FINAL TRANSCRIPT

Laurentian Bank of Canada

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PRESENTATION

Operator

Welcome to the Laurentian Bank Quarterly Financial Results Call.

Please note that this call is being recorded.

I would now like to turn the meeting over to Raphael Ambeault, Head, Investor Relations. Please go ahead, Raphael.

Raphael Ambeault — Head of Investor Relations, Laurentian Bank of Canada

Bonjour à tous. Good morning and thank you for joining us. Today's opening remarks will be delivered by Eric Provost, President and CEO, and the review of the fourth quarter as well as the full year financial results will be presented by Yvan Deschamps, Executive Vice President and CFO, after which we'll invite questions from the phone. Also joining us for the question period is Christian De Broux, Executive Vice President and CRO.

All documents pertaining to the quarter can be found on our website in the Investor Relations section.

I'd like to remind you that during this conference call, forward-looking statements may be made, and it is possible that actual results may differ materially from those projected in such statements. For the complete cautionary note regarding forward-looking statements, please refer to our press release or to Slide 2 of the presentation.

I would also like to remind listeners that the bank assesses its performance on a reported and adjusted basis and considers both to be useful in assessing underlying business performance. Eric and Yvan will be referring to adjusted results in their remarks unless otherwise noted, as reported.

I will now turn the call over to Eric.

Eric Provost — President, Chief Executive Officer, Laurentian Bank of Canada

Bonjour à tous. Merci Raphael, et bienvenue à notre appel conférence pour le quatrième trimestre et l'année 2024. Good morning and thank you for being with us today.

While this year has certainly presented its sets of challenges, we overcame them with resilience. We started the year resolving an outage, navigated an uncertain economic environment marked by global slowdown, and made the difficult decision to reduce our workforce. Despite these headwinds, the team at Laurentian Bank has demonstrated incredible dedication, and I am proud of what we have accomplished and the progress we've made through our collective efforts.

First, we introduced a strategic plan with a clear focus. In other words, we stopped being everything to everyone. We zeroed in on the areas where we have scale and where we believe we can succeed as a team. The strategic shift drove our decisions in Capital Markets, including the successful sale of our Laurentian Bank Securities retail activities. This process was completed in two phases: the divestiture of our full brokerage activities in August, and the divestiture of our discount brokerage activities last week.

Second, we went back to our roots. We are enhancing our processes to maximize efficiency and most importantly to ensure we are delivering sustained value to our customers. While growth will come from this foundation, our first priority is to be efficient.

Lastly, over the past year, we implemented key changes to strengthen our organization, which included building a renewed leadership team and streamlining our organizational structure. These changes were designed to transform our Company culture, fostering a greater focus on customer-centric values, efficiency, and accountability at every level.

We're now six months into the strategic plan we outlined in May, and I'd like to take a moment to recap our key objectives. We are focused on expanding our presence in Commercial Banking specializations. At the same time, we remain committed to meeting the needs of our retail customers. In the mid-term, we aim to offer a competitive suite of personal banking services that cater specifically to the middle working class. To support these efforts, we are ramping up our investments in technology— while always keeping a customer focus at the core of everything we do.

The growth we are building is supported by a strong balance sheet, with solid liquidity and capital levels that position us well for future asset growth. Our loan portfolio's performance highlights our credit strength, with deep specialization and rigorous underwriting practices that sets us apart. Our PCLs remain materially lower than the industry average, underscoring our careful risk management. Loan growth has slowed, primarily due to the uncertain economic environment. As previously mentioned, this decline has been driven by delays in commercial real estate projects, largely influenced by the current rate environment, as well as a more cautious approach to using credit lines in our inventory financing business. However, we are pleased to report that inventory financing has onboarded over 350 new dealers, equivalent to a 6% increase year-over-year, expanding our reach across North America to now over 6,300 dealers, and positioning us for future growth.

This quarter, we announced the merger of our equipment finance and inventory financing businesses under a single brand, Northpoint Commercial Finance. Northpoint has been consistently recognized for its strong customer service, and its world-class NPS score is a clear proof point. This merger positions Northpoint as a leading specialty financing platform in North America with solid brand recognition. We believe that by combining our equipment and inventory financing businesses, we can accelerate growth as we simplify our go to market strategy and enhance value proposition to address the needs of the full ecosystem; from the manufacturer through the dealers and to the end users.

