

# INVESTOR PRESENTATION

## Second Quarter 2020



# 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 below, 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](http://www.sedar.com).

We do not undertake to update any forward-looking statements, whether oral or written, made by us or on our behalf, except to the extent required by securities regulations.



# FRANÇOIS DESJARDINS

President and Chief Executive Officer



# A proactive approach to support our customers

**Helping customers improve their financial health  
in good times and bad**



**Early activation of  
Business Continuity Plan**



**80% of our Team  
members working safely  
from home**



**Offering customers  
support & advice including  
Relief programs for those  
in need**



# A solid foundation

**Providing the Bank with operational flexibility**



**Strong capital  
position**



**High level of  
liquidity**



**Conservative credit  
portfolio**



# Completing what we started

Setting a strong foundation, working on profitable growth  
and enhancing performance



**Working to complete  
core banking**



**Expanding the Advisor  
team as 100% Advice  
model gains  
momentum**



**Timely digital offering  
as consumer adoption  
accelerates**





There when  
it **counts**,  
since 1846.

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Laurentian Bank Financial Group has been helping Canadians for nearly 175 years, by providing the financial advice and tools you need to achieve every goal.

[Learn more](#)





# FRANÇOIS LAURIN

Executive Vice-President  
And Chief Financial Officer





# **FINANCIAL RESULTS**

# Q2/20 Financial Performance

Adjusted <sup>(1)</sup>	Q2/20	Q/Q	Y/Y
Net Income (\$M)	\$ 11.9	-68%	-76%
Diluted EPS	\$ 0.20	-75%	-81%
ROE	1.5%	-430 bps	-680 bps
Efficiency Ratio	74.8%	-180 bps	130 bps

Reported	Q2/20	Q/Q	Y/Y
Net Income (\$M)	\$ 8.9	-72%	-79%
Diluted EPS	\$ 0.13	-81%	-86%
ROE	1.0%	-400 bps	-630 bps
Efficiency Ratio	76.4%	-270 bps	10 bps

## Q2/20 Highlights

### Y/Y and Q/Q

- Impacted by an increase in provisions for credit losses, driven by an adverse shift in forward looking economic scenarios related to COVID-19
- Reported measures were impacted mainly by items related to business combinations (details on the next page)



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

# Adjusting Items in Q2/20

(\$ millions, except per share amounts)	Q2/20			Q1/20			Q2/19		
	Before taxes	After taxes	EPS	Before taxes	After taxes	EPS	Before taxes	After taxes	EPS
<b>Adjusting items</b>									
<b>Restructuring charges</b>									
Severance charges	\$ 0.2	\$ 0.1	\$ 0.01	\$ 2.8	\$ 2.1	\$ 0.05	\$ 2.4	\$ 1.8	\$ 0.04
Other restructuring charges	0.1	0.1	–	(0.1)	(0.1)	–	1.0	0.7	0.02
Total restructuring charges	0.3	0.2	0.01	2.7	2.0	0.05	3.4	2.5	0.06
<b>Items related to business combinations</b>									
Amortization of net premium on purchased financial instruments	0.2	0.1	–	0.2	0.2	–	0.4	0.3	0.01
Amortization of acquisition-related intangible assets	3.5	2.7	0.06	3.4	2.5	0.06	3.4	2.6	0.06
Total items related to business combinations	3.7	2.8	0.06	3.6	2.7	0.06	3.8	2.9	0.07
Total adjusting items <sup>(1)</sup>	\$ 4.0	\$ 3.0	\$ 0.07	\$ 6.4	\$ 4.7	\$ 0.11	\$ 7.3	\$ 5.4	\$ 0.13



(1) The impact of adjusting items may not add due to rounding.

# Total Revenue

(\$ millions)	Q2/20	Q/Q	Y/Y
Net interest income	<b>\$170.7</b>	1%	4%
Other income	<b>69.4</b>	-1%	-8%
Total revenue	<b>\$240.1</b>	1%	—%

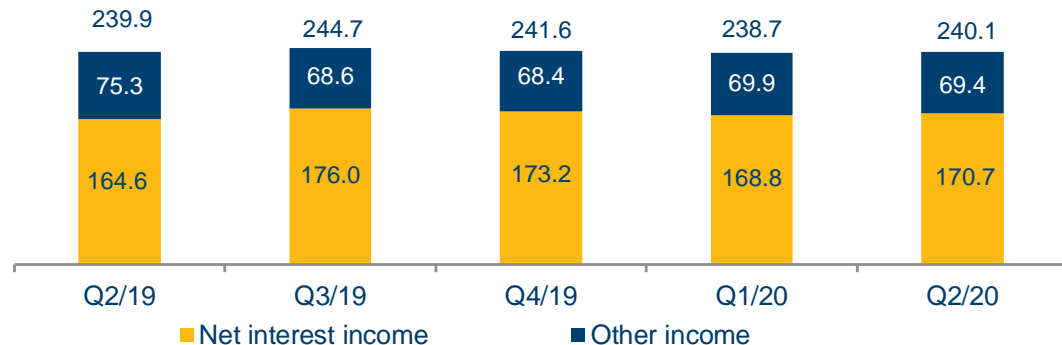
## Q2/20 Highlights

### Y/Y

- Total revenue was relatively unchanged
- Net interest income up by \$6.2M, mainly due to a higher proportion of higher-yielding loans to business customers and an improvement in funding costs, partly offset by a decrease in loan volumes for personal customers and a decrease in the Prime/BA spread
- Other income down by \$5.9M (See Other Income slide 14)

