Banque Laurentienne / Laurentian Bank

Résultats du deuxième trimestre 2026 | Second Quarter 2026 Results

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CONFERENCE CALL PARTICIPANTS

Paul Holden
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PRESENTATION

Operator

Welcome to Laurentian Bank Financial Results call. Please note that this call is being recorded.

I would now like to turn the meeting over to Raphael Ambeault, Vice President, Finance and Investor Relations. Please go ahead. Raphael?

Raphael Ambeault — Vice President, Finance and Investor Relations, Laurentian Bank

Bonjour à tous. Good morning and thank you for joining us. Today's opening remark will be delivered by Éric Provost, President and CEO, and the review of the second quarter 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 consider both to be useful in assessing underlying business performance. Éric and Yvan will be referring to adjusted results in their remarks, unless otherwise noted, as reported.

I will now turn the call over to Éric.

Éric Provost — President and Chief Executive Officer, Laurentian Bank

Merci, Raphael. Bonjour à tous et bienvenue à notre conférence téléphonique pour le deuxième trimestre de 2026. Good morning and thank you for being with us today.

Our focus continues to be firmly anchored in serving our customers and managing our operations with discipline.

I would like to begin by thanking our employees for their focus and commitment during this challenging period as we navigate an uncertain macroeconomic environment while supporting the migration and sale process, and while continuing to effectively manage the Bank's day-to-day operations.

Moving on to our loan performance, our commercial specialization teams delivered another strong quarter and driving solid performance with combined commercial loan growth of 2.4%, excluding the syndication portfolio sale.

Inventory financing performed well with loan growth of 5% quarter-over-quarter, while our dealer base grew by 4%, highlighting the continued expansion of our network.

In Commercial Real Estate, the portfolio grew by 1% quarter-over-quarter, while the pipeline increased by 9%, positioning us well for future growth.

Overall, our commercial specialization continued to deliver high-quality growth, fully aligned with our transformation plan.

In terms of provisions for credit losses, the ratio increased to 31 basis points, primarily driven by a single large commercial file in an industry where we no longer operate. Importantly, this remains an isolated situation, and we are confident that our portfolio is appropriately reserved, reflecting its overall quality and performance.

This quarter marked meaningful progress in advancing the announced transactions with National Bank and Fairstone, with several key milestones achieved. As a reminder, closing remains subject to regulatory approvals and other closing conditions.

We have made solid progress on both fronts and, as things stand, the Competition Act approval condition for both transactions have been satisfied provided that there is no change in circumstances relating to the Competition Bureau. Operationally, the portfolio migration is progressing well and remains on track. Based on our current trajectory, we continue to expect both transactions to close by the end of 2026.

I will now turn the call over to Yves to review our financial performance.

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

Merci Eric et bonjour à tous. I would like to begin by turning to Slide 6, which has been added to provide details on the adjusting items for the second quarter of 2026, which totalled $43.2 million after tax or $0.96 per share.

We recorded the following charges stemming from the transaction in December on an after-tax basis: severance and employee benefits for $12.9 million; accelerated amortization of software and other

intangible assets for $7.8 million; charges related to under-risk contracts, leases and others for $1.4 million; impairment of premises and equipment for $900,000; transaction and conversion costs for $3.7 million.

During the quarter, we also announced the closing of the syndicated loan transaction, which resulted in a net loss of $16.6 million after tax. Quarterly comparison is available on Slide 21 and in the second quarter report to shareholders.

Turning to Slide 7, it highlights the Bank's financial performance for the second quarter of 2026. On a reported basis, total revenue for the quarter was $213.7 million, down 12% compared to last year, and 15% quarter-over-quarter. Net loss and diluted loss per share were $20.6 million and $0.50, respectively.

The remainder of my comments will be on an adjusted basis and also be on a total loans and total deposits basis as the balance sheet outlines separately for Q2 the assets Held for Sale and the liability directly associated with them.

