

Desjardins Group

COOPERATE TO SHAPE OUR DESTINY



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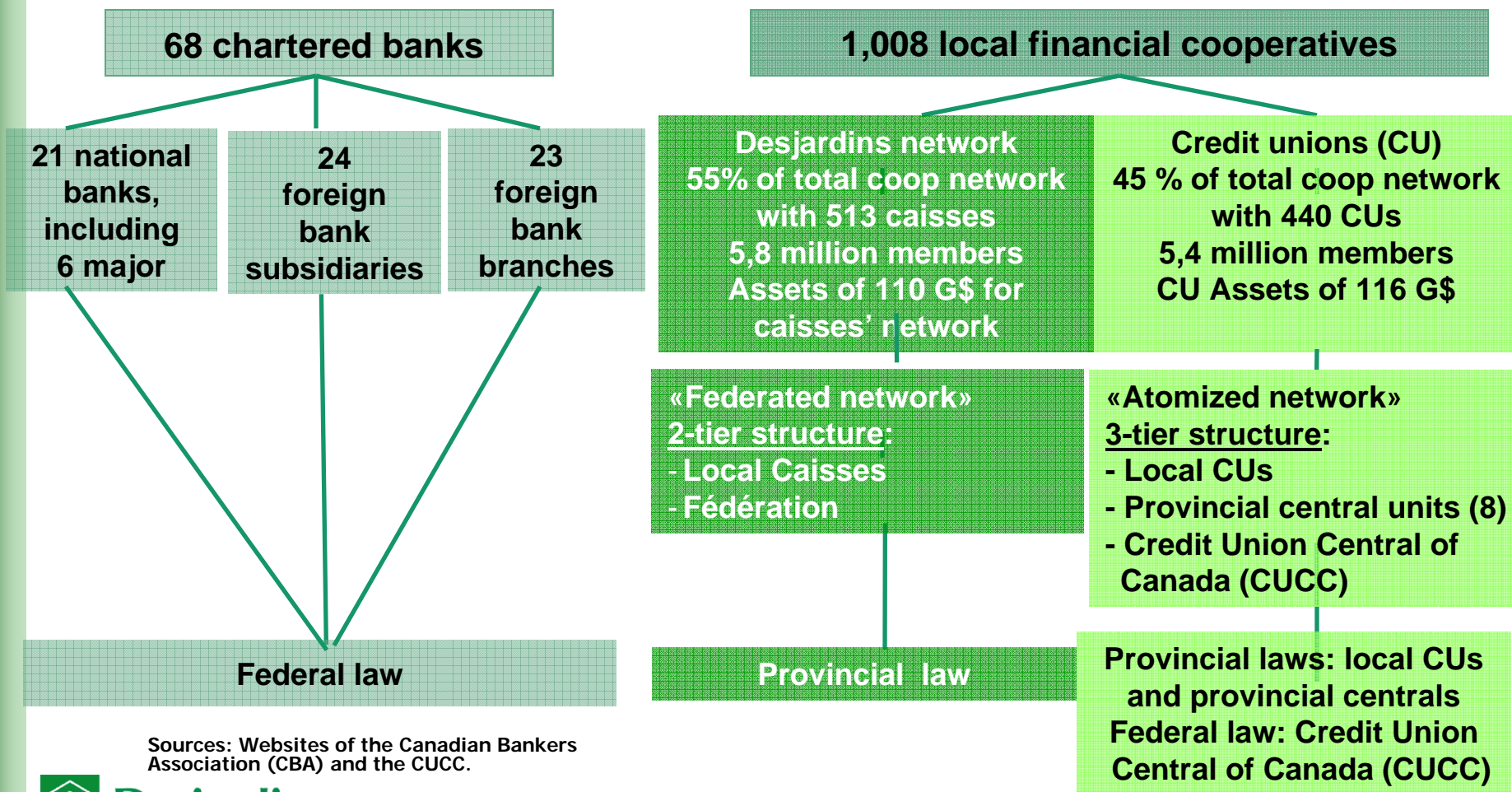
Presentation Agenda

- Canadian Banking Environment
- Historic development of Desjardins Group
- Desjardins today
- Business model and governance structure
- Building a successful network through cooperation and solidarity
- Questions and discussion period



