

Desjardins Group

# THE LARGEST COOPERATIVE FINANCIAL GROUP IN CANADA



« Collaboration, the Federated Way »  
NACUSO Annual Conference  
Las Vegas, April 29th 2008



Money working for people

A collage of images at the top of the slide. From left to right: two hands raised, a group of young boys, a group of people in a meeting, a smiling couple, and a hand holding a coin.

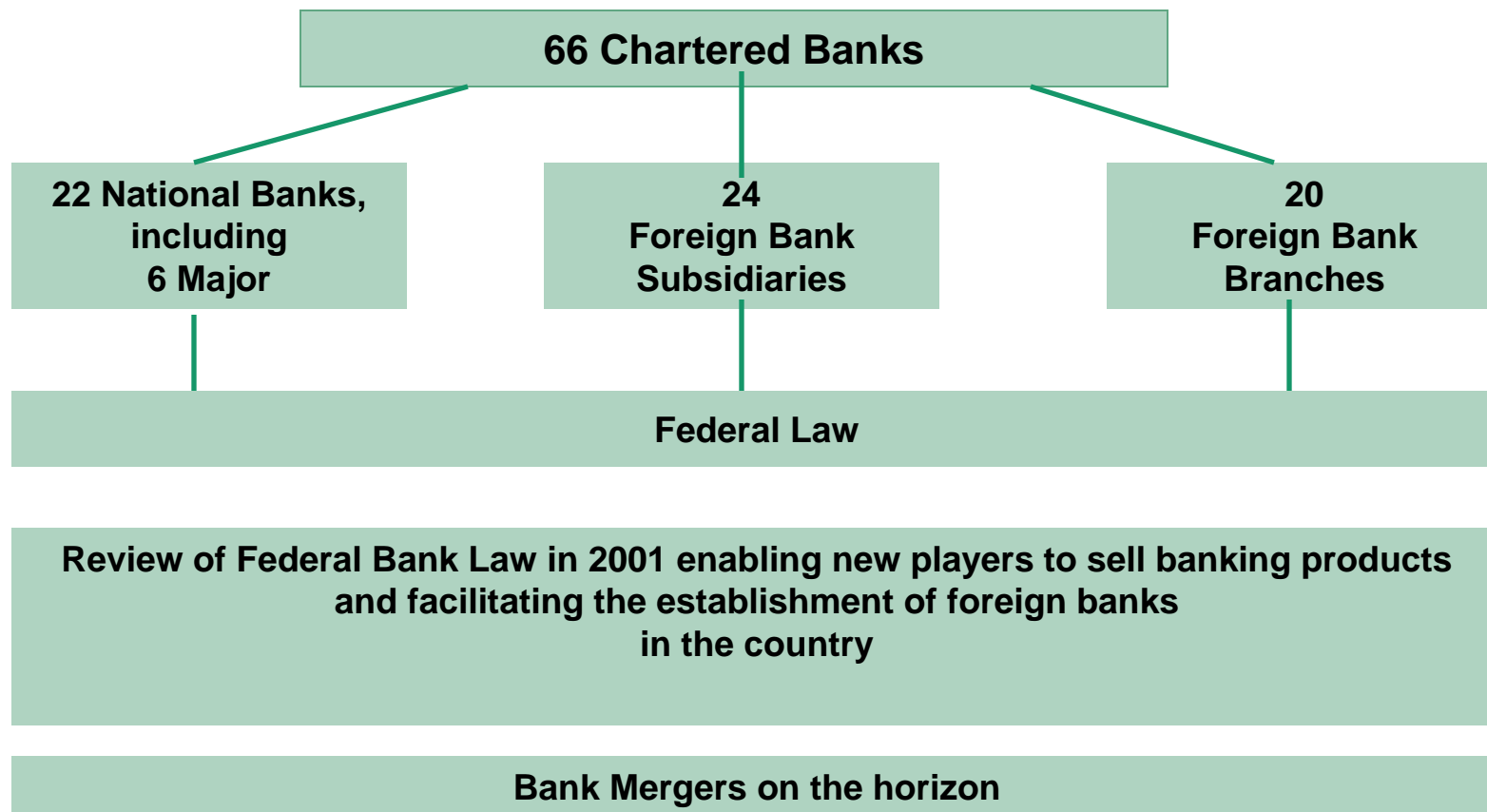
# Presentation Agenda

- ❖ Brief overview of the Canadian financial environment
- ❖ The Desjardins Group: simplified structure and governance
- ❖ The Desjardins Caisse Business Model
- ❖ Network Strategic Development and 2006-2008 Orientations