Total revenue for the quarter was $236.2 million, down 3% compared to last year, and 6% quarter-over-quarter. The diluted EPS of $0.46 decreased by 37% year-over-year, and by 29% quarter-over-quarter. Net income of $22.6 million was down by 33% compared to last year and was down by 34% sequentially.

The Bank's efficiency ratio increased by 240 basis points compared to last year due to our investments and by 90 basis points sequentially. Our ROE for the quarter stood at 3.4%, down 180 basis points year-over-year, and 110 basis points quarter-over-quarter.

Slide 8 shows net interest income up by $2.8 million, or 2% year-over-year from the growth of average earning assets and higher commercial loan concentration. On a sequential basis, net interest income was down by $9.8 million, or 5% from the shorter quarter, and the impact of the syndicated loan transaction. Our net interest margin at 1.84% was down 1 basis point year-over-year, and down 5 basis points quarter-over-quarter. Sequential reduction was driven by the non-recurrence of loan repricing lags and favourable repayments recorded in the first quarter of 2026.

Slide 9 highlights the Bank's funding position. On a sequential basis, total funding was up by $300 million from an increase of the debt-related securitization activities and wholesale deposits. The Bank maintained a healthy liquidity coverage ratio through the quarter, which remained at the higher end of the industry.

Slide 10 presents other income of $51.1 million, which was lower by 15% compared to last year, and by 10% compared to last quarter; the decrease mostly related to income from financial instruments.

Slide 11 shows non-interest expenses of $183.2 million, up 1% year-over-year, and down 5% sequentially, mainly from seasonally lower salaries and employee benefits and a streamlined workforce.

Slide 12 presents the CET1 ratio, which increased by 10 basis points to 11% due to the net impact of the syndicated loan transaction.

Slide 13 highlights our total commercial loan portfolio, which increased by about $800 million year-over-year, and decreased by about $300 million sequentially as the growth in Commercial Real Estate and Inventory financing was more than offset by the reduction due to the sale of the Syndication loan portfolio in the second quarter of 2026.

Slide 14 provides details of our inventory financing portfolio. This quarter, utilization rates were 46%, an increase of 1% quarter-over-quarter.

Slide 15 illustrates that two-thirds of our commercial real estate portfolio is residential, with most of it in multi-residential housing. The LTV on the uninsured multi-residential portfolio stood prudently at 60%.

Slide 16 presents the Bank's total residential mortgage portfolio. Total residential mortgage loans were down 3% year-over-year and 2% on a sequential basis. We adhere to cautious underwriting standards and are confident in the quality of our portfolio. This is reflected in our 63% proportion of insured mortgages and a low loan-to-value ratio of 52% on the uninsured portion.

Total allowances for credit losses on Slide 17 totalled $181.4 million, down $11.2 million compared to last quarter, mostly from lower allowances on impaired commercial loans.

Turning to Slide 18, the provision for credit losses was $26.9 million, an increase of $10.2 million from a year ago from higher provision on impaired commercial loans. Sequentially, PCLs were up $10.4 million for the same reasons. As a percentage of average loans, PCLs increased by 12 basis points year-over-year and by 13 basis points quarter-over-quarter to 31 basis points.

Slide 19 provides an overview of impaired loans. Gross impaired loans decreased by $50.6 million year-over-year and increased by $6.7 million sequentially, driven by commercial loans.

As we look ahead to the third quarter of 2026, I would like to provide some remarks. We will incur additional transaction-related charges in Q3 in the $40 million range pre-tax. This is essentially the continuance of the charges incurred or gradually amortized over the current fiscal year. We expect loans to decline by roughly 2 to 3%, mainly due to the seasonal reduction in inventory financing and a reduction in residential mortgages. The reduction in inventory financing will also drive the NIM down.

Regarding the adjusted efficiency ratio, Q3 should be relatively aligned with Q2. We expect PCLs to be in the high teens. Our tax rate is also expected to be in the high teens. Capital and liquidity levels are solid and expected to remain strong for Q3. Reminder that there is an LRCN interest payment next quarter, and 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 touch-tone 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. One moment, please.

Again, to ask a question, please press star, one.

