Information Concerning 2011 and 2012 Compensation
(in Accordance with Basel II Pillar 3 Requirements)

Laurentian Bank has prepared this publication in accordance with Basel II Pillar 3 disclosure requirements. Additional information are available in the Bank's Management Proxy Circular for 2012 and 2013. The following information concerns the members of the Bank's Management Committee, as well as designated employees (employees likely to significantly influence the Bank's position with respect to risk). The designated employees were determined in collaboration with the Risk Management sector and include:

- Senior Vice-Presidents of the Bank and its subsidiaries
- Certain specialists with Laurentian Bank Securities Inc. (LBS) and the Bank's Capital Markets sector

Compensation Governance

Responsibility

The Board of Directors' Human Resources and Corporate Governance Committee ("HR Committee") is responsible for supervising all aspects of the management of the Bank's human resources, including all elements related to compensation. With respect to compensation, the HR Committee approves policies, compensation programs, salary increases for executive officers, grants under long-term incentive plans, as well as the bonuses paid under the short-term incentive compensation program.

In collaboration with the Bank's Risk Management Committee ("RM Committee"), the HR Committee examines the risk analysis of the compensation programs presented by the organization's Head of Risk Management. The HR Committee also discusses the performance evaluations of those reporting directly to the Bank's President and Chief Executive Officer on an annual basis. In the case of the President and CEO, the Board of Directors discusses his performance evaluation and, upon the recommendation of the HR Committee, determines his salary, grants under long-term incentive plans, as well as the bonus paid under the short-term incentive compensation program.

The members of the HR Committee are Isabelle Courville (Chair), Jean Bazin, L. Denis Desautels and Marie-France Poulin. All members are independent within the meaning of *Regulation 52-110 on the Audit Committee*. Each member of the HR Committee has direct experience that is relevant to his/her responsibilities related to executive compensation.

During fiscal 2012, the HR Committee met 7 times, as compared to 11 times in fiscal 2011. The global annual compensation paid to the members of the HR Committee was as follows for fiscal 2012 and 2011:

	2012	*2011*
Isabelle Courville (présidente)	86 250 $	67 500 $
Jean Bazin	77 500 $	60 000 $
L. Denis Désautels	185 000 $	160 000 $
Marie-France Poulin	77 500$	60 000 $

External Advisors

The Bank's executive officers compensation policy (which applies to the President and CEO as well as individuals responsible for a principal business unit or who exercise decision-making power concerning the Bank's major orientations) provides that external advisors be mandated by the HR Committee to analyze and compare the total target compensation of executive officers with that paid within the reference group. In this analysis, the external advisors make appropriate adjustments in accordance with their methodology so as to take the relative size of the Bank into consideration, as well as differences in responsibility levels among officers and designated employees that form part of the reference group. In 2011 and 2012, the HR Committee engaged the consulting services of Towers Watson and the Hay Group concerning the compensation of executive officers and designated employees.

Key Compensation Policy Elements

Scope

The Bank's executive officers compensation policy serves as a guide for the organization's decisions pertaining to the remuneration of executive officers. For its part, the compensation policy for LBS and Capital Markets employees guides decision-making pertaining to the remuneration of designated employees in these sectors.

Objectives

The compensation policies are designed to meet the following objectives:

- Continuously promote the alignment of the interests of executive officers and designated employees with those of shareholders by way of the Bank's compensation programs
- Foster transparency with respect to compensation management
- Attract and retain competent and motivated personnel
- Establish competitive compensation related to the Bank's performance and that of its business sectors
- Respect the principles of sound compensation practices in terms of internal and external equity and prudent risk management

Annual Reviews

Compensation policies are approved, reviewed annually and modified as needed by the HR Committee. The compensation policy for executive officers was modified in September 2011, and once again in November 2012. For its part, the compensation policy for Capital Markets employees was modified the last time in March 2010.

Compensation Elements and Weighting

All members of the Management Committee and designated employees earn a base salary and participate in a short-term incentive compensation plan. The Bank's Management Committee members and designated employees are also eligible for the long-term incentive program, which is comprised of restricted share units and performance share units. Designated employees working for LBS and the Bank's Capital Markets sector are eligible for the restricted share unit program specific to these sectors.