Canadian Banking Environment

Canadian Banking System

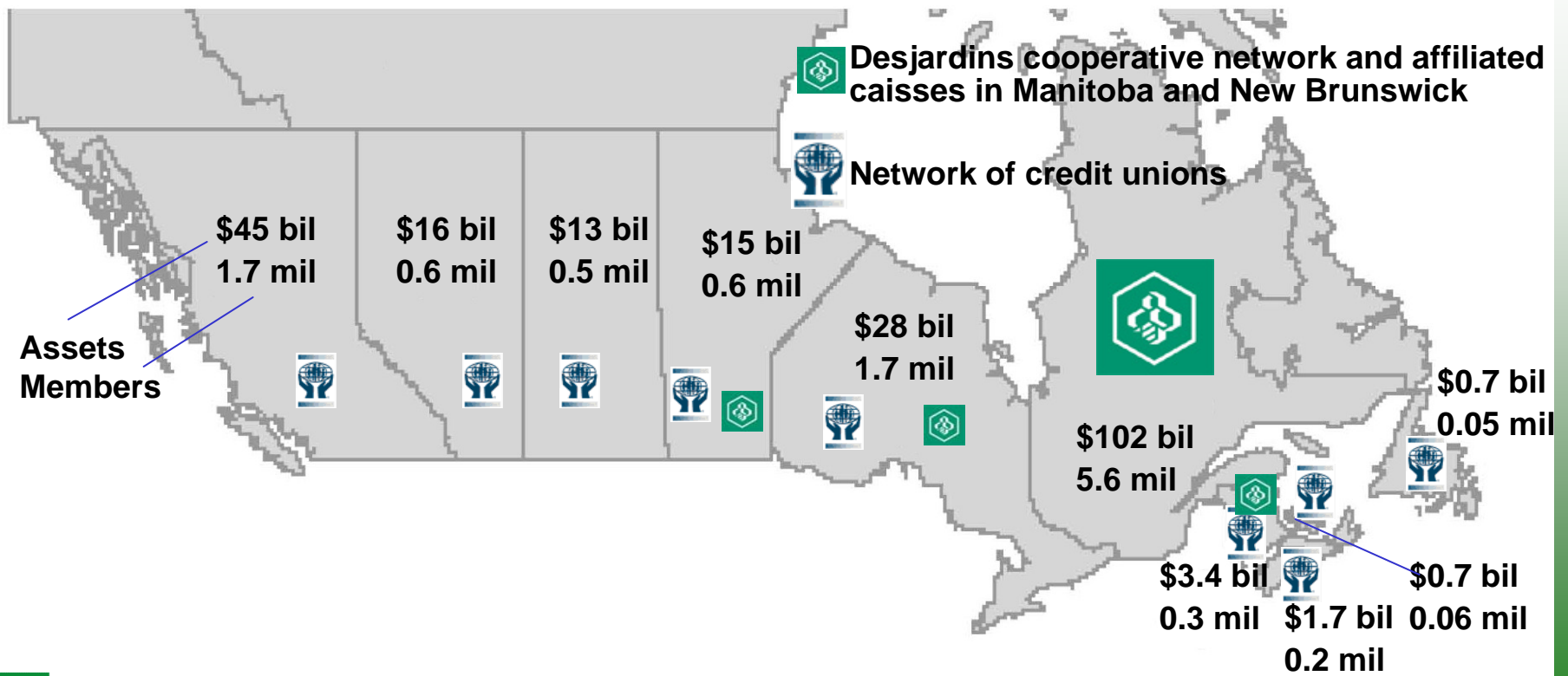


Sources: Websites of the Canadian Bankers Association (CBA) and the CUCC.



