



Desjardins Group:

**THE LARGEST COOPERATIVE
FINANCIAL GROUP IN CANADA**

The Federated Concept

Presented by Lucie Bouchard, Vice-President, Canadian Cooperative Partnerships Division, Desjardins Group.

**Filene Research Institute's
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Presentation outline

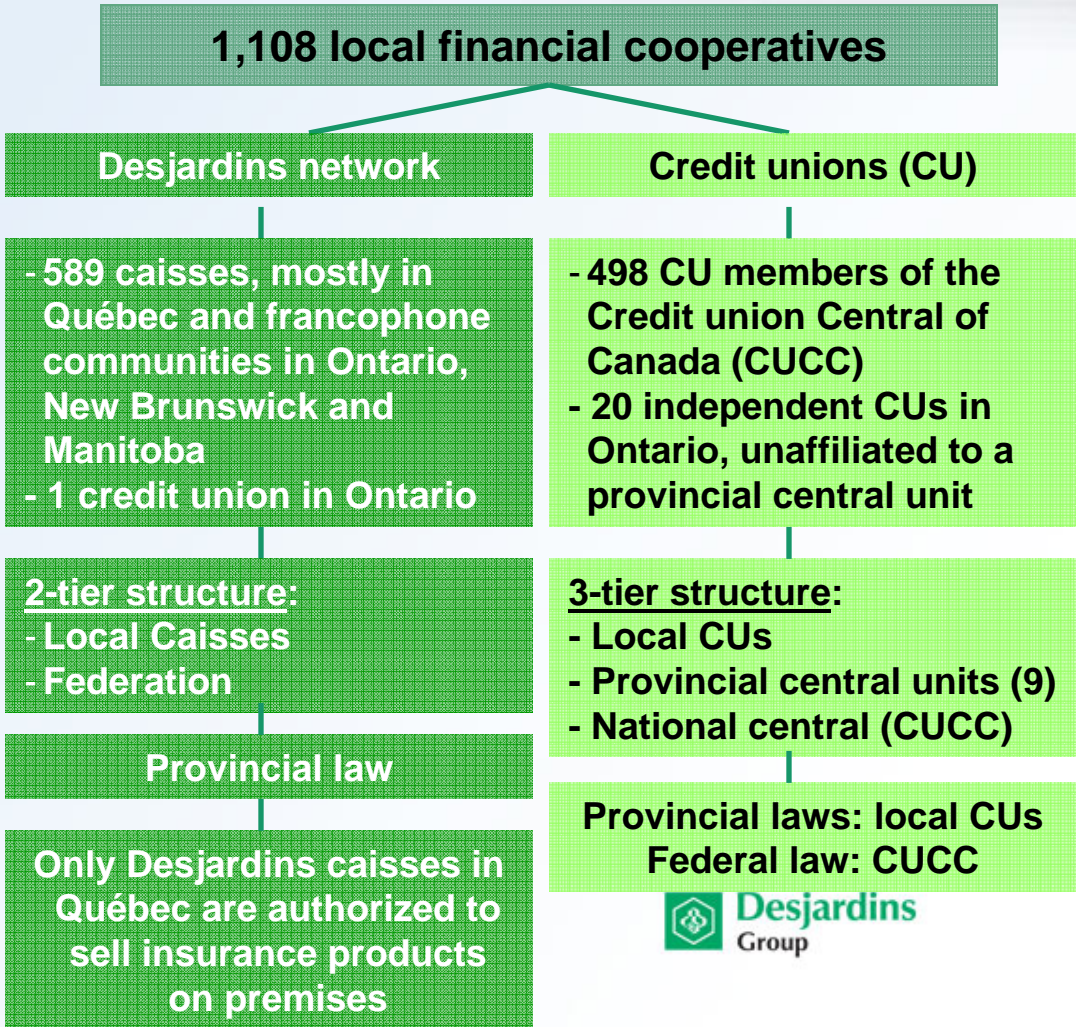