# Canadian Financial Environment

# Canadian Banking System



# Canadian Banking System

**1,077 Local Financial Cooperatives**

**Desjardins Network (53 %)**

- 536 Caisses in Québec and Ontario
- 41 Affiliated Caisses in New Brunswick and Manitoba
- 1 Credit Union in Ontario

**«Federated Network»**

**2-tier structure:**

- Local Caisses
- Federation

**Provincial law**

**Only Desjardins Caisses in Québec are authorized to sell insurance products on premises**

**Credit unions (CU) (47 %)**

- 479 CU Members of their respective provincial Credit Union Central
- 20 Independent CUs in Ontario, Unaffiliated to a Provincial Central Unit

**«Atomized Network»**

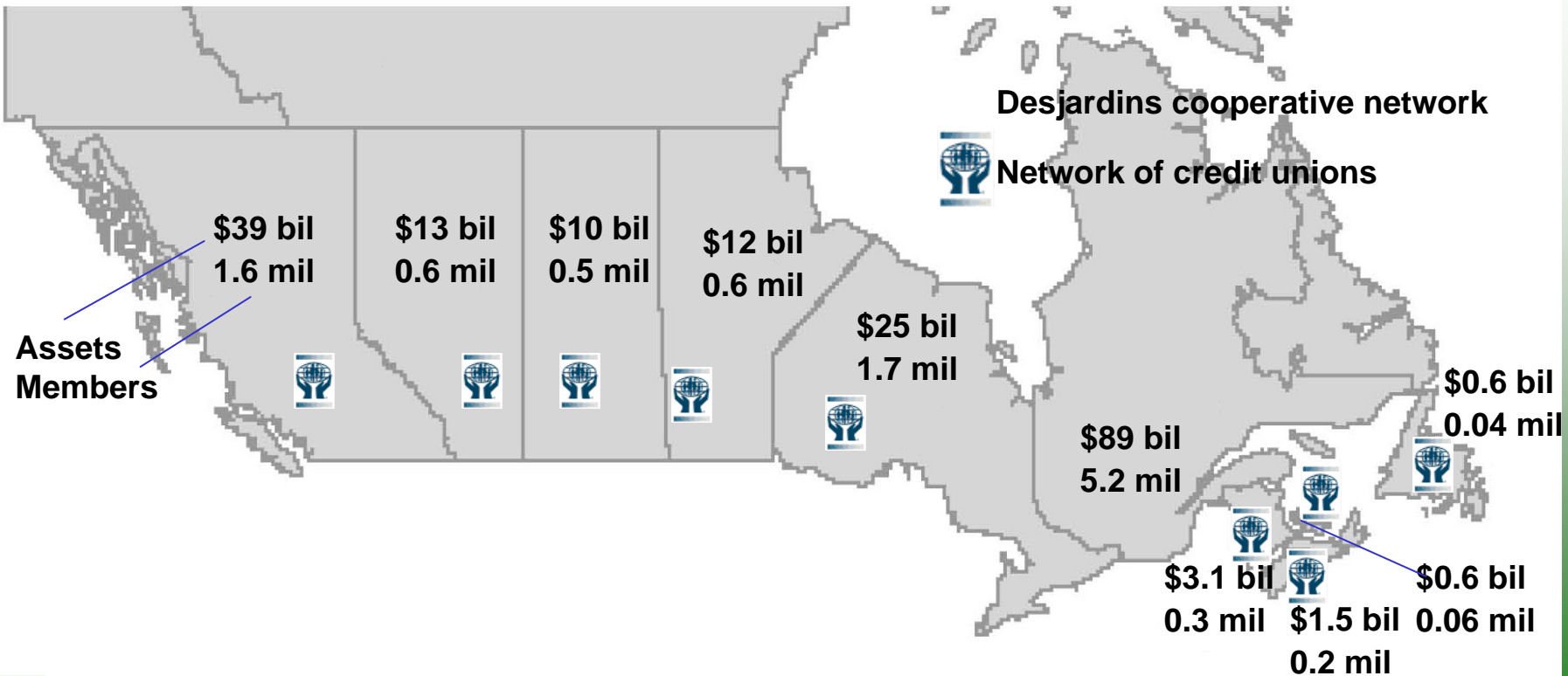
**3-tier structure:**

- Local CUs
- Provincial Central Units (9)
- National Central (CUCC)