Your first question comes from Paul Holden with CIBC. Your line is now open.

Paul Holden — Analyst, CIBC

Thank you. Good morning.

Éric Provost — President and Chief Executive Officer, Laurentian Bank

Good morning, Paul.

Paul Holden — Analyst, CIBC

Good to see the news on the Competition Bureau approval. Can you give us a sense of does that come a little bit earlier than original plan? I guess the reason I ask is there's some commentary recently from regulators in terms of suggesting these transactions move faster in pace versus how they have historically, so just wondering if this transaction is indeed moving along a little bit quicker than originally expected.

Éric Provost — President and Chief Executive Officer, Laurentian Bank

I would comment, Paul—this is Eric—that we're pretty much on track. We've been collaborating with all instances of regulatory and we believe things are moving along with what we expected. Not really earlier, just I think the timing is according to plan so far.

Paul Holden — Analyst, CIBC

Okay. And remind me, that is end of calendar 2026?

Éric Provost — President and Chief Executive Officer, Laurentian Bank

Yes, as I said in my comments, we expect this to close in 2026.

Paul Holden — Analyst, CIBC

But that is calendar, not fiscal?

Éric Provost — President and Chief Executive Officer, Laurentian Bank

It is calendar, yes.

Paul Holden — Analyst, CIBC

Yes, okay. Thank you for that. I'm just curious what you're seeing in terms of credit performance in the CRE book. I don't believe the higher losses this quarter are related to that, but we've certainly seen some other banks put up higher losses in CRE. You commented on the LTV, etc. I'm just wondering if you're seeing any higher delinquency rates or any kind of negative movement on that portfolio.

Paul Holden — Analyst, CIBC

Thank you, Paul. For the transaction we highlighted, this is not CRE-related, but I would leave Christian for a few comments on that topic.

Christian De Broux — Executive Vice President and Chief Risk Officer, Laurentian Bank

Okay, thank you for the question. I would just say that our CRE book is performing as expected according to historical normal variations, so no concern there. The big file that we've incurred a loss on obviously is in a sector, like we said, that we've exited, so obviously not CRE.

Paul Holden — Analyst, CIBC

Yes, okay. So, no concerns on CRE; books kind of performing in line with expectations?

Christian De Broux — Executive Vice President and Chief Risk Officer, Laurentian Bank

It's performing in line. You're asking a CRO if there's no worry. No, I always worry, but by and large we're quite comfortable with the book at this point.

Paul Holden — Analyst, CIBC

Okay. Okay, one final question from me would just be, how do you think about, I'll call it the capital stack or the different funding layers you have in place for the business today? Obviously particular to commercial versus what might make sense as a private company? That question particularly comes into mind when you just mentioned the reminder on the LRCN next quarter. Is that the type of thing that still makes sense as a private company?

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

Thank you for the question. This is Yvan, Paul. I'll take this one.

We are still a standalone company, so we still have the requirements in terms of capital stacks that we need to be in good standings with regulation and with obviously the regulator, so there's no change from a standalone perspective. Obviously, once the company gets into Fairstone, Fairstone will have to make its own calls on a consolidated basis, but until the closing of the transaction, we need to manage as a standalone business.

Paul Holden — Analyst, CIBC

Okay, got it. That's it for me. Thank you.

Raphael Ambeault — Vice President, Finance and Investor Relations, Laurentian Bank

Thank you, Paul.

Operator

A final reminder, ladies and gentlemen, if you have a question or comment, please press star, one.

This concludes the Q&A session. I will now hand the meeting over to Éric Provost for closing remarks.

Éric Provost — President and Chief Executive Officer, Laurentian Bank

Thank you. We continue to make steady progress towards the completion of our agreements with Fairstone and National Bank on maintaining a clear focus on supporting our customers and employees.

Although important steps remain, we are well positioned and confident in our ability to execute on our priorities.

I would also like to recognize and thank our employees for their dedication and continued commitment as Laurentian Bank navigates this important transition.

Thank you, and I wish you all a great rest of the day.

Operator

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