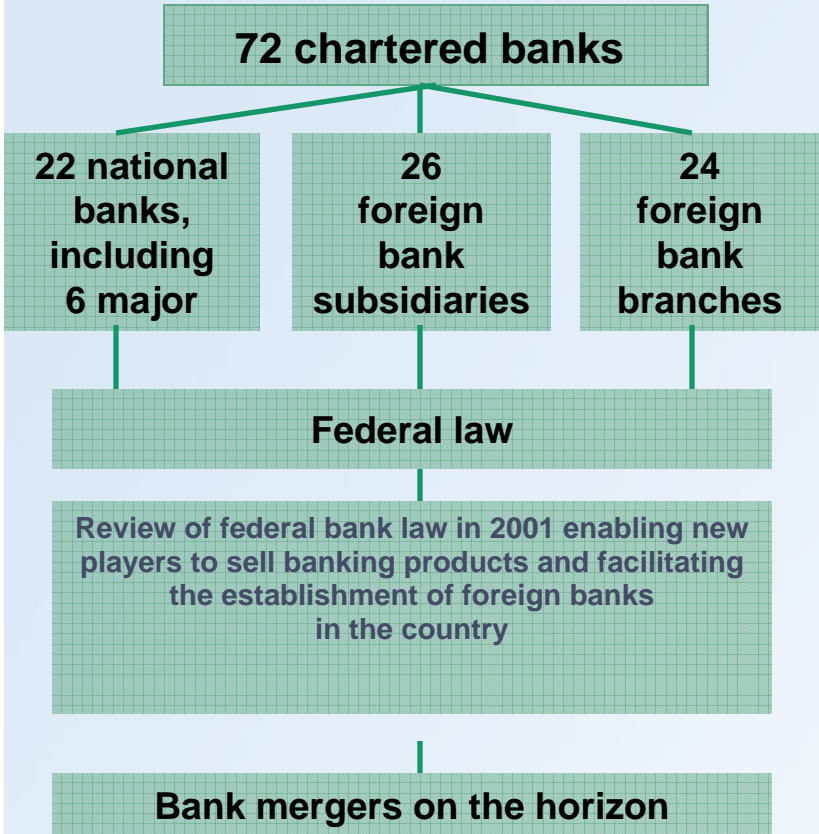
- ❖ Brief overview of the Canadian financial environment
- ❖ The Desjardins model: simplified group structure and governance
- ❖ Desjardins Caisse Business Model
- ❖ Facing current challenges: strategic development of the network and Key Orientations
- ❖ Intercooperation: a Cooperative Model for Growth



