than ever about our future," said Rania Llewellyn, President & Chief Executive Officer. "As an organization we have never been more unified, with a renewed management team and employees that are focused on our customers. We continue to maintain a strong capital and liquidity position that support our strategic investments in the Bank's future and reposition us for sustainable, long-term profitable growth."

Conference Call

A conference call to discuss these announcements will take place on November 23, 2021, at 9:00 a.m. ET and is expected to last approximately 30 minutes. Participating in the call will be: Rania Llewellyn, President and CEO and Yvan Deschamps, Executive Vice President and CFO. The live, listen-only, toll-free, call-in number is 1-800-289-0438, code 9878978. A live webcast and the presentation material referenced during the call will also be available on the Bank's website, lbcfg.ca - Investor Centre, tab Presentations and events. The conference call playback will be available on a delayed basis from 12:00 p.m. ET on November 23, 2021 until December 23, 2021 at 12:00 p.m. ET.

Laurentian Bank will announce its fourth quarter and fiscal 2021 results on December 10 and will host an earnings conference call at 8 a.m. ET. This will be followed by a Virtual Investor Day at 10 a.m. ET. Please see the Bank's website, lbcfg.ca - Investor Center, for more details.

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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 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 2,800 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 \$44.9 billion in balance sheet assets and \$31.2 billion in assets under administration.

1 This is non-GAAP financial measure. 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. See the Bank's Management's Discussion and Analysis for the nine months ending July 31, 2021 for more information.

2 This is a non-GAAP ratio. Non-GAAP ratios are not standardized financial measures under the financial reporting framework used to prepare the financial statements of the Bank to which the non-GAAP ratios relate and might not be comparable to similar financial measures disclosed by other issuers. Adjusted measures used as a component of the non-GAAP ratios are non-GAAP financial measures.

3 Capital ratios are disclosed by the Bank in accordance with OSFI's "Capital Adequacy Requirements" guideline.