

OUR BUSINESS PRACTICE AND MANAGEMENT RESPONSIBILITIES

WE ARE COMMITTED TO...

assuring the **profitable development** of our organization, while respecting the principles of **transparency, integrity and ethical behaviour**.

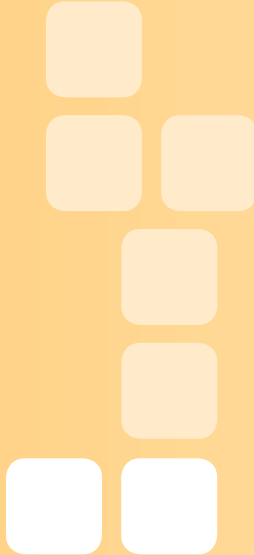
As underlined by the Chairman of the Board, Mr. Denis Desautels, in the Bank's 2009 Annual Report, "*The attention given to governance is nothing new at Laurentian Bank; our Board makes it a priority.*" The subject of corporate governance is of the utmost importance to Laurentian Bank. This primordial concern has enabled us to evolve and prosper with respect for integrity and in compliance with the laws and directives that regulate our actions. In addition to these external directives, we have established our own rules of corporate governance and policies aimed at providing a framework for our activities and our relations with all our publics. Invariably, good corporate governance is reflected in all of the Bank's management practices, which are fuelled by the highest standards of ethical conduct.

EXEMPLARY CORPORATE GOVERNANCE

Twelve of the 13 members of the Board of Directors, with the exception of the President and Chief Executive Officer, are independent administrators and are not accountable to management. This independence is determined by a series of criteria established by the Human Resources and Corporate Governance Committee, which is responsible for evaluating each Director.

Essentially, the Board of Directors plays a monitoring role with respect to the management of the organization's commercial activities and internal affairs. The Board's deliberations generally conclude with a discussion period in the absence of management. The members of the Board are committed to acting in accordance with the norms defined in the *Directors' Code of Conduct*, which covers their general actions, their contribution to the work of the Board and its committees, insider transactions, conflicts of interest, and other situations that could compromise their independence.

The Board of Directors has delegated certain responsibilities and functions to three committees whose members are chosen from within its ranks. The Audit Committee, Risk Management Committee, and the Human Resources and Corporate Governance Committee present written and verbal reports on their work to the Board on a continual basis. In addition, these Committees provide shareholders with a report on their activities in the Management Proxy Circular.



In 2009, Laurentian Bank placed 29th among the 201 S&P/TSX index companies as part of the *Board Games Awards* presented by the *Globe and Mail* newspaper's *Report on Business* Magazine. This directory evaluates the governance practices of corporate Boards of Directors based on four criteria — composition, compensation, shareholder rights and disclosure of information practices.

The Board of Directors has established a number of objectives in the area of executive compensation. These include promoting the alignment of senior management's interests with those of shareholders at all times through the Bank's compensation programs, as well as fostering transparency with respect to the management of executive remuneration. In that regard, Laurentian Bank shareholders were invited to participate in a consultative vote for the first time at the annual meeting in March 2010 on the approach to compensating named senior managers.

HEALTHY MANAGEMENT

Thanks to the commitment of its management team and the excellent spirit of collaboration it shares with the Board of Directors, Laurentian Bank has continued to enjoy the benefits of healthy administration. As such, fiscal 2009 saw the institution post a record profit. This unprecedented performance is attributable, first and foremost, to prudent and effective risk management and enlightened decision making. The Bank's Board monitored the evolution of the economic situation and moderation of the crisis very closely. The Board also reiterated its determination to spare no effort in working for the best interests of shareholders in the months and years to come. This mission will be fulfilled through a sustained and rigorous attentiveness to the regulatory framework and the business environment in which the Bank pursues its development.

In recognition of the issues and challenges that this economic climate poses for the Bank, the Board of Directors, in turn, must assure that the institution possesses all the means necessary to protect its financial solidity. As such, Board members have continued to be extremely vigilant with respect to risk management.

The Bank also respects the law facilitating the creation of a national do-not-call list, as required by the regulatory authorities. This internal list is updated monthly from the Canadian Radio-Television and Telecommunications Commission's Web site. The list is accessible for consultation by all parties concerned on the Bank's Intranet, and we are obliged to convey our lists of clients who have asked not to be solicited to the authorities.

INTEGRITY: THE VERY CORNERSTONE OF OUR BUSINESS

Integrity is among the most essential values for Laurentian Bank because it is the very basis on which the organization and its subsidiaries earn and retain the confidence of their clients. Since its foundation in 1846, the Bank has enjoyed a reputation for acting with honesty and integrity in the management of its affairs and the conducting of its transactions with its clientele, as these transactions not only involve the assets of clients, but their very future as well.

In order to assure that its values are respected and, thereby, protect its reputation, the Bank has created a *Code of Ethics* that promotes principled behaviour, as well as honesty and integrity in all that employees do. The Code also outlines the required rules of conduct with respect to conflicts of interest and confidentiality.

The obligation to maintain trust and confidentiality with respect to existing and potential clients and the public in general applies to all of the organization's actions. Similarly, the organization's integrity is dependent on that of each and every employee. As such, the Bank's Code of Ethics pertains to all personnel and stipulates the basic rules that must be adhered to by every employee. As well, certain categories of professionals are subject to particular directives under the authority of the professional order to which they belong.

In order to assure respect of its regulatory obligations and the application of rigorous business practices in the execution of its mandate as a financial institution, the Bank has implemented a range of different policies. The principal policies in effect are outlined in Appendix 5.

As required by the authorities, the Bank has mandated an independent and impartial party — the Ombudsman — to act as mediator between clients and the financial institution. Other than the resolution of complaints as described earlier, the Ombudsman is responsible for the *Policy Concerning the Handling of Complaints and Comments About Seemingly Questionable Accounting and Auditing Practices*, better known as the "whistle blower" policy. These types of complaints and comments may involve accounting methods, internal accounting controls or auditing. Via this mechanism, employees, clients and shareholders can bring to light any situation or financial information that may have been intentionally falsified in the course of Bank operations.

With respect to the efforts to curb money laundering and terrorist financing activity, the Bank has developed a special training program for all its employees, particularly new recruits. *Focused on the Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, the purpose of this training is to remind all employees of their responsibilities in this regard.

A SOLID INTEREST IN SUSTAINABLE DEVELOPMENT

Each year, the Bank encourages its employees to actively participate in the effort to reduce the environmental impact of our operations, and the benefits of these efforts are far greater than purely ecological. In fact, our best practices in this area also have positive spin-offs from a management and profitability standpoint. Aside from recycling and recovery, the Bank is dedicated to acting in an environmentally friendly manner by promoting the optimal use of material resources. And in conducting our day-to-day activities, we, of course, rely strongly on the collaboration of our employees to support and play a decisive role in our ongoing sustainable development initiatives.

Finally, it should be noted that, in accordance with the principles of sustainable development, the Bank offers this Social Responsibility Report in print form upon request only. Otherwise, it is available online via its Web site.

