Information Concerning 2015 and 2016 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 is available in the Bank's Management Proxy Circular. The following information concerns the members of the Bank's Executive 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 HR Committee plays a key role in establishing and implementing the terms of this Compensation Policy. Among other things, it:

- Approves and reviews the Compensation Policy annually;
- Approves all elements related to compensation;
- Discusses the performance evaluations of those who report directly to the Bank's President and Chief Executive Officer; and
- Approves the disclosure of executive compensation

The members of the HR Committee are Michelle R. Savoy (Chair), Richard Bélanger, Isabelle Courville, Michel Labonté and A. Michel Lavigne. All members are independent within the meaning of Regulation 58-101 Respecting Disclosure of Corporate Governance Practices.

Each HR Committee member has direct experience that is relevant to his/her responsibilities in executive compensation, as described below.

During fiscal 2016, the HR Committee met 9 times, as compared to 8 times in fiscal 2015. The global annual compensation paid was as follows:

	2016	*2015*
Isabelle Courville (Member from March 2008 to present; Chair from March 2009 to March 2013)	$229,900	$220,000
Jean Bazin (Member from March 2011 to April 2016; Chair from March 2013 to April 2016)	$47,667	$110,000
Michelle R. Savoy (Member from December 2014 to present; Chair from April 2016 to present)	$111,150	$95,000
Pierre Genest (Member from August 2013 to April 2016)	$41,167	$95,000
Michel Labonté (Member from April 2016 to present)	$122,400	$110,000
A. Michel Lavigne (Member from April 2016 to present)	$104,900	$95,000
Richard Bélanger (Member from August 2016 to present)	$120,525	$120,000
Michael T. Boychuk (Member from April to August 2016)	$108,700	$95,000

External Consultants

The Compensation Policy provides that external advisors be mandated to analyze and compare the target total compensation of the Bank's Executives with the reference group. In its analysis, the external advisors make appropriate adjustments in accordance with their methodology to take the Bank's relative size into consideration, as well as differences in responsibility levels among Executives of companies and organizations that form part of the reference group. The compensation of Executives is established using a regression analysis that estimates the amount of competitive compensation based on the size of the Corporation relative to that of other Canadian corporations in the reference group.

In accordance with the Bank's practice of assessing the positioning of its executive compensation every two years, a benchmark study was requested from Willis Towers Watson in October 2016. No significant changes to compensation were recommended following completion of the exercise.

Key Compensation Policy Elements

The Bank adopted an executive compensation policy (the "Compensation Policy") in 2009. The Compensation Policy addresses the subjects of governance, reference group, external advisors, components of overall executive compensation, balance between variable and fixed compensation, clawback procedure and minimum share ownership requirements. These elements are further discussed in the following sections.

The Compensation Policy's objectives are to:

- Continuously promote the alignment of the Executives' interests with those of shareholders through compensation plans;
- Foster transparency with respect to Executive compensation management;
- Attract and retain competent and motivated Executives;
- Establish competitive compensation linked to the Bank's performance; and
- Respect the principles of sound compensation practices in terms of internal and external equity and of prudent risk management.

Annual Reviews

Compensation policies are approved, reviewed annually and modified as needed by the HR Committee.

Balance Between Variable and Fixed Compensation

The proportion between fixed and variable compensation varies with the hierarchical level and the global performance factor of each Executive and aims to align the Executives' interests with those of the shareholders.

The HR Committee's intention is to maintain the right balance and consistency between the expected return, prudent risk management and compensation being offered.

Management of Risk in Remuneration Processes

In adopting compensation practices and setting executive compensation, the HR Committee, with the help of the Risk Management Committee, considers the implications of the risks associated with the Bank's compensation policies and practices. The mandates of the HR Committee and of the Risk Management Committee enable them to undertake an analysis of risks associated with the various compensation programs and ensure alignment with the Financial Stability Board's compensation principles and standards. An analysis grid was developed to assess the risk associated with each of the Bank's compensation programs. The grid covers five categories of criteria - conception of the program, process for determining results, approval of results, risk-taking and synchronization of bonuses and losses.

Since 2010, the HR Committee and the Risk Management Committee have been conducting an annual examination of the risk analysis of the compensation programs prepared by the Executive Vice-President, Chief Risk Officer and Corporate Affairs based on the analysis grid. The last such analysis was conducted in December 2016. As a result of this assessment, the HR Committee deemed the level of risk associated with the various compensation programs to be satisfactory.

The following elements help reduce risks related to compensation:

- Short-term incentive compensation is capped at 225% of target;
- RPSUs are medium term compensation which are based on the Bank's financial performance that span a three year period and are capped at 125% of the grant;
- Clawback policy; and
- Hedging is prohibited.