## Total Revenue

(\$ millions)



### Q/Q

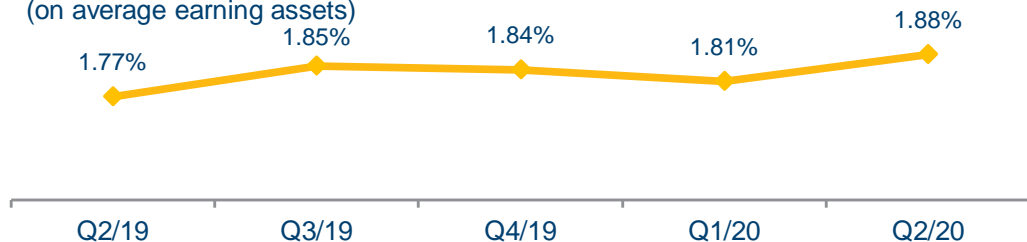
- Total revenue up by \$1.4M
- Net interest income increased by \$2.0, mainly due to the same reasons as noted above
- Other income down by \$0.5M (See Other Income slide 13)



# Net Interest Margin (NIM)

## Net Interest Margin

(on average earning assets)



## Q2/20 Highlights

### Y/Y

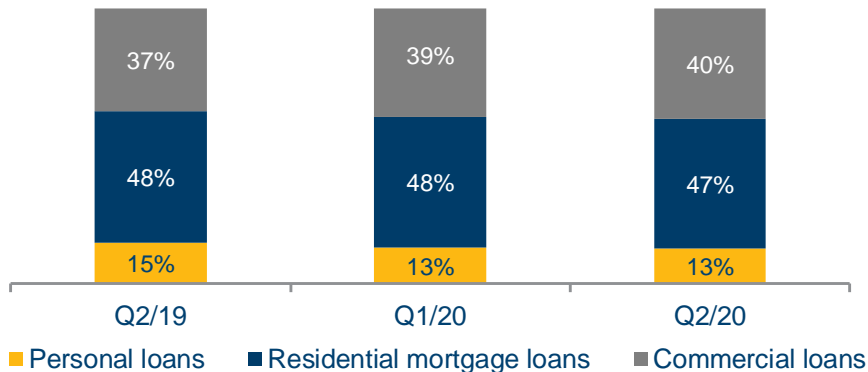
- NIM up by 11 bps Y/Y mainly as a result of the change in the loan portfolio mix and the improvement in funding costs, and was partly offset by the decrease in the Prime/BA spread

### Q/Q

- NIM up by 7 bps mainly due to the same reasons as noted above

## Loan Portfolio Mix

(\$ billions)



# Other Income

(\$ millions)	Q2/20	Q/Q	Y/Y
Lending fees	\$ 14.8	-3%	1%
Fees and securities brokerage commissions	12.2	15%	5%
Commissions from sales of mutual funds	10.2	-6%	-5%
Service charges	8.5	-9%	-18%
Income from financial instruments	6.9	44%	-12%
Card service revenues	6.7	-22%	-20%
Fees on investments accounts	4.6	10%	-2%
Other	3.4	10%	6%
Insurance income, net	2.1	-32%	-43%
	\$ 69.4	-1%	-8%

## Q2/20 Highlights

### Y/Y

- Other income down by \$5.9M mainly due to a decrease of:
  - \$1.9M in service charges due to the ongoing changes to the retail banking environment and related customer behavior
  - \$1.7M in card service revenues as transaction volumes declined as a result of the COVID-19
  - \$1.6M in insurance income driven by higher customer claims

### Q/Q

- Other income down by \$0.5M, as a result of similar items noted above and partially offset by \$1.6M increase in fees and securities brokerage commissions mainly due to strong results from fixed Income operations



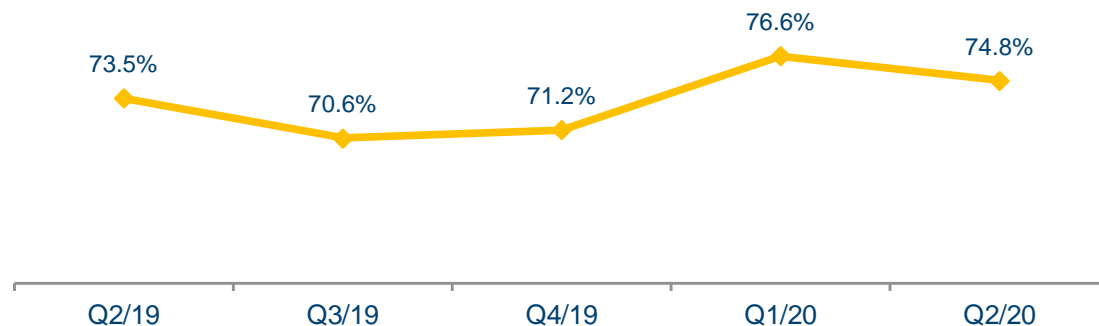
# Adjusted Non-Interest Expenses (NIE)

Adjusted NIE (\$ millions)	Q2/20	Q/Q	Y/Y
Salaries and employee benefits	\$ 94.0	-1%	4%
Premises and technology	50.7	2%	0%
Other	34.9	-7%	-1%
	\$ 179.6	-2%	2%