Canadian Cooperative Banking Sector

\$226 billion in assets in 2008 for **11.2 million** members; **about 50%** are associated with **Desjardins-affiliated caisses** (\$110 billion for 6 million members)



Importance of financial cooperatives in Canada

- **In proportion to its population**, Canada has **one of the highest numbers of financial cooperative members in the world** (over 11.2 million, or about 1/3 of the population)
- In 2008, financial cooperatives accounted for **9.3% of the total national assets** of Canada's deposit-taking institutions, with **assets of \$226 billion**
- Financial cooperatives have always preserved a **solid Canadian market share for key financial services**. In 2008, they held 13% of the savings volume and 14% of the volume of loans
- Financial cooperatives own **37% of banking service centres** in Canada; the rest are divided among the 6 largest banks



Historic development of Desjardins Group



How It All Began

**Within 15 years,
163 caisses had
been set up:**

- 136 in Québec
- 18 in Ontario
- 9 in the U.S.

**When Alphonse
Desjardins died
in 1920, the
caisses had over
\$6 million in
assets.**

- Alphonse Desjardins, son of a working class family, was concerned with social issues and the financial situation of the working classes. Difficult for workers and small producers to access credit in the late 19th century
- Worked as a journalist and edited parliamentary debates; became a House of Commons stenographer
- In 1898, read *People's Bank* by Henry Wolff and began corresponding with European cooperators to discuss cooperative models. Decided to organize popular credit using popular savings
- First caisse populaire founded on December 6, 1900 in Lévis. Recognized by Québec statute in 1906
- Alphonse Desjardins recognized as the father of the North American savings and credit cooperative movement



Desjardins' Mission

To contribute to the well-being of people and the economic and social development of their communities within the compatible limits of its field of activity by:

- ❖ developing **an integrated cooperative network** of sound and profitable financial services, owned and administered by the members, and a competitive, member-controlled network of complementary financial companies;
- ❖ **teaching** democracy, economics, solidarity and individual and collective responsibility, especially to members, officers and employees.



Development of Desjardins' service offer

1900 – 1945

Basic savings and loan services

1945 – 1960

Addition of life and property and casualty insurance services

1960 – 1980

Trust, mutual funds, investment, commercial and industrial credit, venture capital and “inter-caisses” services

