



Shareholder Resolution

Laurentian Bank Metrics Used for Executive Compensation

Be it resolved that:

The Human Resources and Corporate Governance Committee of the Board assess the risks and benefits of reliance on a single metric (return on common shareholder equity) for determining the company's financial performance factor when peers are utilizing a basket of metrics; and disclose the individual performance factor for each Named Executive Officer.

Supporting Statement

In the wake of the financial crisis, as citizens and regulators are demanding more accountability, it is crucial that Board committees exercise their duty to ensure that executives are financially rewarded for creating sustainable value and not for taking short-term risks.

When determining the financial performance factor for short-term incentive compensation, Laurentian Bank relies on a single metric – return on common shareholder's equity (RCSE). Utilizing a combination of metrics would be more appropriate to discourage actions that would achieve one result at the expense of others.

RCSE is also the sole metric underlying the bank's performance share units (PSUs), and serves as a threshold for the entire short-term incentive program. One of the risks associated with reliance on a single financial metric, in addition to incenting short-term gains, is the ease with which Boards may use discretion to over-ride this trigger. Laurentian has used this discretion twice – in FY2003 and FY2004.

Laurentian also lags its peers by omitting non-financial metrics in the determination of corporate performance. Other Canadian banks incorporate customer satisfaction and retention or employee turnover and engagement metrics into their business performance factor. If ignored, these metrics can negatively impact long-term financial performance for the benefit of short-term gains.

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Laurentian includes RCSE once again as an individual performance result for the CEO - suggesting this metric is used for determining both the company's financial performance factor and his individual performance factor, thus rewarding twice for attainment of the same result (thrice if PSUs are included).

Laurentian did not disclose the individual performance factor for its Named Executive Officers (NEOs) in the 2010 proxy circular when peers, such as the Royal Bank, did. Disclosing the individual performance factor for each NEO allows investors to calculate the compensation awarded and clearly see the link between pay and performance.