**Provincial Laws: local CUs  
Federal Law: CUCC**

# Canadian Cooperative Finance Sector

**\$194 billion** in assets in 2006 for **10.8 million** members; **about 50%** are associated with Desjardins-affiliated caisses (\$94 billion for 5.8 million members)

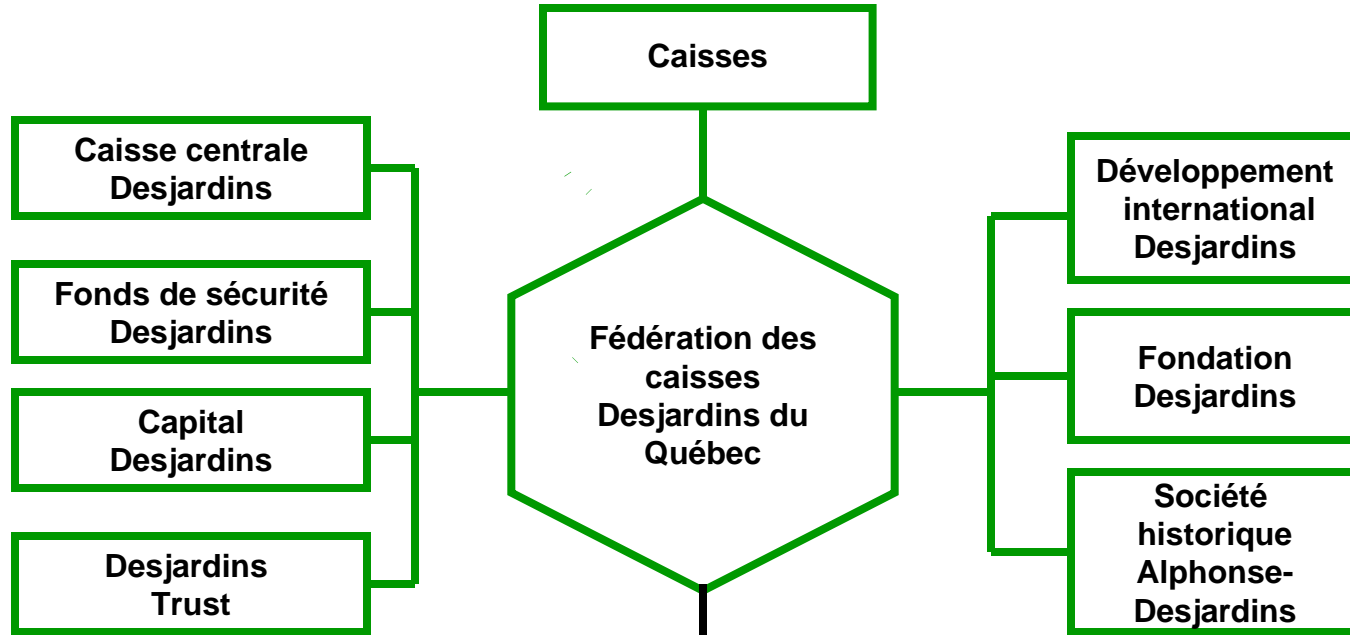




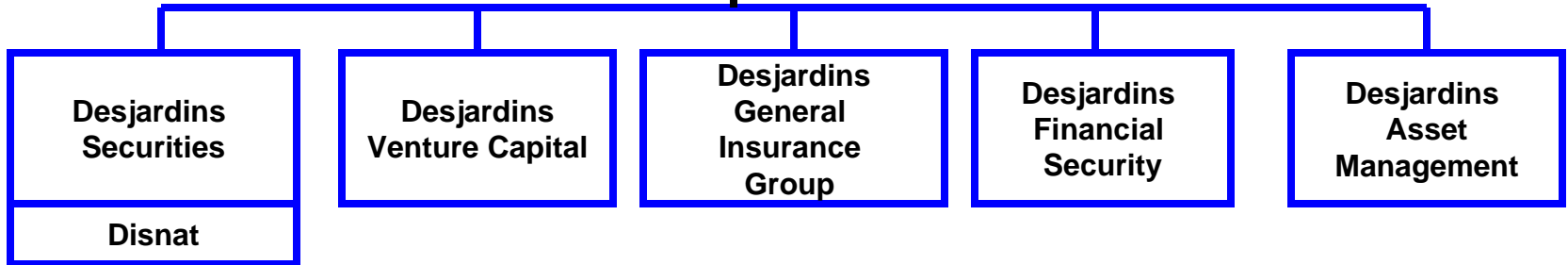