## Q2/20 Highlights

- Adjusted Y/Y up by \$3.4M
  - Salaries and employee benefits up \$3.5M, mainly due to higher wages and special compensation paid to team members whose were required to work in our offices during this pandemic, and an increase in performance-based compensation related to brokerage operations and sale driven compensation
  - Premises and technology costs relatively stable
  - Other expenses down by \$0.1M
- Adjusted Q/Q down by \$3.1M
  - The decrease is mainly due to lower share-based compensation, as well as lower advertising and business development costs

## Adjusted Efficiency Ratio

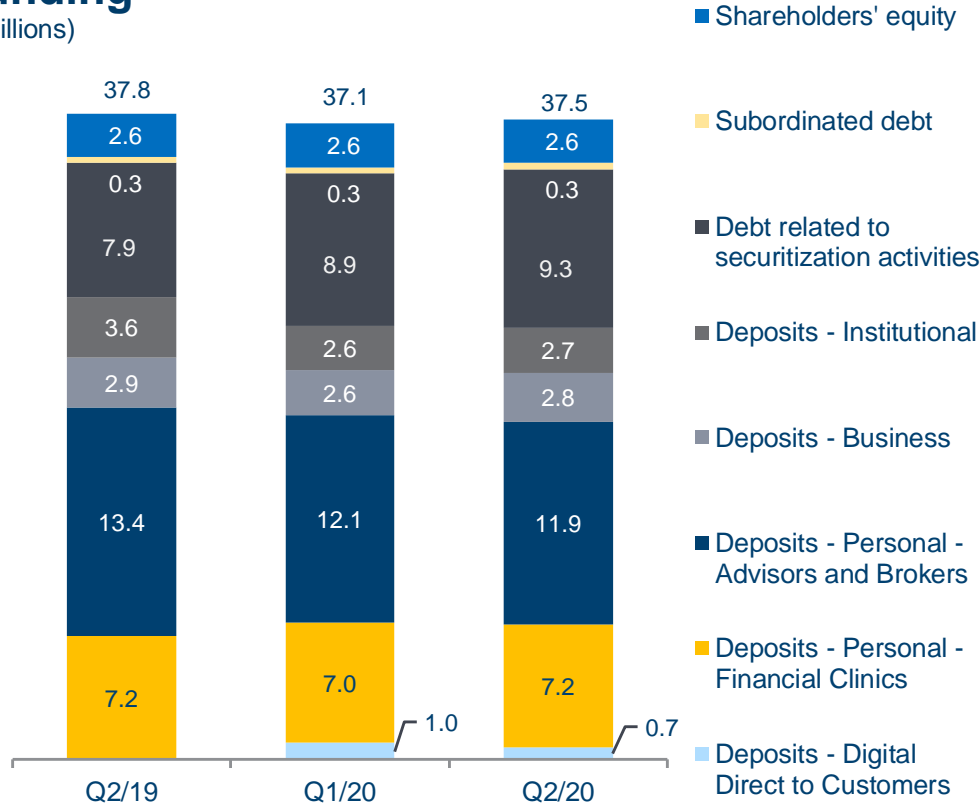




# Well Diversified and Stable Sources of Funding

## Funding

(\$ billions)



Total deposits decreased by 7% Y/Y, mainly as a result of lower asset levels, and remained stable Q/Q

- Institutional deposits decreased by \$0.9B Y/Y and \$0.4B Q/Q
- Client deposits decreased by \$0.8B Y/Y and by \$0.3B Q/Q as a result of the lower asset level
  - Demand deposits of LBC Digital stood at \$0.7B, in line with our expectations

Personal deposits represents 78% of total deposits as at April 30, 2020 and contributed to our good liquidity position

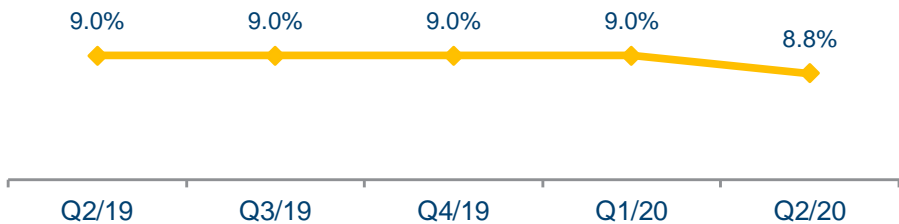
Debt related to securitization up by \$0.4B Q/Q and \$1.4B Y/Y:

- \$1.1B of residential mortgage loans
- \$0.1B of equipment finance loans
- \$0.2B of investment loans

