

Governance, Vigilance, Growth



Interview with
Denis Desautels, O.C., FCPA, FCA
Chairman of the Board

Q What issues did the Board focus on during the past year?

A We have been busy but three files in particular merited our attention. The acquisitions we made were of course among the highlights of 2012. When a major deal such as the acquisition of AGF Trust comes along, the Board must ensure that the transaction is well advised, that a fair price is being paid and that the Bank's risk is minimized. On another front, it is clear to us that bank regulation as a whole, particularly the rules arising from the Basel Accords and their impact on the Bank, is an important issue. Given the potential impact of regulation on the Bank's operations, the Board monitors this file closely. Thirdly, the Board is constantly concerned with maintaining the Bank's profitability and growth, particularly in a low interest rate, low margin environment such as we have today. We need to continuously think about and discuss strategy. Flexibility in executing our strategy is key to the Bank's success.



Q What other matters did the Board deal with?

A There were many others, including the transition to International Financial Reporting Standards, IFRS, since the first quarter of 2012. We also looked at executive compensation, which is central to good governance and a matter of legitimate interest to investors. We will continue to devote the necessary time and effort towards improving the effectiveness of the existing compensation programs.

Q What are the main characteristics and strengths of Laurentian Bank's Board?

A In all modesty, I believe the Bank has a very good Board of Directors. We have set ambitious and wide-ranging goals: a balance of representation on the Board between men and women, to which we attach great importance, as well as a balance in terms of talent, expertise, age and geography among its members. It is always possible to improve but ensuring the optimal composition of the Board remains one of my most important responsibilities as Chairman. I am pleased to report that we have been able to continuously renew the Board in a planned and orderly fashion, which is a very good thing.

Q How do you see the Board's independence vis-à-vis senior management?

A There must be a balance between the Board's independence and its ability to work closely with senior management. It is a fundamental principle of good corporate governance that the Board must maintain an independent spirit in relation to the company's officers, while working in partnership with them to execute our strategies. I would note that the strongest and most competent management teams are often those that are not afraid to seek out their directors' opinions and expertise in order to help them make the best decisions for the good of the company. They know it is in their interest to tap into the wealth of experience and wisdom found on their Boards. Based on my experience, I think I can say that the Laurentian Bank has such a management team.

Q You are celebrating your 10th anniversary as the Bank's Chairman. What changes have you seen at the Bank over that time?

A That's true, it's been 10 years already! The Laurentian Bank has a very different face today than it did then. It was an organization with widely scattered and insufficiently profitable activities. Today, the Bank's focus is clear and sharp and it has a solid business plan that leverages its competitive advantages. I can tell you that the way in which we manage our business is now highly disciplined and rigorous. Ten years ago, our Commercial operations and those of B2B Bank were relatively marginal lines of business. Today, they are

a significant component of our activities and of our profitability. And our operations outside Quebec now generate a significant portion of our total income. We have also experienced substantial growth, with our balance sheet now reaching almost \$35 billion and earnings has increased year after year. That is a dramatic change from 10 years ago.

Q In your opinion, what has been the key to the Bank's growth in recent years?

A The Bank has put in place a management team that has great depth and of which I am very proud. It is a youthful, dynamic and diverse team that is not afraid to assume new challenges. We are living in an uncertain world. Even with the best strategic plan, there is much we cannot anticipate. Hence the importance of having a management team that is capable of overcoming unforeseeable hurdles. That is precisely what we have at the Bank: a talented management team supported by an extraordinary group of employees dedicated to the Bank's development and growth. With these assets, I am confident that the Bank's future is in good hands.