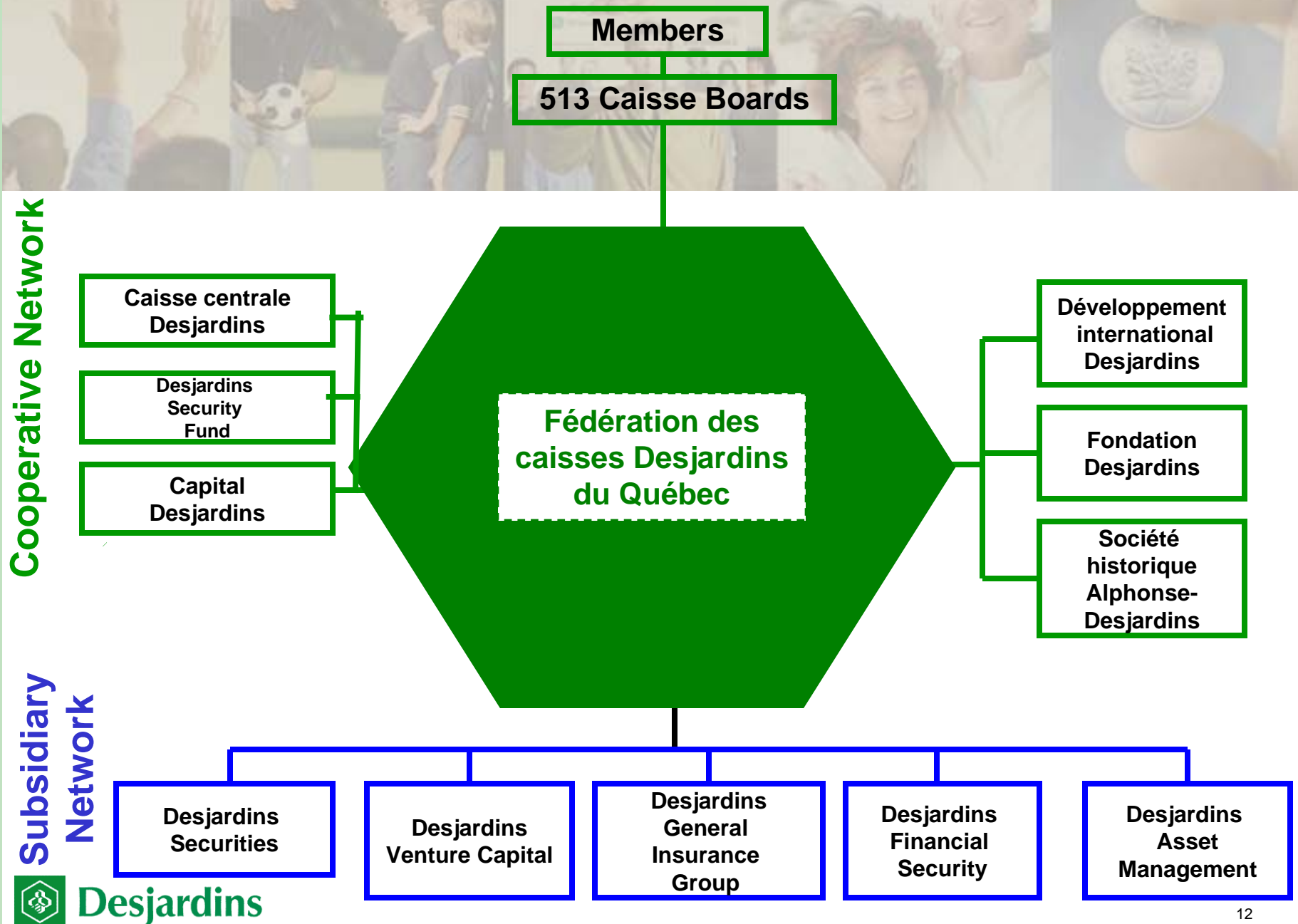
1980 – up to now

Automated and electronic services (ATMs, direct payment, telephone and Internet, etc.), credit cards, financial planning, securities, specialized services to businesses, international services and asset management



Desjardins today

Simplified Group Structure





Caisse centrale Desjardins

- **Cooperative** owned by the Desjardins caisses network with assets of 25.3 G\$
- Group's **financial agent** for Canadian and foreign financial institutions
- Acts as **treasurer** to the entire Group network
- **Provides** treasury, derivative instruments, foreign exchange and financing services to Group entities, public and parapublic sectors, governments and mid- to **large-sized businesses**
- Operates a **bank in Florida** and a commercial lending subsidiary in the U.S



Desjardins Today

- The **largest integrated cooperative financial group in Canada** offering a full range of financial products and services and the **ninth* most important in the world according to revenues**
- The **top financial institution in Québec** and the **6th largest in Canada** with assets totalling \$152.3 billion
- **Close to 5.8 million member-owner-users**
 - ✓ 5.4 million individual members (70% of Quebecers are members of a Desjardins caisse) and close to 400,000 business members (approx. 44% penetration rate in Québec)
- Supported by **6,300 elected officers**



Desjardins Today (cont'd)

- 513 **caisses** offering 1,400 service outlets and 51 **business centres**
- One **Desjardins bank in Florida** (3 service centres and a commercial lending subsidiary in the US)
- Some **twenty specialized financial service subsidiaries**, owned by the caisses, with around 100 business locations in Canada
- A **strongly capitalized** Group which **ranks 26th** in the **2009 Global Finance classification of the World's 50 Safest Banks*** out of the 500 most important financial institutions worldwide
- **Québec's largest private employer** (39,000 people) and among the 20 largest in Canada (42,000 people)