We are confident in our ability to execute on our strategic plan. Our proven track record in Commercial Banking is being extended across the organization. The executive team, along with our employees, is fully committed to delivering on these objectives, and we are confident that we will achieve our medium-term financial targets.

Looking ahead to 2025, our focus is on executing on our key priorities. We will continue investing to ensure we build a solid foundation for long-term success. This includes modernizing our systems to streamline operations, reduce manual processes and drive efficiency gains—all while strengthening our resilience and enhancing the customer experience. These efforts with investments in the short-term will not only deliver cost savings but will position us for long term profitability.

We have a solid liquidity and capital positions, however we are not satisfied with our current financial results. We are making the right decisions to create a stronger and more profitable organization. In 2025, we expect our four growth drivers to trend as follows:

- The commercial loan mix is expected to increase following loan growth in the latter part of 2025, leading to a positive impact on net interest margin. As for deposits, they will remain managed in line with loans.

I would now like to turn the call over to Yvan to review our financial performance.

Yvan Deschamps — Executive Vice President, Chief Financial Officer, Laurentian Bank of Canada

Merci Eric, et bonjour à tous. I would like to begin by turning to Slide 8 which highlights the Bank's financial performance for 2024.

Total revenue for the year was $1.02 billion, down 1% compared to last year. On a reported basis, net loss and diluted EPS were -$5.5 million and -$0.47 respectively. On an adjusted basis, we generated a net income of $168.7 million in fiscal 2024 or $3.57 per share. Adjusting items after taxes include:

- A PNC banking impairment charge of $125.6 million;

- Restructuring and other impairment charges of $53.3 million;

- Amortization of acquisition-related intangible assets of $7.3 million; and profit on sale of assets under administration of $12.1 million.

Additional details are available on Slide 23 and in the 2024 annual report to shareholders.

The remainder of my comments will be on an adjusted basis and focused on the fourth quarter.

Total revenue, as seen on Slide 9, was $236.8 million, down 4% year-over-year and 8% sequentially, mainly from lower loan volumes and lower fees and securities brokers commissions partly related to the divestiture of the retail full-service investment brokerage division of Laurentian Bank Securities last August.

Diluted EPS of $0.89 was down 11% year-over-year and up 1% quarter-over-quarter. Net income of $40.9 million was down by 8% compared to last year and 5% compared to last quarter.

The Bank's efficiency ratio increased by 300 basis points compared to last year and by 170 basis points sequentially. The increase year-over-year reflects our ongoing investments in strategic priorities and the impact of lower loan volumes. Our ROE for the quarter stood at 6.2%, in line with the previous quarter.

Slide 10 shows net interest income down by $9 million or 5% year-over-year, mainly due to lower commercial loan volumes. On a sequential basis, net interest income was down by $6.9 million or 4% for the same reasons. Our net interest margin was up 1 basis point year-over-year and down 2 basis points sequentially at 1.77%, impacted by lower average commercial loan volumes.

Slide 11 highlights the Bank's funding position. We are managing our funding in line with our loan book. On a sequential basis, total funding was stable. Partnership deposits decreased by $200 million as customers continued to allocate funds back into market activity, which was offset by an increase in our cost-efficient long-term debt related to securitization activities. The Bank maintained a healthy Liquidity Coverage Ratio through the quarter, which remains at the high end of the industry.

Slide 12 presents other income of $62.9 million, which was lower by 3% compared to last year and 17% compared to last quarter due to lower fees and securities brokerage commissions following the divestiture of the retail full-service investment brokerage division, lower income from financial instruments and lower lending fees due to tempered commercial real estate activity.

Slide 13 shows adjusted net interest expenses of $177.7 million, stable compared to last year and down 6% sequentially following the divestiture previously mentioned and due to efficiency gains driven by the reduced headcount, lower seasonal payroll taxes, as well as lower performance-based compensation.