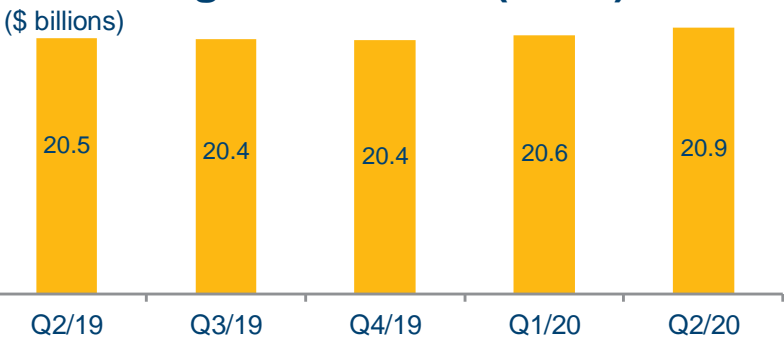


# Regulatory Capital

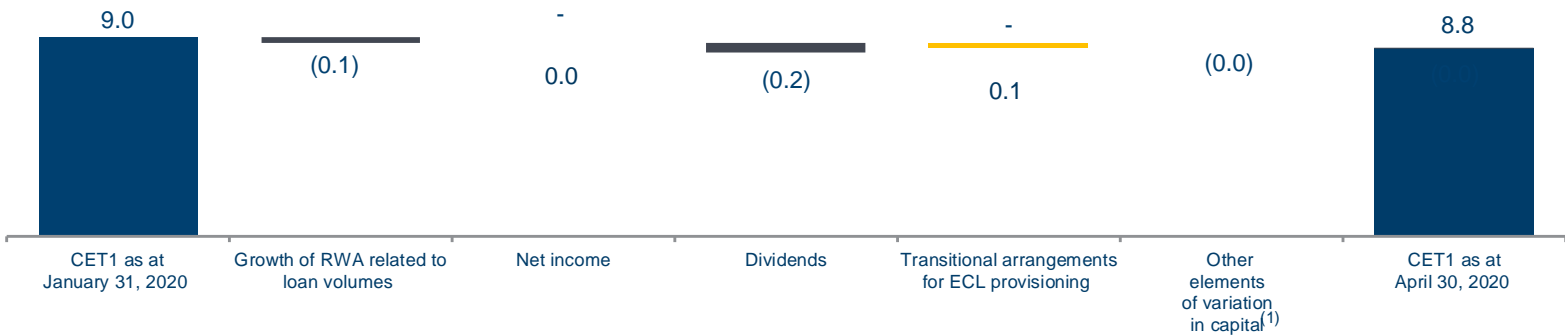
## Common Equity Tier 1 Capital Ratio (CET1)



## Risk-Weighted Assets (RWA)



## Evolution of the CET1 Ratio (in %)



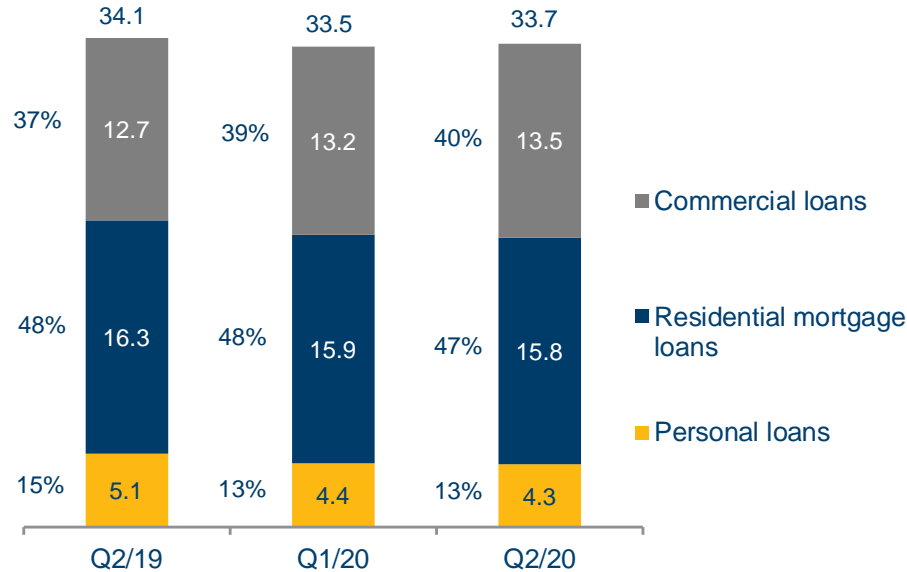
(1) Comprised of other variations in other comprehensive income, as well as deductions for software and other intangible assets, pension plan assets and other.

# **RISK REVIEW**

# Positioning the Bank for Profitable Growth

## Loan Portfolio Mix

(\$ billions)



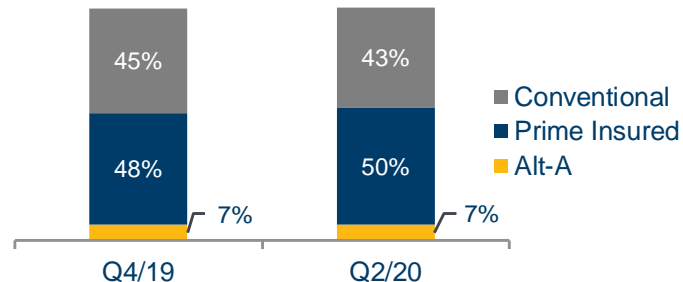
Total loans decreased by \$0.4B Y/Y and increased by \$0.2B Q/Q

- Commercial loans increased by 6% Y/Y and by 3% Q/Q. The Q/Q increase is mainly due to inventory and equipment financing volumes
- Residential mortgage loans decreased by 3% Y/Y and was relatively stable Q/Q
- Personal loans decreased by 15% Y/Y and by 3% Q/Q. Decrease is mainly due to the continued reduction in the investment loan portfolio