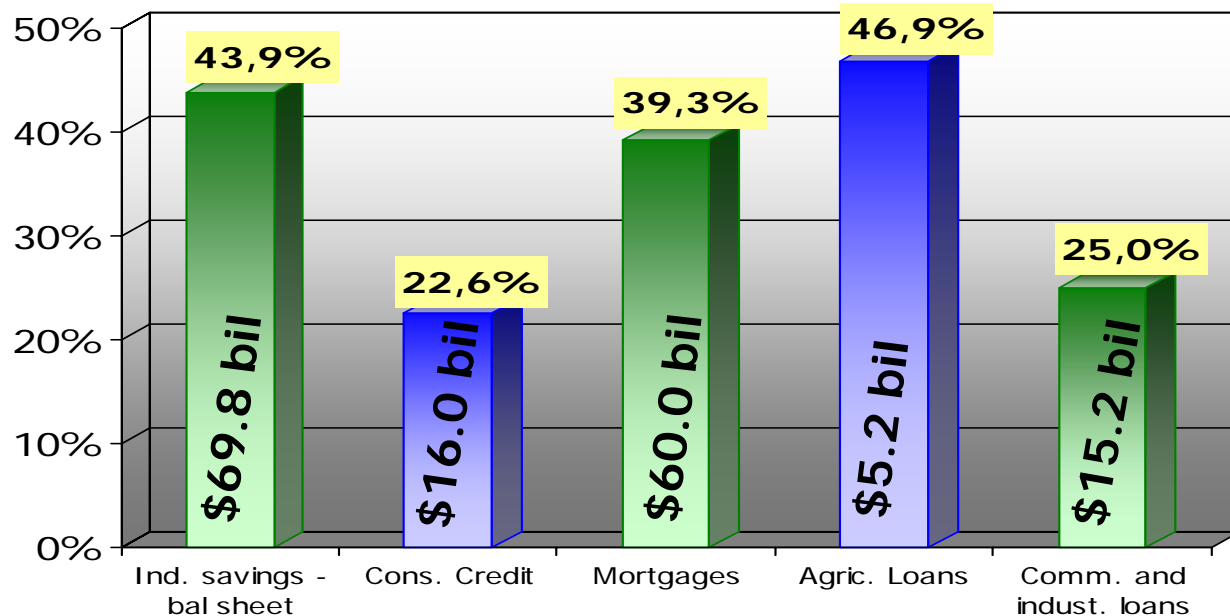
Asset ranking worldwide and in Canada

The largest Canadian deposit financial institutions

	Assets \$CAN 2008	Canadian Ranking based on 2008 assets	World ranking baed on 2007 assets
Royal Bank of Canada	723,9 G\$	1st	38th
Toronto-Dominion Bank (TD)	563,2 G\$	2nd	46th
Scotia Bank	507,6 G\$	3rd	48th
Bank of Montréal (BMO)	416,1 G\$	4th	51st
Canadian Imperial Bank of Commerce (CIBC)	353,9 G\$	5th	54th
Desjardins Group	152,3 G\$	6th	103rd
National Bank of Canada	129,3 G\$	7th	125th

2008 Market Performance

Financial Intermediation in Québec



The remainder of the market is divided among the 6 largest Canadian banks and new competitors.

Specialized Services

	Life and Health Insurance	P&C Insurance	Mutual Funds	Securities
Rank and market share	1 st in Qc with 18.0% 5 th in Canada with 6.8%	2 nd in Qc with 12.8% 11 th in Canada with 3.8%	2 nd in Qc with 9.3% 17 th in Canada with 1.7%	4 th in Qc with 10.5% 8 th in Canada with 2.1%



Socio-economic and cooperative performance

- **Member participation** in ownership, control, surplus sharing and the growth of inalienable collective wealth
- **The institution that gives the most back to Québec society:** an average of 47,8 % of its surplus earnings over the past 5 years returned to the members in the form of patronage dividends and totalling 2 billion \$
- Integration of **cooperative values into business and management practices**
 - ✓ most accessible financial institution and the only one in over half of the municipalities in the province of Québec
 - ✓ customer advocacy during periods of financial crises
 - ✓ mutual assistance funds to individuals, microcredit to businesses, etc.)



Socio-economic and cooperative performance (cont'd)

- Significant contribution by the caisses and Desjardins Group to **local and regional socio-economic development**
 - ✓ regional development funds
 - ✓ 216 M \$ granted in the last 3 years in donations, sponsorships, scholarships, caisses' special community help funds
 - ✓ administrative operational centers established in remote areas to create employment , etc.
- **Intercooperation:** Support for capitalization of cooperative businesses in Québec through Capital régional et coopératif Desjardins, major financing for Canadian cooperatives in various fields and significant support to the international cooperative community



Socio-economic and cooperative performance (cont'd)