Canadian Financial Environment



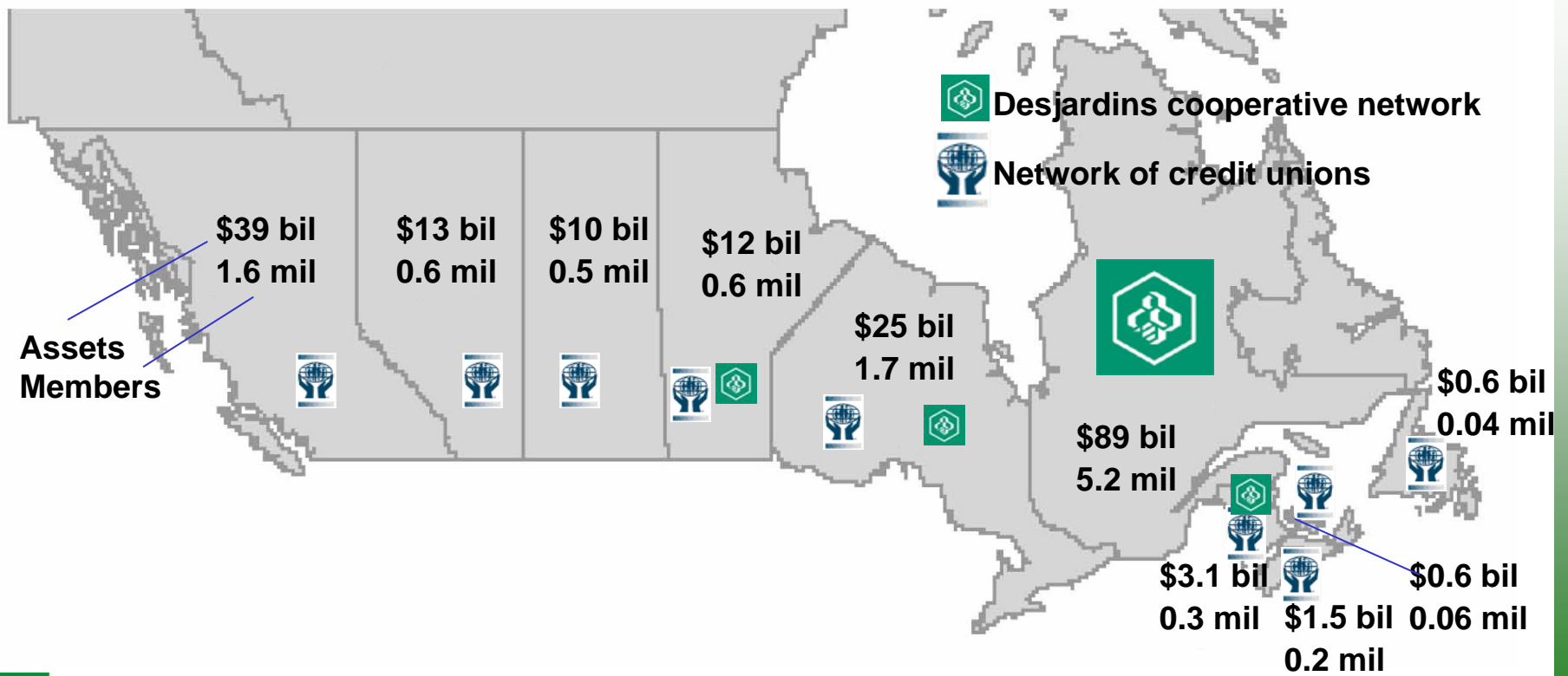
Canadian Banking System



Sources: Websites of the Canadian Bankers Association (CBA) and the CUCC. Data as at December 31, 2006

Canadian Cooperative Finance Sector

\$194 billion in assets in 2006 for **10.8 million** members; **more than 50%** are associated with Desjardins-affiliated caisses (\$97 billion for 5.7 million members)