# Residential Mortgage Loan Portfolio – High Quality

## Insured vs Uninsured

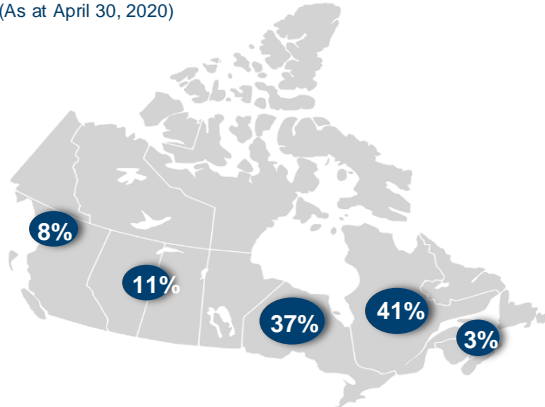


## Insured, Uninsured & Loan to Value (LTV) by Province – Conservative LTV's

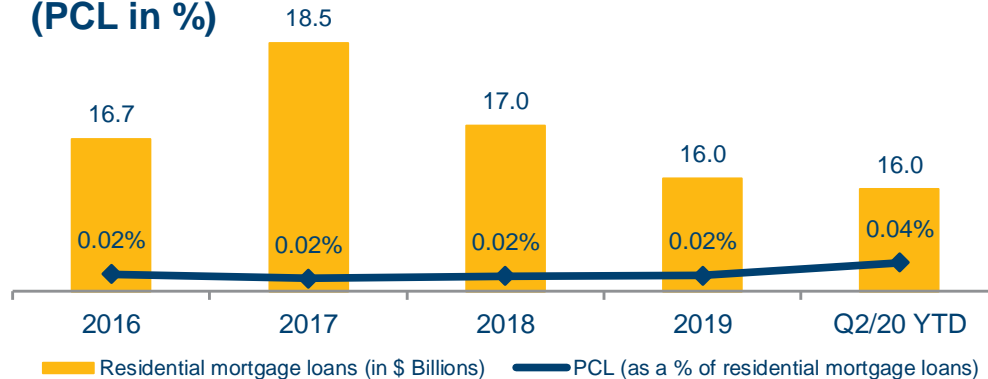
As at April 30, 2020	% of Residential Mortgage Loan Portfolio		LTV % <sup>(1)</sup>
	Uninsured	Insured	
British Columbia	37%	63%	58%
Alberta & Prairies	18%	82%	71%
Ontario	54%	46%	51%
Quebec	58%	42%	55%
Atlantic Provinces	24%	76%	68%
Total	50%	50%	56%

## A pan-Canadian Portfolio

(As a % of residential mortgage portfolio)  
(As at April 30, 2020)



## Credit Quality – Provision for Credit Losses (PCL in %)

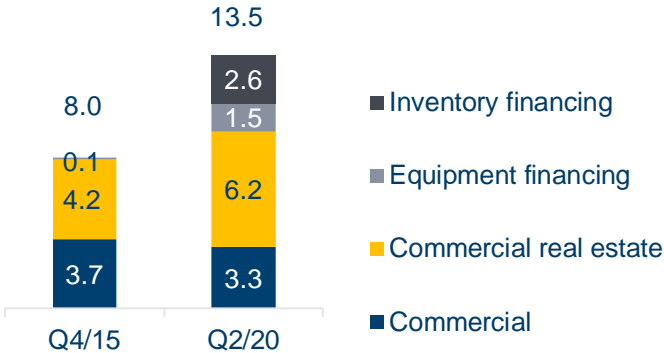


(1) Reflects current estimated value of collateral, including HELOCs.

# Commercial Loan Portfolio: Strong, Diversified and Growing

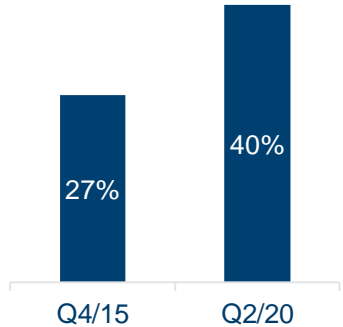
## Commercial Loan Portfolio

(In \$ Billions)



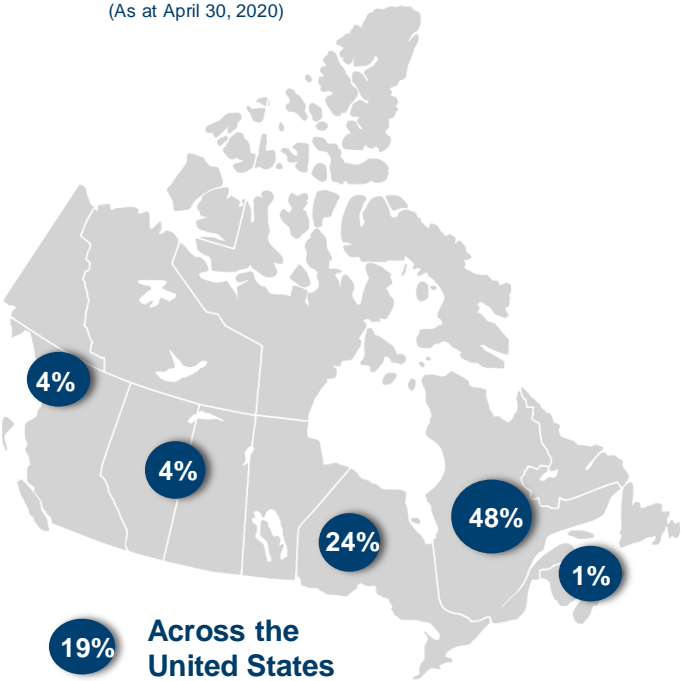
## Commercial Loans

(As a % of total loans)