Employees Responsible for Monitoring Functions

The compensation of employees responsible for monitoring functions (Internal Audit, Integrated Risk Management, and 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

Short-Term Incentive Compensation

The main purpose of the Short-Term Incentive Compensation Program is to recognize the attainment of the individual performance objectives as well as the Bank's financial objectives.

The payout under the program is calculated as follows:

Bonus Target	X	Individual Performance Factor	x	Financial Performance Factor	=	Short-Term Incentive Compensation Payout

Both performance factors (individual and financial) can vary from 0% to 150% of the target. Since the factors are multiplicative, the short-term incentive compensation can vary from 0% to 225% of the target.

Individual Performance Factor

Individual performance is assessed based on the performance indicators as follow:

Performance Indicators	Description
Financial Aspects	As a member of the Bank's team, profitability is a shared objective. This is measured by the Adjusted Net Income, as stated in the financial statements of the Bank.
Core Accountabilities	Core accountabilities are specific for each Executive, based on their role and responsibilities. They may be measured by considering factors such as quality, efficiency, cost management and growth.
Compliance and Risks	Compliance and risk management are measured by compliance with regulatory obligations.
Projects and Strategies	Based on the progress of the strategic plan and deliverables under the Executive's responsibility. Proper management of projects and buy-in from key stakeholders.
People Management	Proper management of human resources by demonstrating competencies in their leadership, planning and organization, communication, training and coaching.

Financial Performance Factor

The financial factor is based on the target established by the Board of Directors at the beginning of the year and is aimed to encourage management to take all Bank's operations into account. The financial factor is based on the Bank's adjusted net income (net income after taxes and before dividends) and applies to all Executives.

A minimum target of adjusted net income must be reached in order to trigger the payment of an annual bonus. No bonuses are paid if the threshold is not reached.

In the case of LBS' President and CEO, the bonus envelope is established according to a percentage of before-tax profit on the profits of LBS and the Bank's Capital Markets sectors. The bonus paid may be adjusted to take into account factors such as described in the global performance factor outlined above, including the maintenance of good governance and risk management.

With respect to LBS and Capital Markets designated employees, short-term incentive compensation is based on the annual bonus envelope applicable 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. Bonus envelopes and individual premiums granted take into account the risks taken during the year.

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

Determination of Individual Compensation Amounts

The Executives Officers compensation takes into account the following criteria:

- Market compensation for a similar position;
- Performance and individual contribution;
- Bank results and performance;
- Responsibility level; and
- Demonstrated skills.

The compensation awarded to members of the Management Committee and designated Bank employees, along with the value of compensation awarded in shares and share-related instruments (deferred), were established as follows during the past two years:

In $ million (CAD)	Executive Committee		Designated Employees	
	2016	2015	2016	2015
Number of employees	6	7	25	22
Fixed compensation				
In cash (non-deferred)	$2.1	$2.6	$4.5	$3.7
Variable compensation				
In cash (non-deferred)	$1.5	$2.8	$2.8	$2.4
In shares and stock-related instruments (deferred)	$4.6	$5.7	$3.4	$2.4

Other awards

In number	Executive Committee		Designated Employees	
	2016	2015	2016	2015
Number of employees	6	7	25	22
Sign on awards	0	0	0	0
Guaranteed awards	0	0	0	0
Severances	0	2	0	2

Note: Amounts related to signing bonuses, guaranteed awards or severances are communicated confidentially to OSFI, given the limited number of officers and designated employees to which these awards 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 Committee and designated employees was as follows at the end of the last two years:

In $ million (CAD)	Executive Committee		Designated Employees	
	2016	2015	2016	2015
Number of employees	6	7	24	22
Existing shares and stock-related instruments				
Vested	$5.9	$13.7	$1.7	$3.3
Non-vested	$6.3	$7.7	$3.7	$2.7
Total Existing	**$12.2**	**$21.4**	**$5.5**	**$6.0**
Payments during the year	$1.3	$3.1	$0.9	$0.4

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 long-term engagement of Executives, the HR Committee adopted minimum share ownership level requirements. These requirements 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 share ownership level attained by each Executive 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 following shares and share units are included in the share ownership calculation:

- Bank's common shares held;
- RSUs, vested and non-vested, including the award relating to the fiscal year just ended; and
- RPSUs vested, as well as non-vested RPSUs, calculated on the basis of the minimal payment provided by the plan.

Although there is no time limit for reaching the minimum share ownership requirements, Executives must participate in the deferred version of the RPSU plan until the requirements are met. Simulations carried out by the Bank show that, by using the deferred version of such plan, the minimum share ownership requirements can be met within three years.

Protection and Clawback Mechanisms

The clawback policy provides that if the Bank's financial statements for a previous year were to be restated due to fraud or a serious irregularity, the HR Committee could decide to adjust annual bonuses and share units awarded based on financial performance in accordance with the restated financial results.

There was no clawback of compensation or implicit or explicit adjustments to compensation approved by the HR Committee during the 2016 and 2015 fiscal years.