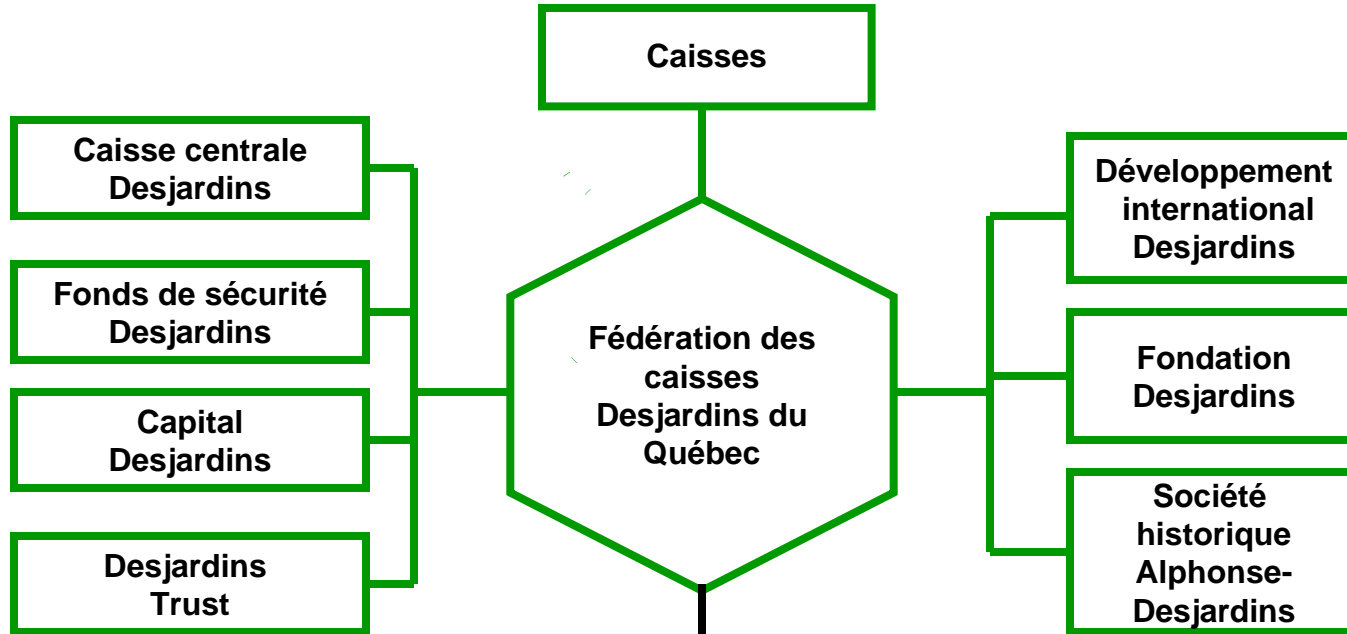




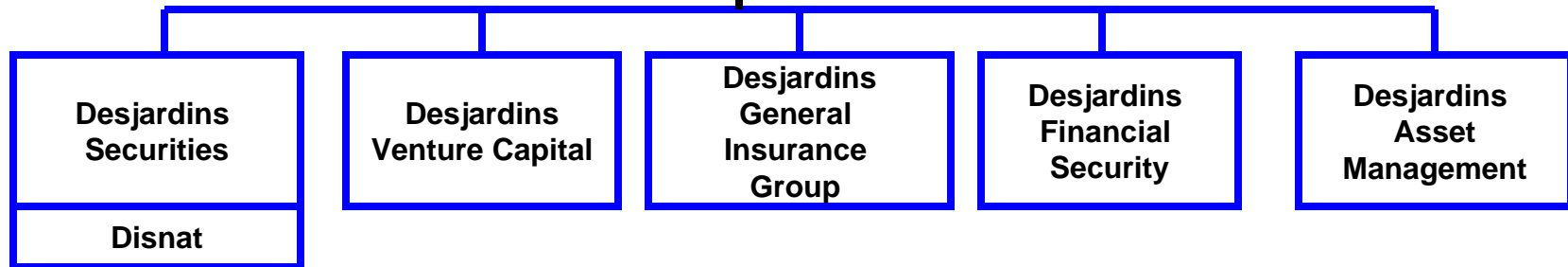
The Desjardins Model: Simplified Group Structure and Governance

Simplified Group Structure

Cooperative Network



Subsidiary Network



Desjardins Group's Democratic Structure

Local level

General Meeting, Board of Directors and Board of Supervision of each caisse

Regional level

Number of delegates per caisse based on number of members:

•less than 5,000	1
•5,001 to 10,000	2
•10,001 to 15,000	3
•15,001 to 20,000	4
•20,001 to 25,000	5
•over 25,000	6

Regional General Meeting of the caisses
(Caisses are distributed throughout 17 regions including Ontario and the group caisses)

Councils of Representatives in each of 17 regions

(15 members: 10 elected officers + 5 GMs)

The (elected) Council of Representatives Chair represents the council to the Federation Board



Group level

Elects the President of the Group and the 4 General Managers who will sit on the BD and the members of the BEPC

Assembly of Representatives

(255 members of 17 regional councils + President of the Group)

General Meeting of the Federation

(Approx. 1,400 delegates based on the proportional representation of each caisse)

Board of Ethics and Professional Conduct (BEPC)
(8 independent members of the BD)

Board of Directors (BD) of the Federation
(22 members: 17 regional chairs + 4 GMs + Group President)

Orientation Congress

(Approx. 1,400 delegates based on the proportional representation of each caisse)