# The Desjardins Group

# 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 at 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)

# Desjardins Group's Democratic Structure

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


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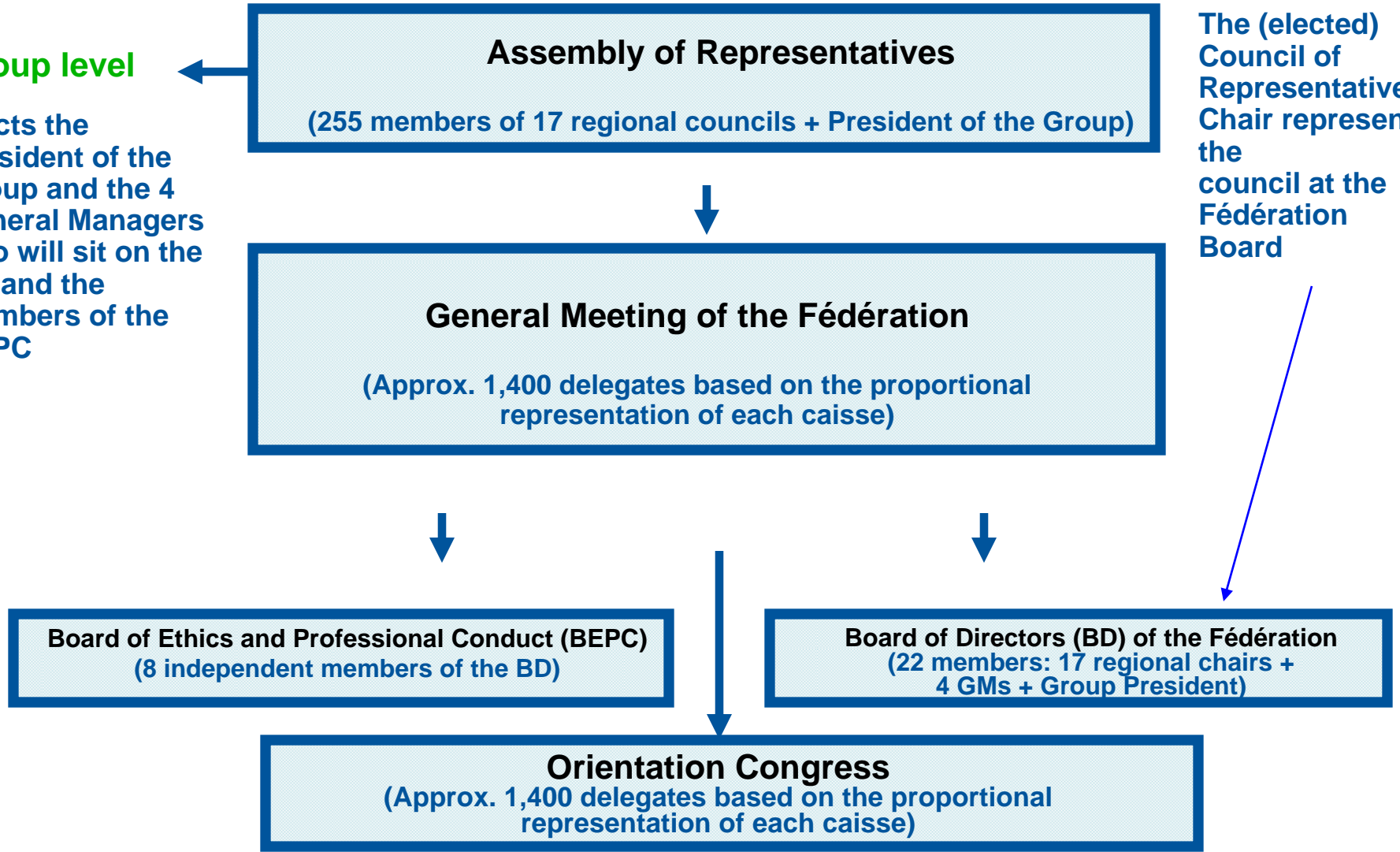
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# The Desjardins Caisse Business Model