On Slide 14, you'll see that our CET1 ratio remains stable at 10.9%. We are maintaining a solid position and we are well positioned to redeploy capital in the latter part of 2025 as growth is expected to resume when the environment uncertainty reduces and rate reductions continue to materialize.

Slide 15 highlights our commercial loan portfolio, which was down $1.2 billion or 7% year-over-year and up $100 million or 1% on a sequential basis.

Slide 16 provides details of our inventory financing portfolio. This quarter, utilization rates were 42 percent, remaining below historical averages and with dealers continuing to take a more conservative approach to inventory restocking. Our Commercial Real Estate pipeline remains healthy, as we continue to see developers waiting for further rate reductions to start projects, but we experienced some positive signs in the multi-residential segment.

Slide 17 illustrates that most of our commercial real estate portfolio is focused on multi-residential housing with our exposure to the office segment holding steady at 3% of our commercial loan portfolio. As noted in previous quarters, the bulk of our portfolio consists of multi-tenant properties with minimal exposure to single-tenant buildings.

Slide 18 presents the Bank's residential mortgage portfolio. Residential mortgage loans were down 1% year-over-year and slightly up by one percent on a sequential basis. We adhere to cautious underwriting standards and are confident in the quality of our portfolio. This is reflected in our 60% proportion of insured mortgages and a low Loan-to-Value ratio of 49 percent on the uninsured portion.

Allowances for credit losses on Slide 19 totaled $204 million, down $20.4 million compared to last quarter, mainly due to lower allowances on impaired commercial loans.

Turning to Slide 20, the provision for credit losses was $10.4 million, a decrease of $6.3 million from a year ago, impacted by higher releases of provisions on performing loans. Sequentially, PCLs were down $5.8 million mainly from lower provision on impaired loans. As a percentage of average loans and acceptances, PCLs decreased by 6 basis points year-over-year and quarter-over-quarter to 12 basis points.

Slide 21 provides an overview of impaired loans. On a year-over-year basis, gross impaired loans increased by $150.8 million due to credit migration in commercial loans and were essentially stable sequentially. Our disciplined approach to underwriting along with the high quality and strong collateralization of our loan portfolio—around 93%—enables us to effectively navigate macroeconomic fluctuations and related credit migration without any impact on our ACL and PCL results. We remain committed to a prudent and disciplined approach to risk management.

As we look ahead to 2025, I would like to note a few key points:

- We expect our loan book to be relatively stable with growth in commercial loans mostly in the latter part of the year, positioning us well for NII growth in 2026.

- NIM will gradually benefit from the increased commercial loan in the loan mix.

- For the first quarter, Other income is expected to remain relatively stable and is a good proxy for the remainder of the year.

- Regarding the efficiency ratio for the first quarter, we expect it to be relatively in line with Q4, driven by the seasonal increase in payroll taxes at the start of the year and the reset of performance-based compensation. As for 2025, a key highlight will be our increased investments in cloud computing technology with a higher proportion of operating expenses compared to traditional capitalized expenses for on-premises technology. Cloud computing technology will provide significant medium to long-term benefits due to reduced future depreciation and update costs, but it will create short-term pressure as we progress through 2025, leading to an efficiency ratio relatively in line with our first quarter guidance. The investments we are making in our IT infrastructure will not only improve the customer experience and improve our digital offering, but it will also simplify our infrastructure and improve our processes, leading to efficiency gains in the medium-term to achieve financial targets.

- Considering the macroeconomic environment and our bank mix, PCLs are expected to be in the high teens for 2025.

- Our tax rate is expected to increase in the 19 to 20% range, starting in the first quarter of 2025, taking into account the new Pillar 2 International Tax Reform.

Capital and liquidity levels are solid and are expected to remain strong for Q1 and the remainder of 2025. As a reminder, an LRCN interest payment is due next quarter and will have an impact of $0.06 on our EPS.

I will now turn the call back to the Operator.

Q & A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session.

Should you have a question, please press star, followed by the one on your touchtone phone. You will hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press star, followed by the two. If you are using a speakerphone, please lift the handset before pressing any keys.

Your first question comes from Meny Grauman with Scotiabank. Your line is now open.

