

# THE CASE FOR SIMPLICITY

MESSAGE  
FROM THE  
CHAIRMAN  
OF THE  
BOARD



Denis Desautels, Chairman of the Board

**The world seems to be getting increasingly complex and this appears to be particularly the case with financial institutions. At Laurentian Bank, we have a philosophy of keeping things as simple as possible. We have a business model and a structure that are straightforward, a family of products and services that are equally straightforward and a personal approach towards treating our customers. We hold dearly the values of simplicity and proximity which have been the trademark of our bank from its very beginning, 165 years ago.**

**T**he world also seems to be stuck in an economic environment that is uncertain and volatile. These are indeed challenging times, but I feel that Laurentian Bank is well equipped to navigate through this turbulence. We may not be as big as some others, but our agility and flexibility enable us to react quickly and adapt to a changing economic context.


These are big advantages and contribute to our good results.

Also contributing to our solid performance is our competent and conscientious senior management team. Collectively, the group is agile and individually, each member is an outstanding operator, capable of finding the delicate balance between short-term results and long-term objectives. This not only requires profound understanding of the operations and risks, but careful assessment of the optimal level of investment to sustain long-term profitability. We, the Bank and our management team, do all of this to ensure the creation of sustainable shareholder value.

## **The regulatory context**

Banking may well be one of the most heavily regulated industries. The recent past shows that, on a global basis, regulators are constantly adjusting the system to respond to new risks.

Since the financial crisis of 2008, financial regulators have taken large strides to limit the opportunistic, high-risk activities that have crept into parts of the banking environment. We are currently at the stage where more rigorous global guidelines for capital adequacy and liquidity have been agreed upon. Now, national regulators are interpreting how best to apply these guidelines within their jurisdictions.



## Being agile and flexible allows the Bank to adapt easily and quickly to a changing economic environment

The strength of the Canadian banking system is founded on sound, pertinent and prudent regulation. It is in this same spirit that we expect regulation to continue to preserve the strength and stability of the system while recognizing its diversity. Such an evolution will ensure that regulation is well adapted to all of the players within the Canadian banking system.

### **Experience and knowledge – irreplaceable**

Uncertain times are when the wisdom and experience of the Bank's Board of Directors become of even greater value. It is applied most directly through the oversight of the Board's three committees—the Audit Committee, Risk Management Committee and the Human Resources and Corporate Governance Committee.

The Audit Committee has been working closely with Accounting in a two-year project to report the Bank's activities under the new International Financial Reporting Standards (IFRS), discussed in the Management's Discussion & Analysis section on page 60. The new standards were implemented on November 1, 2011 and will be first reflected in the financial statements for the quarter ending on January 31, 2012.

The Risk Management Committee has also been dealing with new regulations. It has taken the lead in conjunction with our management team in ensuring that the Bank is ready for and will be compliant with Basel III. The third of the Basel Accords strengthens bank capital requirements and introduces new regulatory requirements on bank liquidity and leverage.

The Human Resources and Corporate Governance Committee continues to refine our compensation system to maximize its effectiveness. The goal is to achieve a fair balance between the interests of the Bank, its shareholders, and Management.

### **Acknowledgements**

Once again I am very impressed by the dedication and performance of the Bank's staff and Management in recording yet another strong year against a challenging backdrop. My heartfelt thanks go out to all of them, as they do to the Directors who continue to bring tremendous strength to the organization through their wisdom and experience.

We are also, of course, very grateful for the ongoing support and confidence of our shareholders.

Thank you.



**Denis Desautels, O.C., FCA**  
Chairman of the Board