# Desjardins' Mission

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

- ❖ developing an integrated cooperative network of secure and profitable financial services on a permanent basis, owned by the members and administered by them , and a network of complementary financial companies with a competitive return, also controlled by the members; and
- ❖ educating the public, and in particular our members, officers and employees, about democracy, the economy, solidarity and individual and collective responsibility.



# Desjardins' Vision

- Desjardins is an integrated cooperative financial group that is solidly rooted in the community.
- Desjardins aims to be the leading financial institution,
  - for satisfying the needs of its members and clients,
  - for profitable business development through its accessible, efficient and comprehensive service offering
  - and for its contribution to the development of the Canadian financial cooperative movement



# Desjardins' Values

- Money at the service of human development
- Personal commitment
- Democratic action
- Integrity and discipline
- Solidarity with the community
- As a member of the International Co-operative Alliance, we adhere to its values, which are self-help, self-responsibility, democracy, equality, equity and solidarity





# Desjardins Today

- ❖ The largest integrated cooperative financial group in Canada offering a full range of financial products and services for individuals and businesses
- ❖ The top financial institution in Québec and the 6th largest in Canada with assets totalling \$144.1 billion
- ❖ Over 6 million member-owner-users in Canada
- ❖ Close to 400,000 business members in Canada, including over 135,000 using our credit services (approx. 40% penetration rate in Québec)
- ❖ Supported by 7,000 elected officers in Canada
- ❖ Québec's largest private employer and among the 20 largest in Canada (42,000 employees nationwide )