Meny Grauman — Analyst, Scotiabank

Hi, good morning. Yvan, a few questions, one on the efficiency ratio guidance you provided. You're saying Q1 will be in line with Q4, and then will remain relatively stable at that level from there throughout the year? I just want to make sure I understand the pattern for the year on efficiency.

Yvan Deschamps — Executive Vice President, Chief Financial Officer, Laurentian Bank of Canada

Yes Meny, that's pretty much what I mentioned. We should expect the efficiency ratio to remain around the same for 2025 as we continue to invest in our strategic priorities and as we rebuild the loan book. As mentioned, the loan book in the commercial, we expect it to be in the latter part of 2025.

Meny Grauman — Analyst, Scotiabank

That was my second question, so you're saying the latter part of '25, you should get some growth in the commercial loan book, but overall, for the year, you expect loan growth to be essentially flat, even with that uptick in commercial that you're guiding to? Is that correct?

Yvan Deschamps — Executive Vice President, Chief Financial Officer, Laurentian Bank of Canada

Yes, overall, relatively stable for the year, with an uptick in Q4. There is definitely the seasonal aspect of inventory financing, where you're going to see a small increase in Q1 and then a decrease in Q3 as we see every year, but at this point, the restocking at the inventory dealers has been pretty conservative with the current environment. It's been running at 42% for Q4. We expect it to remain below historical averages, which should run around 50%, but we're going to see a gradual normalization towards the latter part of the year.

Meny Grauman — Analyst, Scotiabank

Understood, and then I was hoping you could expand on your comment on capital deployment. Is that you signaling that M&A might be on the table? I just wanted to better understand that.

Yvan Deschamps — Executive Vice President, Chief Financial Officer, Laurentian Bank of Canada

Yes, in fact you should—I'll just start where I just ended. Inventory financing is currently running at 42%. Historical levels would be at 50%. Commercial real estate, we're starting to see good signs in the multi-residential. We would expect it's going to take some quarters, but you should take in our comments that we're pretty confident that our loan book in terms of commercial is going to come back, but towards mostly the latter part of 2025, so we're very comfortable with the capital level that we have right now. We're well positioned to support the growth that we expect to see back from our customers.

Meny Grauman — Analyst, Scotiabank

So, the comment on capital is more about sustaining the loan growth that you're forecasting, not anything else?

Yvan Deschamps — Executive Vice President, Chief Financial Officer, Laurentian Bank of Canada

Exactly, so we want to make sure that as it normalizes in terms of utilization for inventory financing and the rest of the volume comes back, we can support—and adequately support our customers going forward.

Meny Grauman — Analyst, Scotiabank

Understood, thank you.

Operator

Your next question comes from Sohrab Movahedi with BMO Capital Markets. Your line is now open.

Sohrab Movahedi — Analyst, BMO Capital Markets

Hey, thank you very much for taking my question. Just to pick up, Yvan, where you left off, when there is this rebound hopefully in utilization rates and loans, can you talk us through how it will be funded on the other side of the balance sheet? I saw an article that perhaps Laurentian Bank is looking to partner with some, I don't know, let's call it credit firms, private credit firms for about a billion dollars of Northpoint assets, so I just want to make sure I understand how that fits in with the loan growth that you're talking about, and whether or not you are trying to re-think the business model, or do you need actually help on funding some of this rebound in loan growth?

Yvan Deschamps — Executive Vice President, Chief Financial Officer, Laurentian Bank of Canada

Thank you, Sohrab, for your question. I'll start, and Eric's going to have some comments on the Bloomberg article.

In terms of funding of the rebound of the inventory financing, I'll just say generally that business is funded from our Canadian operations, so it's just the general funding mix and various sources that we have, so we're going to—it's going to remain exactly the same. There is no anticipation of changing the way the business is funded, so you shouldn't read anything in the comments I said or anticipate any changes related to that.

Maybe I can let Eric comment on the Bloomberg side.