The Desjardins Caisse Business Model

The Desjardins Caisse

- ❖ **Autonomous** legal entity with its own Board of Directors, Board of supervision, General Meeting and financial statements
- ❖ Two caisse models: **geography**-defined caisse or **group** caisse
- ❖ Caisse clients are all **owner-members**, via the obligatory \$5 qualifying share, each of which carries the same democratic weight (1 member, 1 vote)
- ❖ **Network operation** with common brand name and service offer for all caisses and shared support services (IT and other) and mechanisms for financial stability
- ❖ **Competitive** prices for products and services with possibility of patronage dividends for members as bonus
- ❖ **Distributor** (not manufacturer) of products and services and local socio-economic agent



The Desjardins Caisse (cont'd)

- ❖ In Québec, financial cooperatives must be **affiliated** with a central unit or a federation
- ❖ **Strict adherence to standards and bylaws** defined by the Federation and common to all caisses
- ❖ Average Québec caisse assets: \$167 million* (goal: all caisses at least \$50 million)
- ❖ **Caisse capitalization** made up mainly of:
 - 79% reserves
 - 9% share capital composed of \$5 qualifying shares (unlimited by the caisse) and \$10 optional permanent shares (non-voting and not refundable on demand, bearing interest determined by members at the General Meeting)
 - 12% subordinated debenture issued on institutional markets



Caisse Service Offer

- ❖ **Savings and Investment Services:** traditional savings products, mutual funds, capital protected structured products, securities, private management, financial planning, estate management services, etc.
- ❖ **Financing:** consumer and mortgage loans, industrial and commercial loans, car leases, point-of-sale financing, etc.
- ❖ **Insurance:** property & casualty, life and disability, health and travel, etc.
- ❖ **Other Services for Businesses:** cash management, payroll, international services, etc.

The Federation

- ❖ **Central support organization** for the caisse network; assumes advisory, orientation, planning, coordination and **watchdog** responsibilities for the entire Group
- ❖ **Decentralized structure** composed of 5 Regional Executive Divisions (“PVPs”) and 8 Centralized Functional Executive Divisions
- ❖ **Regional Executive Divisions:** support the caisses in their business development, their daily operations, reaching their financial objectives and carrying out their business plans and their service offer to members; provide strategic and tactical advisory services
- ❖ **Centralized Functional Executive Divisions:** provide product development, marketing, IT, HR and other services to the caisses
- ❖ Approximately **6,356 employees** support the caisses in Québec and Ontario
(December 2006)

Desjardins Federation as an Expert Center creates Value for the Members by ...

Supporting the Caisses ...

Sharing:

- Best practices and economies of scale with suppliers
- Risk management practices

Pooling certain services to members:

- Administrative centers
- Point-of-sale financing
- On-line solutions

Giving access to:

- Trade association services
- Financing and clearing services
- Specialized expertise (market studies, HR, auxiliary services, etc.)