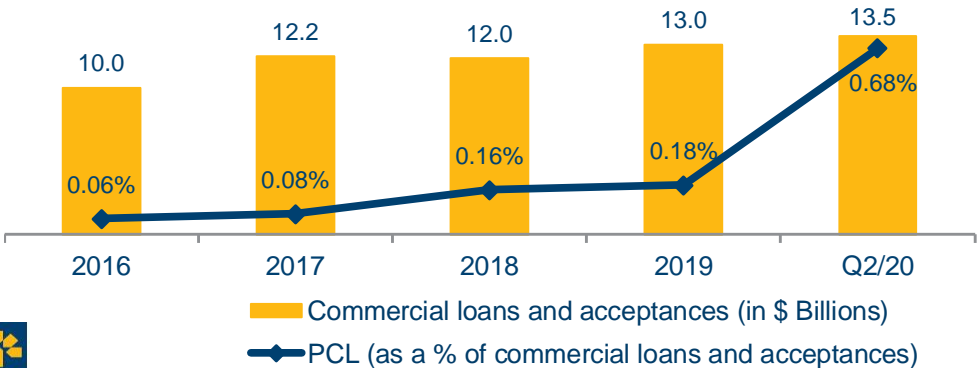


## A pan-Canadian Portfolio and a U.S. Presence

(As a % of commercial loan portfolio)  
(As at April 30, 2020)



## Credit Quality



# Payment deferrals

As at April 30, 2020 (Millions of Canadian dollars )	\$ Deferred payments	\$ Loan value	As a % of loan portfolio
Personal loans	1	6	0.1%
Residential Mortgages	50	3,061	19.3%
Commercial loans <sup>(1)</sup>	58	1,374	10.5%
Total	109	4,441	13.3%

(1) Including BAs





# Forward-looking Economic Scenarios

High weights were assigned to the base and downside scenarios, with a small residual weight to the upside scenario

Base	Downside	Upside
Relatively is short but steep recession followed by a moderate rebound	Recession is more pronounced due to prolonged shutdowns	Milder recession and the economic activity resumes as the virus is brought under control
GDP at its pre-pandemic level in early 2021	GDP reaches pre-pandemic level in 2022	Structural economic damage is limited, as businesses and individuals return to normal activities
Home prices decline gradually and temporarily	Moderate correction in home prices	Home prices remains relatively unaffected
Unemployment peaks at the early 1990's recession level and 2/3 of the shock reversed by end of 2020	Unemployment reaches an all-time high post-WWII	Most of the unemployment increase is reversed early in 2021
Market risk appetite rebounds in Summer 2020 due to improving economic expectations	Weaker economic rebound reflects a slower easing in restrictions and additional balance sheet stress for individuals and companies	Market risk appetite rebounds in Summer 2020 due to improving economic expectations
Yield curve stays relatively flat and rates remain at historical lows	Interest rates across the yield curve remain low for a prolonged period	Interest rates rebound gradually starting in 2021



# Provision for Credit Losses (PCL)

PCL (\$ millions)	Q2/20	Q1/20	Q2/19
Personal Loans			
Stage 1 and 2	\$ 9.6	\$ (2.9)	\$ (1.8)
Stage 3	7.8	6.9	6.1
	17.4	4.0	4.3
Residential Mortgage Loans			
Stage 1 and 2	0.8	0.4	(0.2)
Stage 3	0.6	1.1	0.7
	1.4	1.5	0.5
Commercial Loans			
Stage 1 and 2	21.0	0.9	0.3
Stage 3	15.1	8.5	4.1
	36.1	9.4	4.4
	\$ 54.9	\$ 14.9	\$ 9.2

## Q2/20 Highlights

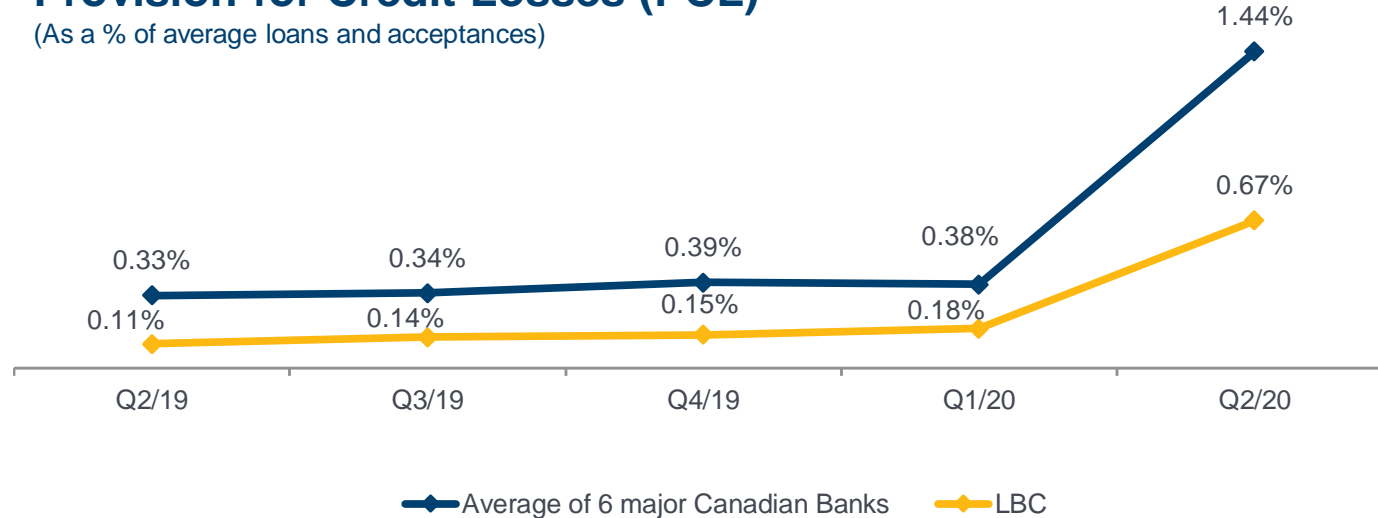
- PCL increased by \$45.7M Y/Y and \$40.0M Q/Q mainly due to provisions in the commercial and personal loan portfolio
- The increase is primarily driven by the outbreak of COVID-19 which led to adverse shift in forward-looking economic scenarios and respective probability weights
- 98% of our loan portfolio is collateralized