Eric Provost — President, Chief Executive Officer, Laurentian Bank of Canada

Yes, thank you, Sohrab, for the question, and good morning. Definitely aligned with what we said in the strategic plan, Sohrab, in terms of building those partnerships. We strongly believe in the way we're positioned in Northpoint. We're also strong believers that there is a lot of potential to maximize that operation, so for us to reach out just to make sure that, first of all, we maximize funding mix opportunities, but also we go deeper in terms of potential new industries or expanding the credit box.

What we're looking for is partners that will come along, understand our business model and help us accelerate growth actually in our Northpoint Commercial Finance business.

Sohrab Movahedi — Analyst, BMO Capital Markets

That's helpful, Eric. Can I just clarify, I suppose what you're saying—I just want to make sure I'm understanding this correctly. You are not looking for someone to take on some of the existing loans, you're trying to bring in a partner—you're looking at potential for partnerships as far as go-ahead growth is concerned, is that the right way to think about it?

Eric Provost — President, Chief Executive Officer, Laurentian Bank of Canada

It is, and this is what the article mentioned, to actually pre-approve some future funding opportunities and it can be many that matter, like we could white label some of that operational capability we have out there, so it's really future, Sohrab. It's not to actually off-load any of the assets. We're very comfortable with the assets we have. We like the risk profile of the business, so for us, it is to generate even more opportunities in the future for this platform.

Yvan Deschamps — Executive Vice President, Chief Financial Officer, Laurentian Bank of Canada

And if I can be extremely clear so there is no confusion, we're not looking for liquidities at all, right? The liquidity and the LCR level is at the high end of the industry. We're ready to get more volume from this coming back. Capital is there, liquidity is there. It's really the potential of the business where we can have partners to go above and beyond what we are currently doing.

Sohrab Movahedi — Analyst, BMO Capital Markets

I think that's crystal clear, thank you. Just one final point on that, is that the Bloomberg article made reference to a $1 billion fund. Is that—Eric, is that the potential—you know, Northpoint's potential over a number of years, or like over what sort of a timeframe should Northpoint, if you were able to find a partner, over what sort of a timeframe would you be able to deploy $1 billion?

Eric Provost — President, Chief Executive Officer, Laurentian Bank of Canada

Well, there's a mix in your question, Sohrab. In terms of the medium term of the strategic plan, we stated and we say that we believe that platform could actually double in size in the strategic plan range - that's one. The other one, like Yvan mentioned, we're running at historical low utilization of our credit lines right now at 42%, so just there in terms of normalizing that utilization back to, let's say the 50% range average that we should actually see, is just there an opportunity to again experience rapid growth at one point, once the overall market normalizes. We're just positioning ourselves to make sure that we have all the tools available to us to maximize again that great platform of ours.

Sohrab Movahedi — Analyst, BMO Capital Markets

Okay, that's an interesting development. Thank you very much.

Eric Provost — President, Chief Executive Officer, Laurentian Bank of Canada

Thank you Sohrab.

Operator

Your next question comes from Gabriel Dechaine with National Bank. Your line is now open.

Gabriel Dechaine — Analyst, National Bank Financial

Hi. Can you just give me some numbers, please, with regards to the broker business, so I can kind of make notes on the impact there, the revenue and expense impact of—like, foregone revenues and expenses in the quarter, I guess?

Yvan Deschamps — Executive Vice President, Chief Financial Officer, Laurentian Bank of Canada

Yes, I take into account that you're talking about the full service brokerage…

Gabriel Dechaine — Analyst, National Bank Financial

Yes, yes, yes.

Yvan Deschamps — Executive Vice President, Chief Financial Officer, Laurentian Bank of Canada

…that business that we sold. Definitely, Gabriel. First thing, the prize that we got from the sale of those activities is $14 million, and that's what you see. We adjusted for this because it's a non-recurring element. In terms of revenue and costs, we have just a little bit under $5 million of other income that went with that business, and we have just above $4 million of costs or so that related to that business as well, that impacted the quarter, so it didn't really impact the efficiency ratio. In fact, the efficiency, what we transferred was just slightly above the 75%, and we are continuing to reduce the costs related to it because we sold that business because it was too small, we were not competitive, and we were pretty much not making much profit in there.

Gabriel Dechaine — Analyst, National Bank Financial

All right. No, I understand that.