- **A world leader in community finance** in emerging and developing countries, through Développement international Desjardins, supporting nearly 2 000 local caisses servicing 6 million members in some 20 countries
- Cooperative, financial and economic **education** of members (School Caisse and Student Caisse, young intern officers, training courses)

Key financial results in 2008

Group financial data including subsidiaries, Québec and Ontario caisses, excluding New-Brunswick and Manitoba caisses and federations	2006 \$CAN	2007 \$CAN	2008 \$CAN	Excluding specific items
Assets	129,1 G\$	144,1 G\$	152,3 G\$	
Loans	88,6 G\$	95,4 G\$	104,5 G\$	
Deposits and subordinated debentures	89,5 G\$	96,6 G\$	102,2 G\$	
Equity	8,6 G\$	9,3 G\$	9,9 G\$	
Total income	9,4 G\$	9,7 G\$	8,4 G\$	9,5 G\$
Provision for losses on loans [as a % of average gross loans]	139 M\$ 0,16 %	197 M\$ 0,21 %	243 M\$ 0,24 %	
Surplus earnings (net earnings)	988 M\$	1 101 M\$	78 M\$	1 250 M\$
In % of average assets	0,80 %	0,79 %	0,05 %	0,84 %
Member dividends	483 M\$	592 M\$	215 M\$	
Return on equity	12,1 %	12,3 %	0,8%	12,4%
Productivity ratio	74,6 %	72,3 %	91,8 %	70,7 %

Credit ratings and capital ratios

Medium and long-term Credit ratings

	Moody's	S/P	DBRS
Royal Bank	Aaa	AA-	AA
Toronto-Dominion	Aaa	AA-	AA
Desjardins	Aa1	AA-	AA
Scotiabank	Aa1	AA-	AA
BMO	Aa1	A+	AA
CIBC	Aa2	A+	AA
National Bank	Aa2	A	AA(low)
Laurentian	Not rated	BBB	BBB(high)

Desjardins ratios

BIS Tier 1 capital ratio 13.67%

Total capital ratio 12.85%

Tier 1 capital composed at 83,7 % of reserves

Data as at March 31st 2009



Business model and governance structure



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 **member dividends** for members as bonus
- **Distributor** (not manufacturer) of products and services and local socio-economic agent



The Desjardins Caisse (cont'd)

- Average Québec caisse assets: \$207 million
- **Caisse capitalization** made up mainly of:
 - ✓ 84% 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)
 - ✓ 7% subordinated debenture issued on institutional markets
- In Québec, financial cooperatives must be affiliated with a federation
- Strict adherence to **standards and bylaws** defined by the Fédération and common to all caisses



Examples of Fédération Standards and Policies Regulating Caisse Operations

- Capital standards with respect to maintaining sufficient equity, distribution of surplus earnings and the issue and management of capital and investment shares
- Standards for financial management and conventions
- Standards for credit, liquid assets and investments
- Standards for the product and service offer, user fees
- HR Standards
- Policies regarding interest rates for savings and credit products
- Optional handling of caisse rate risk by the Fédération
- Contributions to Fonds de sécurité (security fund) and deposits to Fédération investment funds which constitute investments in the various Desjardins subsidiaries



Caisses' responsibilities

- Maintaining the **business relationship with members** and satisfying their needs
- **Commitments:**
 - ✓ Socio-economic to local neighbourhoods
 - ✓ Donations and sponsorships to community
- Local **business plan**
- Participating in the establishment of **network business objectives**
- Consulted on **strategic issues**



The Fédération

- **Central support organization** for the caisse network; representation, advisory, orientation, planning, coordination and **watchdog** responsibilities for the entire Group
- Services to caisses (legal, marketing, technological, finance, governance, training, communication, etc.)
- Services to members
 - ✓ desjardins.com general web site and transactional site 1-800 caisses
 - ✓ Student Loan Center
 - ✓ Financing center for individuals
- Operations of business units
 - ✓ credit cards
 - ✓ payroll services
 - ✓ manufacturing of mutual funds

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 Fédération 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 Fédération
(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 Fédération
(22 members: 17 regional chairs + 4 GMs + Group President)

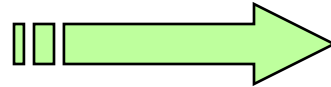
Orientation Congress
(Approx. 1,400 delegates based on the proportional representation of each caisse)