# Provision for Credit Losses (PCL)

## Provision for Credit Losses (PCL)

(As a % of average loans and acceptances)



### Q2/20 Highlights

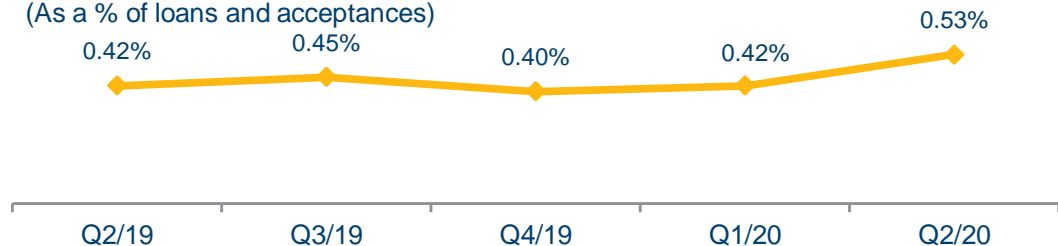
- Provision for Credit Loss ratio continues to compare favorably to the 6 major Canadian banks due to our disciplined underwriting standards and the strength of our collateral



# Impaired Loans

## Net Impaired Loans (NIL)<sup>(1)</sup>

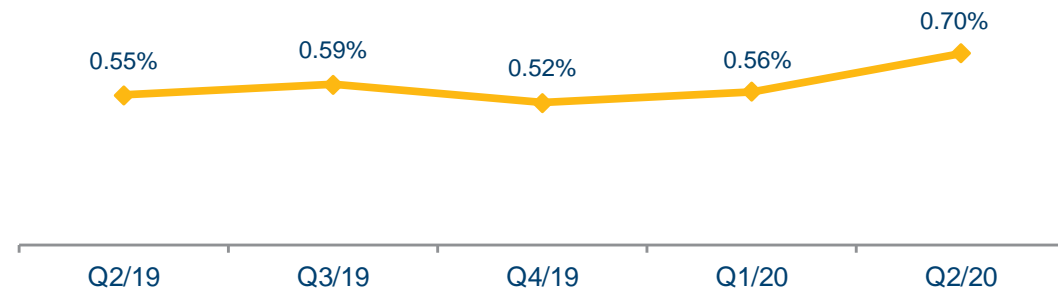
(As a % of loans and acceptances)



- Net impaired loans of \$175.5M increased by \$33.2M Y/Y and \$34.8M Q/Q

## Gross Impaired Loans

(As a % of loans and acceptances)



- Gross impaired loans of \$235.2M, increased by \$48.5M Q/Q and \$48.3M Y/Y mainly due to an increase in the commercial loan portfolio
- Allowances for loan losses against impaired loans increased due to collective allowance which are impacted by the adverse shift in forward-looking economic scenarios related to COVID-19 and respective probability weights as well as by individual allowances



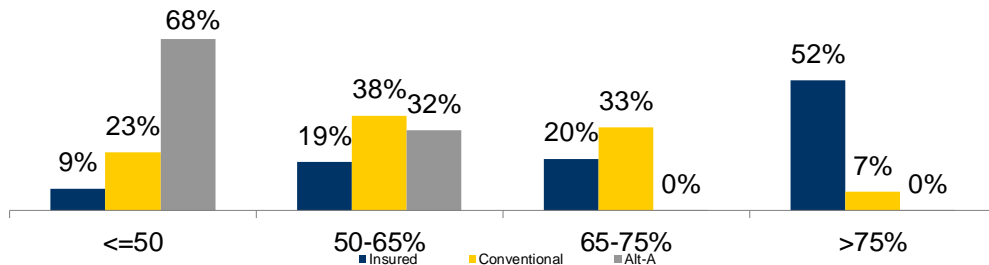
(1) Net impaired loans are calculated as gross impaired loans less allowances against impaired loans.