The target weighting of the different elements of fixed and variable compensation is primarily a function of market practices. Typically, the total variable compensation target increases with the hierarchical level of employees. The long-term variable compensation target generally represents a growing fraction of all variable compensation as one climbs in the organizational hierarchy. The growing emphasis on long-term stock-based compensation at the higher hierarchical levels allows for the alignment of compensation ultimately paid to senior executives having the greatest impact on share price with the total return to shareholders.

Management of Risk in Remuneration Processes

In complying with compensation practices and determining compensation, the HR Committee, with the assistance of the RM Committee, conducts annual reviews of:

- the link between compensation, performance and risk
- the Bank's alignment with the Financial Stability Board's compensation principles and standards

During fiscal 2010, the mandates of both the HR Committee and the RM Committee were modified in order to enable them to conduct analyses of risks related to the various compensation programs. Also in 2010, an analysis grid was developed to evaluate the risk associated with each of the Bank's compensation programs. This grid covers the following five categories of criteria:

- program design
- the process for determining results
- approval of results
- risk-taking
- synchronization of bonuses and losses

Since 2010, the HR Committee, in collaboration with the RM Committee, conducts an annual examination of the compensation program risk analysis report prepared by the Bank's Head of Risk Management on the basis of the analysis grid. The last analysis was conducted in December 2012. Subsequent to this assessment, the HR Committee deemed the level of risk related to the various compensation programs to be satisfactory.

Employees Responsible for Monitoring Functions

The compensation of employees responsible for monitoring functions (Internal Audit, Integrated Risk Management, Regulatory Risk Management) is established independently of the performance of the sectors they monitor so as to limit incentives to the taking of excessive risks. The financial measures used in the short-term incentive compensation program are related to the Bank's overall performance and not to the specific sectors they monitor.

Link between Compensation and Performance

Performance Indicators

Short-term incentive compensation for the members of senior management and designated employees (with the exception of the President and CEO of LBS and designated employees of LBS and the Bank's Capital Markets sector) is based on the organization's short-term financial performance and annual sector-based objectives (for certain designated employees).

The bonus under the program takes the following elements into account:

Target Bonus X Global Weighting Factor = Short-Term Incentive Compensation

The Target Bonus is equivalent to the annual base salary multiplied by a percentage established according to each officer's hierarchical level.

The Global Weighting Factor includes components to reward the attainment of annual results while maintaining a balance with sector-based results, client development, execution of projects and the strategic plan, maintenance of sound governance, and the management of risk and human capital. The components of the Global Weighting Factor are detailed as follows:

Bank and Sector-Based Financial Factor (for some designated employees)	x	Attainment of Sector-Based Financial Results	+	Client Development	+	Projects and Strategies	+	Governance and Risk Management	+	Management of Human Capital
0 - 150%						0 – 150%				

The Global Weighting Factor can vary from 0% to 225% of the target bonus. As mentioned above, it is comprised of two groups of factors — the Bank's short-term and sector-based financial factor (for certain designated employees), and the individual factors listed above (each group may vary from 0% to 150%).

The Bank's Short-Term Financial Factor is a function of the organization's annual results in terms of return on common shareholders' equity. As of fiscal 2012-13, it will be based on net income after taxes and before dividends.

The Sector-Based Financial Factor serves to determine the compensation of certain designated employees and is a function of the sector's before-tax net income.

In the case of LBS' President and CEO, the bonus is established according to a percentage of before-tax profit on the profits of LBS and the Bank's Capital Markets sector.

With respect to LBS and Capital Markets designated employees, short-term incentive compensation is based on the annual bonus envelope dedicated to each sector established and determined according to their financial results. It is aimed at remunerating collective and individual contribution to the sector's financial results.

Moreover, since 2012, the calculation of performance retained under the Bank's performance share unit program rests on the organization's share performance, being the total shareholder return.

Determination of Individual Compensation Amounts

The amount of compensation paid annually to each member of the Management Committee and designated employee is based on:

- financial performance
- individual performance
- the market value of positions
- internal equity

The market value of positions, internal equity and individual performance contribute to positioning annual base salary and variable, short-, medium- and long-term compensation target opportunities. The Bank's financial performance, that of the sector, and individual performance vis-à-vis objectives are the principal factors affecting variable compensation ultimately earned by the individual — which may be higher or lower than the targets. Variable compensation programs are also subject to various bonus activation thresholds, which allow the Bank to withhold payments when its performance is inadequate.