Building a successful network through cooperation and solidarity

Common Initiatives: Sales & Marketing

1. One brand name



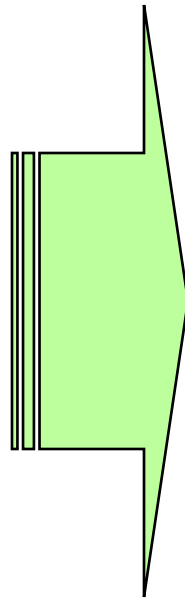
✓ Higher public profile (9% increase in 3 yrs in Ontario)

2. Standardized product line

3. Exclusive distribution

4. Universal fee structure

5. Integrated with subsidiaries' offer



✓ Easier virtual distribution

✓ Nation-wide promotional campaigns

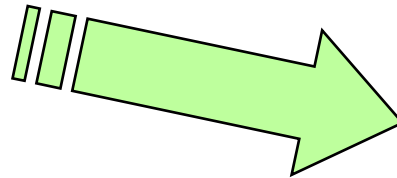
✓ Common training programs

✓ Uniform client approaches

✓ Less competition between caisses

Common Initiatives: IT & Centers

1. IT development & implementation

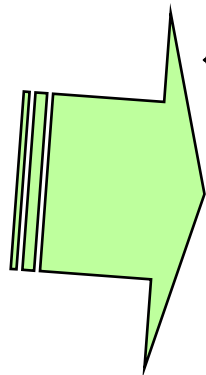


- ✓ Economies of scale & real connectivity
- ✓ Caisse has more time to devote to sales, its “core business”

2. Call centers

3. Provincial centers: point-of-sale financing, student loans, VISA, payroll services

4. Business centers: administration, services to businesses

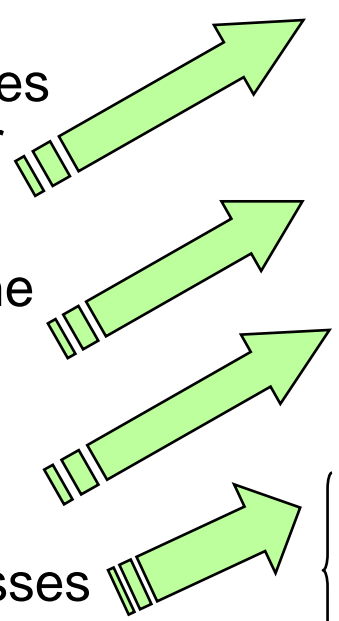


- ✓ 4% increase in market share of business loans in 10 yrs
- ✓ 6% increase in number of “highly satisfied” business members in 4 yrs
- ✓ Loans shared among caisses

Common Initiatives: Finance & Risks

1. Security fund
 2. Caisse centrale Desjardins
 3. Capital Desjardins
 4. Centralized rate risk management
 5. Financial engineering
-
- ✓ Deposit insurance rate cut by half & boost rating granted by credit agencies
 - ✓ Access to capital at competitive conditions and successful issuing of debentures at very competitive rates
 - ✓ Rate risk: average profitability gain of \$0.15/\$100 of assets
 - ✓ 25% of the Canadian market for structured products and 43% of structured GICs in Canada

Toward a Common Vision & Strategy

1. Inspection and audit
(standardization of financial practices)
 2. Specialized companies
(Investment funds for subsidiary holdings)
 3. Single direction for the whole Group
 4. New synergies
 5. Vision is shared and approved by the Caisses
 6. Democratic process leading to a three-year plan
- 
- ✓ Subsidiaries account for approx. 24% of caisses' profitability
 - ✓ Cohesion of thought and action
 - ✓ Synergies yield recurrent gains of \$CAN 134 million
 - ✓ Quicker decision-making within the Group
 - ✓ Action plans easier to implement

A collage of images including hands raised, a group of people, a smiling woman, and a hand holding a coin.

Keys To a Successful Network

1. Strictly democratic governance
2. Solidarity principle
3. User/payer and equalization
4. Real added value at a competitive price
5. Common quality standards
6. Legislative reinforcement



Questions and discussion period



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