Now as far as this Northpoint business, I've got a couple questions here, one on the partner strategy you're looking at and then, I guess, the broadening of the lending to include more consumer, end consumer lending. On the partnership stuff, how would I—is it really you want to have more originations without the balance sheet impact, so you want to kind of go more in the originate to distribute direction via fee-based business and broaden the types of loans you're targeting, and that's the gist behind it?

Eric Provost — President, Chief Executive Officer, Laurentian Bank of Canada

Yes Gabriel, I would say all of the above. The partnerships we're exploring could be to generate other income and not keeping it on our balance sheet, being able to actually tackle larger type exposure but split the risk with partners, and to approach other industries that we might not be in, and that those partners could be interested. For us, it's—like, we have the operational capacity, we know our strengths there to actually maximize this, so it's just a question of exploiting that platform of ours.

Gabriel Dechaine — Analyst, National Bank Financial

And predominantly in the U.S., I guess, or…

Eric Provost — President, Chief Executive Officer, Laurentian Bank of Canada

Well, right now the mix of this platform is 90% in the U.S., 10% in Canada, and we expect this to remain pretty much aligned in terms of proportion, yes.

Gabriel Dechaine — Analyst, National Bank Financial

Okay, and in case it wasn't asked before, why go down this road? Is it really just to be more capital-light and that's it, or is there another motivation there? I know—I don't think funding is an issue, you clarified that, but just wondering strategically what's the primary motivation.

Yvan Deschamps — Executive Vice President, Chief Financial Officer, Laurentian Bank of Canada

I'll take that one, Gabriel - this is Yvan. The key motivation here is that we're highly optimistic and we like that business a lot. There is a huge potential. There is a limit to what we can do by ourselves. We can do a lot - we have high liquidity, good capital we can redeploy, but we believe the potential of the market is even stronger and as we build it with partners, there is also an advantage of building it with more than one player, gives us access to more activity. It's really the potential that we see in there, and it's why we're having conversations with partners. That was part of our strategic plan in May, and that's a portion of what we meant.

Gabriel Dechaine — Analyst, National Bank Financial

Okay, and then switching over in the other direction, I guess at the same time as you're doing this, you're—and correct me if I'm wrong, please, you're evolving the overall Northpoint strategy in the sense that as a—you're not just targeting the floor plan financing, you're going for—you know, you want to be at the lending terminal offering a loan to the person buying the boat or the RV or whatever. Is that how we should think about it?

Eric Provost — President, Chief Executive Officer, Laurentian Bank of Canada

No, I think, Gabriel, what we mean by that is if you saw lately, we announced in November that—or end of October that we are actually combining our equipment finance group under the Northpoint brand, so our division that was previously called LBC Capital, that was focused on commercial leasing and lending, will allow to complete the ecosystem in terms of going from the manufacturers to the dealer distribution network and to the end users, but on the commercial side of things, which we already do, it's just that now we're embedding all of this into the Northpoint brand, which for us will allow simpler go-to-market, better alignment within how we approach customers there, so we believe also this will generate future opportunities for us.

Gabriel Dechaine — Analyst, National Bank Financial

Okay, so your one face of the franchise lending to the OEM, to the dealer, to the end consumer. Is that it?

Eric Provost — President, Chief Executive Officer, Laurentian Bank of Canada

On the commercial front. We don't intend to do consumer lending (inaudible 0:34:55).

Gabriel Dechaine — Analyst, National Bank Financial

Okay, so like fleets and stuff like that?

Eric Provost — President, Chief Executive Officer, Laurentian Bank of Canada

Well, yes, just…

Gabriel Dechaine — Analyst, National Bank Financial

Or…

Eric Provost — President, Chief Executive Officer, Laurentian Bank of Canada

Everything that's commercial related - IT products, but again on the commercial side of things.

Gabriel Dechaine — Analyst, National Bank Financial

Got it, okay. All right. That's clarified. Thanks and Joyeux Noël.

Eric Provost — President, Chief Executive Officer, Laurentian Bank of Canada

Merci Gabriel.

Operator

Your next question comes from Doug Young with Desjardins Capital Markets. Your line is now open.