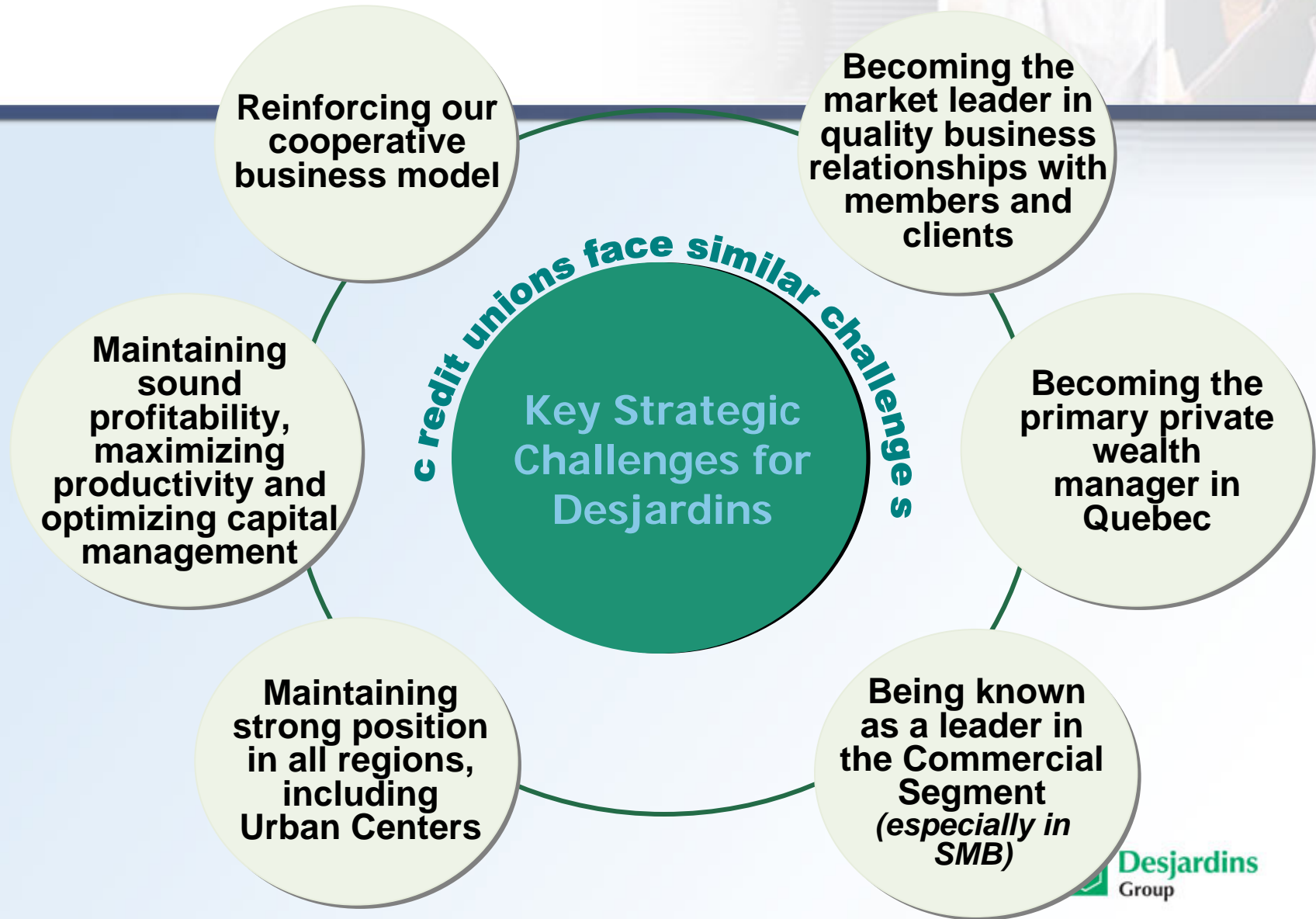


Facing Current Challenges : Strategic Development of the Network and Key Orientations

Major Changes in the Caisses in Recent Years

- ❖ Complete **re-engineering** of our business processes
- ❖ Integration of "**Sales Shift**" (caisse employees are more proactive in the offer and sale of products)
- ❖ Process of **voluntary caisse consolidation** to accommodate market change (527* caisses in Québec versus > 1,300 in 1995) without diminishing the number of service centres
- ❖ **Restructuring activities in 2001**: move from a 3-tier (1 confederation, 11 federations, caisses) to a 2-tier structure (1 Federation and caisses)
- ❖ **Optimization of physical caisse network** (relocation of service centres and adjustment of business hours)
- ❖ **Unified strategic management** throughout the Group and **new Federation service offer** to the caisses with greater added value

Desjardins' Challenges





Intercooperation : a Cooperative Model for Growth

Strengthening the Canadian financial cooperative movement

- A necessity
- Significant growth potential
- A response to consolidation and increased competition
- Intercooperation
- Potential area of collaboration: IT