The compensation awarded to members of the Management Committee and the Bank's designated employees was established as follows during the past two years:

In $ million	Management	Designated Employees

	Committee			
	2012	2011	2012	2011
Number of employees	9	5	20	16
Fixed compensation In cash (non-deferred)	$2.6	$1.8	$2.8	$2.8
Variable compensation In cash (non-deferred) In shares and stock-related instruments (deferred)	 $1.2 $3.7	 $0.8 $2.2	 $1.2 $1.5	 $1.6 $1.5
Grand Total	$7.5	$4.8	$5.5	$5.9

Note: Information related to signing bonuses, guaranteed bonuses or termination bonuses is communicated confidentially to OSFI, given the limited number of officers and designated employees to which these bonuses apply.

Adjustments in the Event of Declining Performance Indicators

The HR Committee and Board of Directors have the authority to amend the Bank's compensation programs at any time if justified by specific circumstances.

Long-Term and Deferred Compensation

The compensation of executive officers includes medium/long-term incentive programs whose gains depend in part, for the performance share units program, on the Bank's stock performance over a period of three years, or until cessation of employment for the component based on deferred share units.

Executive officers must also defer 50% of their annual bonus by converting it into restricted share units whose vesting is three years, or up to cessation of employment for the deferred component. The Bank contributes an additional amount equal to 60% of the converted annual bonus, which is also converted into restricted share units. These measures are aimed at ensuring that a significant portion of their annual compensation is deferred in time and aligned with the total return to shareholders.

For their part, designated employees of LBS and the Bank's Capital Markets sector are obligated to defer part of their annual bonus in order to ensure that the profits generated by these key employees materialize over the medium-term and are aligned with the interests of shareholders. Thus, the apportionment program calls for all employees receiving an annual bonus of more than $75,000 to have a percentage of the amount exceeding $75,000 be staggered over three years at the rate of 1/3 of the amount per year, as indicated below:

- Less than $75,000: no staggering
- $75,000 - $500,000: 30% of the amount exceeding $75,000 converted into restricted share units
- Over $500,000: 40% of the amount exceeding $500,000 converted into restricted share units

The total existing deferred compensation to executive officers and designated employees was as follows at the end of the last two years:

In $ million	Management Committee		Designated Employees	
	2012	2011	2012	2011

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Number of employees	9	5	20	16
Existing shares and stock-related instruments Vested Non-vested	 $7.6 $6.9	 $6.1 $5.5	 $2.4 $3.2	 $2.6 $3.4
Total Existing	$14.5	$11.6	$5.6	$6.0
Payments during the year	$2.1	$0.5	$1.1	$1.5

The total existing deferred compensation is subject to implicit adjustments (share price variation, adjustment in accordance with the Bank's performance for performance share units) and explicit adjustments (right of clawback for the reasons outlined in the Protection and Clawback Mechanisms section that follows).

Long-Term Alignment with the Shareholder

Minimum Shareholding Requirements

In order to foster the long-term engagement of the Bank's executive officers, the HR Committee adopted minimum shareholding requirements in 2007. These requirements were increased in 2011 and are currently as follows:

- President and CEO: 5 x base salary
- Executive Vice-President: 3 x base salary
- Senior Vice-President: 2 x base salary
- Vice-President: 1 x base salary

The shareholding level attained by each executive officer is evaluated annually based on the higher of the closing price of the Bank's common shares on October 31 or on the purchase or award date. The Bank's common shares and certain share units are included in the calculation of shareholding. Although there is no set time limit for attaining the minimum shareholding requirements, executive officers must participate in the deferred version of the share unit plans until the requirements are met. These requirements can normally be met within a period of three years.

Protection and Clawback Mechanisms

Compensation policies stipulate that, if the Bank's financial statements for a previous year need to be restated due to fraud or a serious irregularity, the HR Committee can decide to adjust annual bonuses, share units, share appreciation rights or options awarded in order to align the same with the restated financial results. In view of the importance of the rules governing investment decisions, the clawback policy of LBS and the Bank's Capital Markets sector also calls for a clawback when the applicable internal policies and procedures are not complied with.

There was no clawback of compensation or implicit or explicit adjustments to compensation approved by the HR Committee during the 2012 and 2011 fiscal years.