Doug Young — Analyst, Desjardins Capital Markets

Hi, good morning. Just maybe to kind of extend on this, it sounds like you are going—you know, with the merger of LBC and Northpoint, you're going into the U.S., you're going into the U.S. with your equipment financing background that you've built in Canada. What exactly silos or areas are you going after in the U.S. and expanding into, if you can kind of talk about that? And, have you been in some of these areas in the U.S. or is this just more in the U.S.—or, sorry, in Canada in the past?

Eric Provost — President, Chief Executive Officer, Laurentian Bank of Canada

Yes, thank you, Doug, for the question. Actually, we already from an equipment finance perspective have a small book of portfolio in the U.S. Most of it is transportation construction. If you recall, in the past we also showcased the fact that our inventory financing business for us was actually diversifying, so we started that a few years ago in terms of going into construction, ag, technology in the U.S., so we're already touching those industries, Doug, and it's just a complement in terms of simplifying our approach and making sure that we provide all the right tools in terms of offering for those industries on a North American scale.

Doug Young — Analyst, Desjardins Capital Markets

You've talked about efficiencies, I think getting efficiencies from this. Sounds like this is more of a growth opportunity than it is a cost savings opportunity from merging these two entities, or maybe it's a bit of both? Can you talk about the efficiency side?

Eric Provost — President, Chief Executive Officer, Laurentian Bank of Canada

Yes, it's really growth, Doug. Those businesses are running quite efficient to what we like in terms of levels, so it's really to create growth, and efficiency should be read more in terms of we'll be more efficient in the face of the customers out there, so no real cost efficiencies to be expected there.

Doug Young — Analyst, Desjardins Capital Markets

On the efficiency side, can you talk about what your adjusted efficiency ratio is for commercial versus personal? Just trying to get a sense as the business mix shifts, like I know you're targeted to get the ratio below 60 – I think you outlined that last year at investor day. Just trying to get a sense of the two businesses and has anything changed in terms of do you still think you can get below 60%? I know you're not doing it in fiscal '25, but I'm just trying to get a sense.

Yvan Deschamps — Executive Vice President, Chief Financial Officer, Laurentian Bank of Canada

Yes, we don't disclose the specifics. What I would refer you to is, again, the strategic plan, where we did outline, without putting numbers, the big gap between how efficient commercial is running and has been running throughout the years, as well as the trend that is not going the right way, I would say, in terms of our retail portion of the bank. And yes, I reaffirm that we are committed to meeting that 60% and less efficiency ratio in our midterm financial disclosures for the strategic plan, and this is why the investments we're making are aiming to actually reduce our manual processes in retail, create those efficiencies, and make sure that the overall mix will be towards our financial goals.

Doug Young — Analyst, Desjardins Capital Markets

Just lastly, I know this is medium term targets and I know you're investing this year. Is there a path to move towards that 60% in fiscal '26, or is this much longer out?

Eric Provost — President, Chief Executive Officer, Laurentian Bank of Canada

I would guide to a longer end. 2026, I believe we're going to start seeing some momentum, some improvements of the actions that we already started taking and that we will continue to make in 2025, but I would guide to some improvements in efficiency in '26 and in the latter part of the plan, definitely meeting those midterm commitments.

Doug Young — Analyst, Desjardins Capital Markets

Appreciate your time, thank you.

Eric Provost — President, Chief Executive Officer, Laurentian Bank of Canada

Thank you Doug.

Operator

Thank you. That's all the time we have for questions. I would now like to turn the meeting over to Eric.

Eric Provost — President, Chief Executive Officer, Laurentian Bank of Canada

All right, thank you. Our goal is clear: simplify the bank, grow commercial banking, and achieve our medium-term financial targets. These include getting our efficiency ratio to 60% or below, generating positive adjusted operating leverage, growing ROE to at least 10%t, and realizing an adjusted diluted EPS CAGR of 10% or more.

I would like to extend my sincere thanks to our employees, customers, shareholders, and all stakeholders for your continued support as we re-shape the bank. Wishing you a wonderful holiday season, and I look forward to connecting again in the new year. Thank you.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.