

Banque Laurentienne / Laurentian Bank

Résultats du premier trimestre / First Quarter 2026 Results

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CORPORATE PARTICIPANTS

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Christian De Broux

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CONFERENCE CALL PARTICIPANTS

Stephen Boland

Raymond James — Analyst

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 remarks will be delivered by Éric Provost, President and CEO, and a review of the first 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 considers 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 la conférence téléphonique pour le premier trimestre 2025. Good morning and thank you for being with us today.

For the first quarter of 2026, we're pleased with the progress we've made on our key priorities. Our core commercial businesses showed solid underlying momentum with a total loan growth of 4% in the first quarter, which is right in line with our transformation plan.

I want to take a moment to recognize our employees. Their commitment and professionalism stand out. They continue to navigate this period of change with resilience, integrity and a strong focus on serving our customers.

This quarter, we recorded after-tax adjusting items of \$54.7 million, reflecting charges related to the transactions announced in December.

At the same time, the team has also established high momentum as it relates to the transaction. On that front, we reached an important milestone. As announced on February 5th, our shareholders voted 98.8% in favour of the resolution approving the acquisition transaction. This vote confirms strong support for a future in which the Bank can accelerate its strategic growth plan.

Another milestone came on February 17 when we completed the sale of our syndication portfolio to National Bank. The process went smoothly, and we will continue to monitor the transition to ensure everything remains seamless for the clients.

While several steps remain to complete the transaction, including obtaining regulatory approvals, we are progressing steadily. We remain confident that we have the right team in place to successfully execute.

Our mix of commercial loans continued to move in the right direction, increasing by 1% to reach 51% of total loan portfolio. As mentioned earlier, our commercial teams delivered a strong first quarter with notable momentum in key areas. Inventory financing grew 7% quarter-over-quarter and utilization improved by 5 percentage points sequentially, reaching 45%.

In commercial real estate, both the portfolio and the pipeline continued to show steady progress, each increasing by 5%. In essence, our commercial specialization demonstrated solid underlying growth consistent with our transformation plan.

In terms of provision for credit losses, the ratio decreased to 18 bps, reflecting the strength of our specialized underwriting, consistent education practices, and disciplined portfolio management.

We also saw an improvement in asset quality, with gross impaired loans decreasing by 19% to 96 bps. We remain confident that our current level of provision is prudent and appropriate given the overall quality and performance of our portfolio.

Finally, our solid capital and liquidity positions allows us to move forward with confidence.

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

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

Merci Éric, 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 first quarter of 2026, which totalled \$54.7 million after tax, or \$1.23 per share.

We recorded the following charges stemming from the transactions announced in December totalling \$53.1 million after tax, including impairment of premises and equipment for \$15.8 million, charges related to onerous contracts, leases, and others for \$10.8 million, severance and employee benefits for \$8.4 million, accelerated amortization of software and other intangible assets for \$5.2 million, impairment of software and other intangible assets for \$4.8 million, transaction and conversion costs for \$8.1 million. During the quarter, we also announced the purchase of group annuity contracts from a Canadian insurer that transfers approximately \$60 million in obligations of our two registered defined benefit pension plans, which resulted in a net settlement loss of \$1.6 million after tax.

Quarterly comparison is available on Slide 21 and in the First Quarter Report to Shareholders.

Turning to Slide 7, it highlights the Bank's financial performance for the first quarter of 2026.

Total revenue for the quarter was \$251.6 million, up 1% compared to last year, and up 3% quarter-over-quarter. On a reported basis, net loss and diluted loss per share were \$20.5 million and \$0.58, 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 outlined separately for Q1, the assets held for sale and the liabilities directly associated with them.

The diluted EPS of \$0.65 decreased by 17 percent year-over-year and 11% quarter-over-quarter. Net income of 34.2%, \$24.2 million, was down by 13% compared to last year and stable sequentially. The Bank's efficiency ratio increased by 240 basis points compared to last year due to our strategic investments, and by 110 basis points sequentially, mainly from the regular annual salary increases and seasonally higher employee benefits.

Our ROE for the quarter stood at 4.5%, down 80 basis points year-over-year, and 50 basis points quarter-over-quarter.

Slide 8 shows net interest income up by \$8.7 million or 5% year-over-year, from the growth of average earning assets and higher commercial loan concentration, as well as favourable loan repayments. On a sequential basis, net interest income was up by \$12.2 million or 7% for the same reasons, in addition to the impact from favourable loan repricing lags due to the reduction of the U.S. Federal Reserve rate last December.

Our net interest margin at 1.89% was up 4 basis points year-over-year and up 10 basis points sequentially, including about half from non-recurring elements.

Slide 9 highlights the Bank's funding position. On a sequential basis, total funding was stable. The Bank maintained a healthy liquidity coverage ratio through the quarter, which remained at the high end of the industry. For the remainder of the year, the level of liquidity will remain very high, considering the proceeds of the sale of the syndicated loan portfolio closed on February 17.

Slide 10 presents Other income of \$56.7 million, which was lower by 9% compared to last year and compared to last quarter. The decrease mostly came from income from financial instruments.

Slide 11 shows non-interest expenses of \$192.9 million, up 4% year-over-year and sequentially, mainly from the seasonal higher employee benefits and vacation accruals.

On Slide 12, you'll see that our CET1 ratio decreased by 40 basis points to 10.9% due to the charges stemming from the transactions announced in December and commercial loan portfolio growth.