# APPENDICES

# High Quality Mortgage Loan Portfolio – Low Loan-to-Value

## Loan-to-Value Distribution

(As at April 30, 2020)

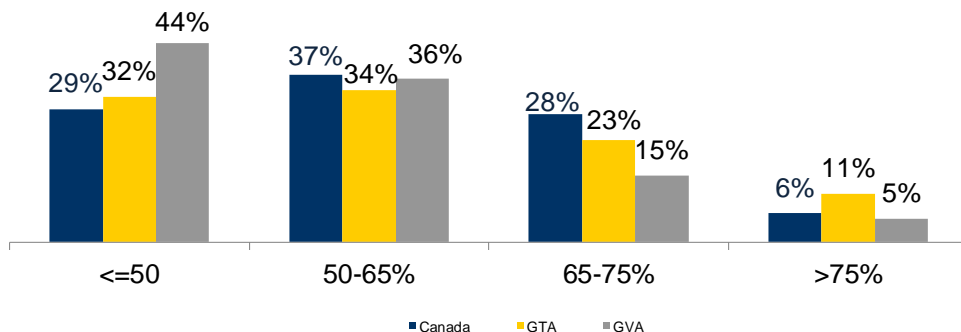


We target the high end of the Alt-A market through low LTV ratios

- Vast majority of uninsured and Alt-A mortgages have LTVs of 75% or less
  - 93% of Conventional portfolio
  - 100% of Alt-A portfolio

## Loan-to-Value Distribution (Uninsured) <sup>(1)</sup>

(As at April 30, 2020)



- Substantial buffer against potential home price declines with LTVs of 75% or less
  - 94% of total portfolio
  - 89% of GTA portfolio
  - 95% of GVA portfolio



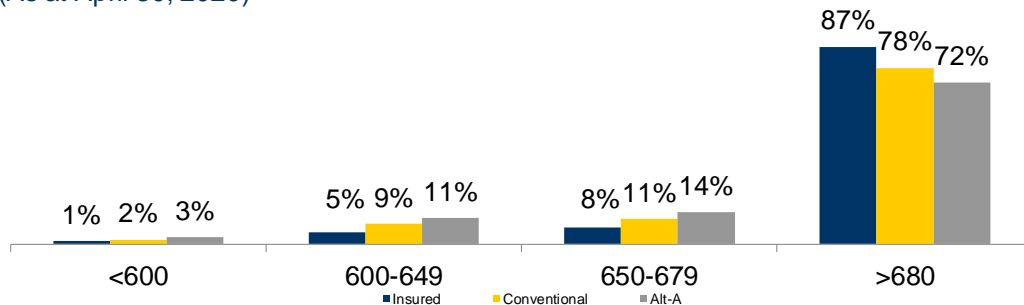
(1) Uninsured includes prime uninsured and plus Alt-A.

(2) GTA: Greater Toronto Area; GVA: Greater Vancouver Area.

# High Quality Mortgage Loan Portfolio – Low Loan-to-Value

## Beacon Distribution

(As at April 30, 2020)



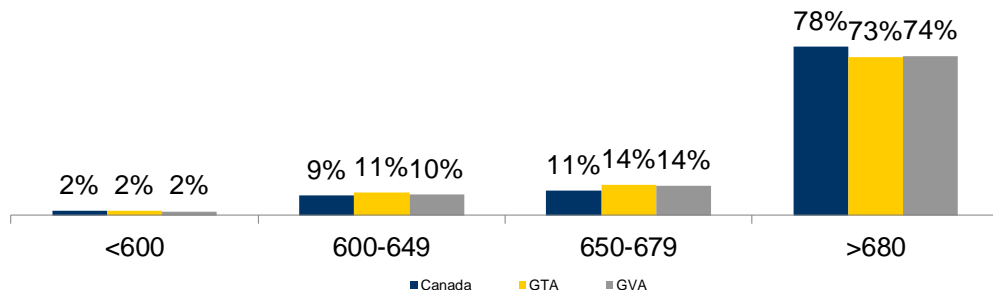
We target high end of the Alt-A market through high beacon scores

Vast majority of Alt-A and uninsured portfolios with beacon scores > 650

- 89% of Conventional portfolio
- 86% of Alt-A portfolio

## Geographic Beacon Distribution (Uninsured) (1)

(As at April 30, 2020)



- High credit worthiness of the portfolio with beacon scores > 650
  - 89% of total portfolio
  - 87% of GTA portfolio
  - 88% of GVA portfolio



(1) Uninsured includes prime uninsured and Alt-A.

(2) GTA: Greater Toronto Area; GVA: Greater Vancouver Area.



# Non-GAAP Measures

(\$ millions, except per share amounts)	Q2/20	Q1/20	Q2/19
<b>Reported net income</b>	<b>\$ 8.9</b>	<b>\$ 32.2</b>	<b>\$ 43.3</b>
<i>Adjusting items, net of income taxes<sup>(1)</sup></i>			
Restructuring charges			
Severances charges	0.1	2.1	1.8
Other restructuring charges	0.1	(0.1)	0.7
	0.2	2.0	2.5
Items related to business combinations			
Amortization of net premium on purchased financial instruments	0.1	0.2	0.3
Amortization of acquisition-related intangible assets	2.7	2.5	2.6
	2.8	2.7	2.9
	3.0	4.7	5.4
<b>Adjusted net income</b>	<b>\$ 11.9</b>	<b>\$ 36.9</b>	<b>\$ 48.7</b>
<b>Reported diluted earnings per share</b>	<b>\$0.13</b>	<b>\$0.68</b>	<b>\$0.95</b>
Adjusting items	0.07	0.11	0.13
<b>Adjusted diluted earnings per share</b>	<b>\$0.20</b>	<b>\$0.79</b>	<b>\$1.08</b>



(1) The impact of adjusting items may not add due to rounding.

# **Investor Relations Contact**

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