Potential area of collaboration: IT

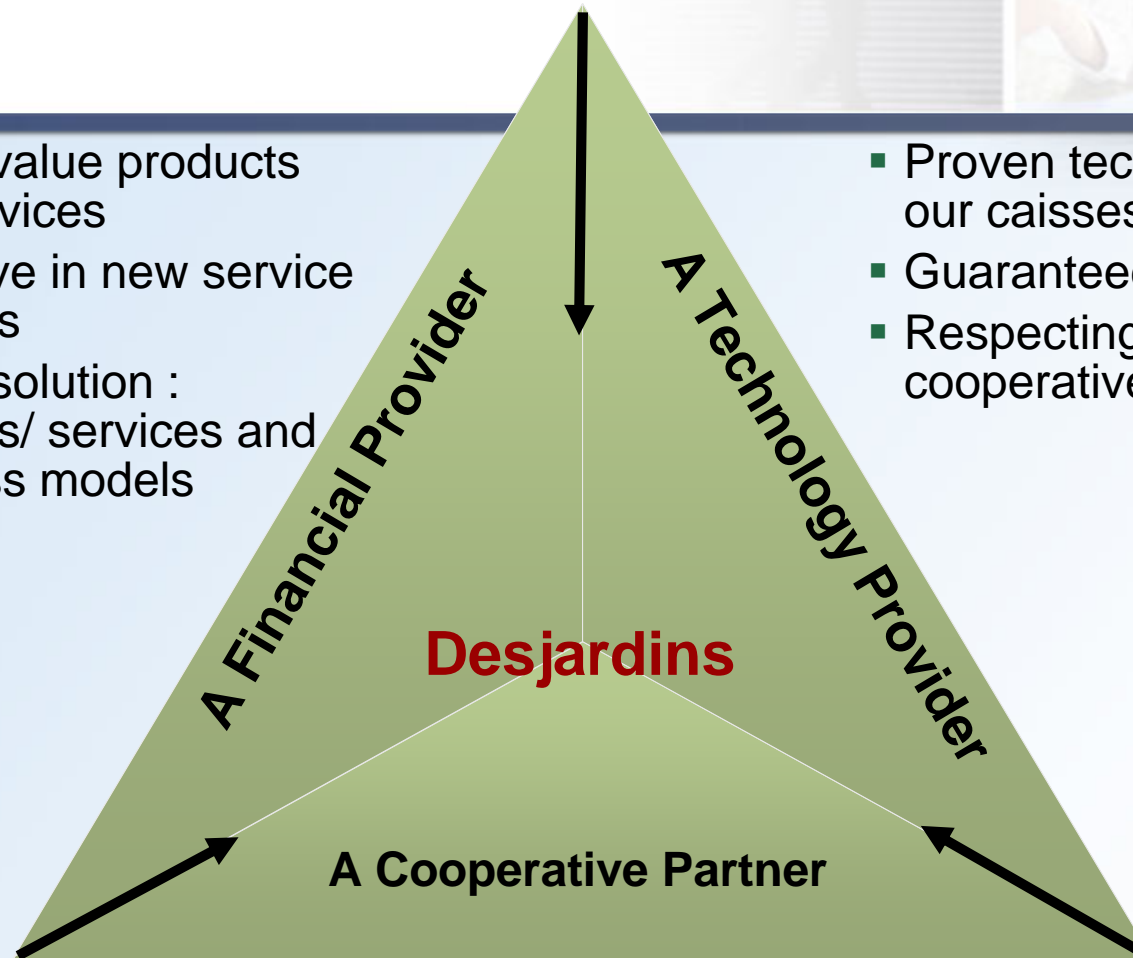
- Both must invest substantially in technology and product development
- Desjardins has a solid core banking technology
- Credit Unions also use interesting technology components
- Desjardins proposes to offer proven technology to Credit Unions on a client/supplier basis

More Than an IT Provider: a Cooperative Partner



- Added value products and services
- Proactive in new service offerings
- Global solution : products/ services and business models

- Proven technology used by our caisses
- Guaranteed evolution
- Respecting other cooperatives providers



- Respecting autonomy and proposing a governance model
- Together stronger and better equipped to face competition
- Wholesale approach, not retail