Slide 13 highlights our total commercial loan portfolio, which grew by about \$1.4 billion year-over-year and by about \$700 million sequentially. This quarter, the seasonal dealer's inventory restocking was positive and fuelled the loan growth to 7% quarter-over-quarter. Also, commercial real estate delivered 5% loan and pipeline growth.

Slide 14 provides details of our inventory financing portfolio. This quarter, utilization rates was 45%, an increase of 5% 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 61%.

Slide 16 presents the Bank's total residential mortgage portfolio. Total residential mortgage loans were down 3% year-over-year and down 2% on sequential basis. We adhere to cautious underwriting standards and are confident in the quality of our portfolio. This is reflected in our 65% proportion of insured mortgages and a low loan-to-value ratio of 51% on the uninsured portion.

Total allowances for credit losses on Slide 17 totalled \$192.6 million, up \$3.8 million compared to last quarter, mostly from higher allowances on commercial loans.

Turning to Slide 18, the provision for credit losses was \$16.5 million, an increase of \$1.3 million from a year ago, from higher provisions on performing loans partly offset by lower provisions on impaired loans. Sequentially, PCLs were down \$1.5 million from lower provisions on impaired commercial loans, partly offset by lower releases of provisions on performing loans. As a percentage of average loans, PCL increased by 1 basis point year-over-year and decreased by 2 basis points quarter-over-quarter to 18 bps.

Slide 19 provides an overview of impaired loans. Gross impaired loans decreased by \$49 million year-over-year and \$75.1 million sequentially, driven by changes in commercial loans. Thanks to our prudent underwriting standards and the strong credit quality of our loan portfolio—about 95% of which is collateralized—we're able to manage credit migration effectively with minimal impact on our ACL and PCL outcomes.

As we look ahead to the second quarter of 2026, I would like to provide some remarks.

We will incur additional transaction-related charges in Q2 in the \$40 million range post-tax, including from the loss due to the discount on the sale of the syndicated loan portfolio to National Bank concluded on February 17. The expected Q2 impact from the sale of the syndicated loan portfolio is a loss of about \$0.04 on adjusted EPS. We expect loans to decline by roughly 2 to 3%, mainly due to the syndicated loan portfolio sale. Excluding this transaction, the loans should remain relatively stable. The NIM is expected to be slightly lower due to some non-recurring items in Q1.

Regarding the adjusted efficiency ratio, Q2 should be relatively in line with Q1. We expect PCLs to remain 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 Q2.

I will now turn the call back to the Operator.

Q & A

Operator

Thank you. Ladies and gentlemen, if you do have any questions, please press star, followed by one on your touch-tone phone. You will then hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press star, followed by two. If you are using a speakerphone, please lift the handset first before pressing any keys. Please go ahead and press star, one now if you have any questions. Thank you.

Your first question will be from Stephen Boland at Raymond James.

Stephen Boland — Analyst, Raymond James

Good morning everyone. I know you said you still need regulatory approval. Is that just OSFI and minister approval? Is that the only two that are left at this point?

Éric Provost — President and Chief Executive Officer, Laurentian Bank

Hi, Stephen. It's Éric. Actually, the main ones we are waiting for is OSFI as well as the Competition Bureau, and after that would follow the minister approval.

Stephen Boland — Analyst, Raymond James

Okay. And the timing I think in the disclosures is late 2026. Is there any more specific timing? I know dealing with OSFI and then the minister is always a bit of a crapshoot. So, late 2026 is still the guidance?

Éric Provost — President and Chief Executive Officer, Laurentian Bank

Yes. Yes, we are still aiming for that.

Stephen Boland — Analyst, Raymond James

Okay. Second question is, continued good growth in inventory finance. You talked a little bit about utilization, but what is driving that growth? Is it more dealers utilization? Is it Canada/U.S.? Maybe you could just flesh that out a bit, please.

Éric Provost — President and Chief Executive Officer, Laurentian Bank

Yes, Stephen. It is really a mix. We definitely continue our success track record in terms of onboarding. The newest program we actually won is Arctic Cat, which is an exclusivity, generating good traction again and will fuel future growth and continue on that side. But also, the dealers have been restocking prudently, but still a good momentum there. I think they anticipate, again, an okay season for 2026 and we are benefitting from that sentiment.

Stephen Boland — Analyst, Raymond James

Okay. Obviously, I presume the people in the field are letting the clients know that there is a change in ownership with you, potentially. What is the feedback? Is it positive? Do they care? I am just curious what the message was to your salespeople to tell clients.

Éric Provost — President and Chief Executive Officer, Laurentian Bank

Well, actually, I had a great opportunity to be out there in the field with our people, meeting customers, and the reaction is quite good. They understand the rationale of the transaction, and they are quite supportive.

So far, we have seen that in additional volume and then good pipeline for future growth. So, we are in good shape there.

Stephen Boland — Analyst, Raymond James

Okay. Thanks very much.

Éric Provost — President and Chief Executive Officer, Laurentian Bank

Thank you.

Operator

As a reminder, ladies and gentlemen, it is star, one if you have a question.

A final reminder, ladies and gentlemen, if you have a question or comment, it is star, one on your telephone keypad.

Seeing there is no further questions registered, 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 are making steady progress towards closing the agreements with Fairstone and National Bank, all while keeping our customers' and employees' best interest at the forefront. This is still work ahead of us, but I am confident that we will achieve our objectives. Thank you and have a great rest of the day.

Operator

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