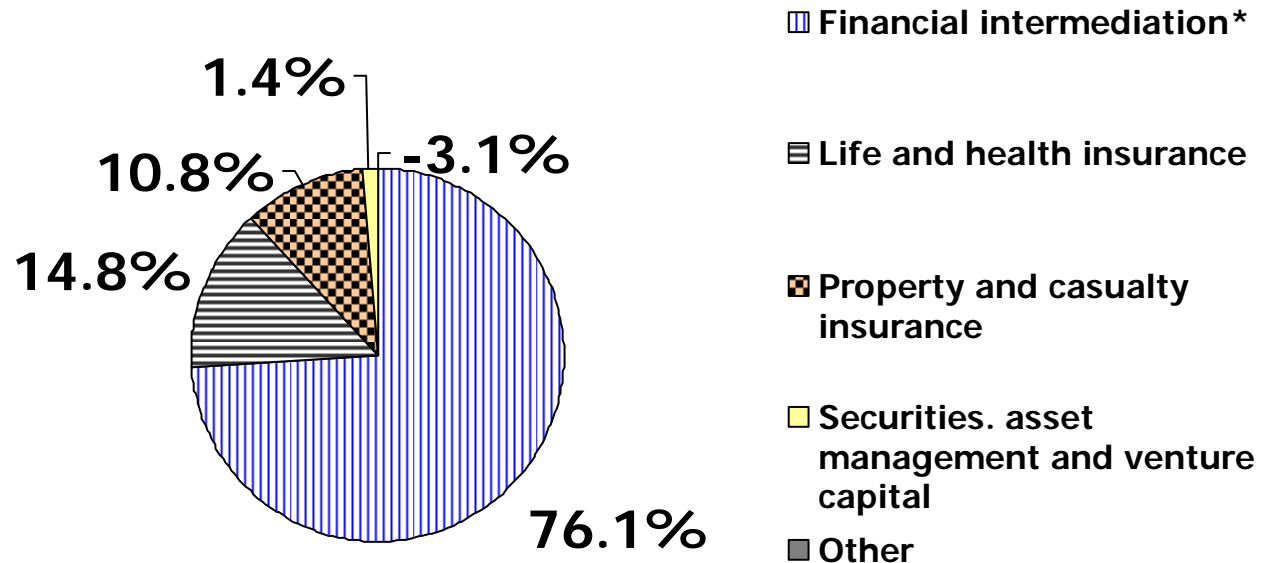


## Desjardins Today (cont'd)

- ❖ 536 caisses with 1,427 service outlets in Québec and Ontario
- ❖ 52 business centres in Québec and Ontario (June 2007)
- ❖ 28 Desjardins Credit Union service outlets in Ontario, the 11<sup>th</sup> largest credit union in Canada and the 3<sup>rd</sup> in Ontario, with assets of \$1.7 billion and 75,000 members and clients
- ❖ Desjardins bank in Florida with 3 service outlets and a commercial lending subsidiary in the US, all managed by Caisse centrale Desjardins
- ❖ Some twenty specialized financial service subsidiaries, owned by the caisses, with close to 100 business locations in Canada

# Contribution to 2006 Net Earnings by Business Sector

**Financial intermediation** generated **76.1%<sup>1</sup>** in surplus earnings in 2006 for Desjardins Group, while the **subsidiaries** generated **23.9 %**



<sup>1</sup> \$752 mil. of Desjardins' \$988 million in surplus earnings for 2006

\* Including mutual funds and trust services

# A Financial Institution with Human Values and a Major Financial Player

- ❖ **Member participation** in ownership, control, surplus sharing and the growth of inalienable collective wealth
- ❖ **The institution that gives the most back to Québec society:** \$664 mil. in 2007 paid out in member dividends, sponsorships, donations and bursaries, or 60.3% of its surplus earnings
- ❖ Integration of **cooperative values into business and management practices** (VISA Desjardins Preventive Intervention Program, mutual assistance funds to individuals, microcredit to businesses, Créavenir for young entrepreneurs)
- ❖ Cooperative, financial and economic **education** of members (School Caisse and Student Caisse, young intern officers, training courses)

# A Financial Institution with Human Values and a Major Financial Player (cont'd)

- ❖ Significant contribution by the caisses and Desjardins Group to **local and regional socio-economic development** (regional development funds, Desjardins Student Loans Management Service in Gaspésie, call centres operated by subsidiaries in remote areas)
- ❖ **Sustainable development** policy
- ❖ **Intercooperation**: Support for capitalization of cooperative businesses in Québec through Desjardins Capital régional et coopératif, major financing for Canadian cooperatives in various fields
- ❖ **A world leader in community finance** in emerging and developing countries, through Développement international Desjardins

# A Highly Accessible Network

In Québec, Desjardins owns 56% of all service centres; the rest is divided among the 7 largest banks.

- ❖ Largest presence in Québec with 1,371 service centres and sole financial institution in 58 % of the municipalities
- ❖ The largest network of banking ATMs in Québec with 51% of the market (6.2% in Canada) and services adapted for the visually and hearing impaired
- ❖ The largest network of POS terminals in Québec with over 50% of the market (~10% in Canada)
- ❖ The largest advisory force for individuals (over 1,300 financial planners, vs. 300 in 2000)
- ❖ The largest network of business account managers in Québec (over 1,200)
- ❖ Point Of Sales Financing (from property to auto and consumer loans): 70% of the market for Desjardins AccordD in Québec (between 2% and 4% in Canada)



# A State-of-the-art Virtual Network



- ❖ 3.6 million VISA Desjardins credit card users; largest issuer of credit cards in Québec and 6th in Canada (2nd in Canada for Business cards). Now offers merchants an integrated MasterCard and Visa service.
- ❖ 3.7 million debit card users
- ❖ Growth maintained in remote transactions allowing members to manage their transactions online and over the phone (1.7 million users)
- ❖ Rate of automated transactions: 90.9%
- ❖ International COPC certification maintained for the 3rd consecutive year, making us the only call centre in the world to have received this certification 3 times in a row
- ❖ [www.desjardins.com](http://www.desjardins.com) is the most popular financial website in Québec and one of the most popular in Canada, with more than 2.6 million different visitors per month (Source: ComScore Media Metrix)



# 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



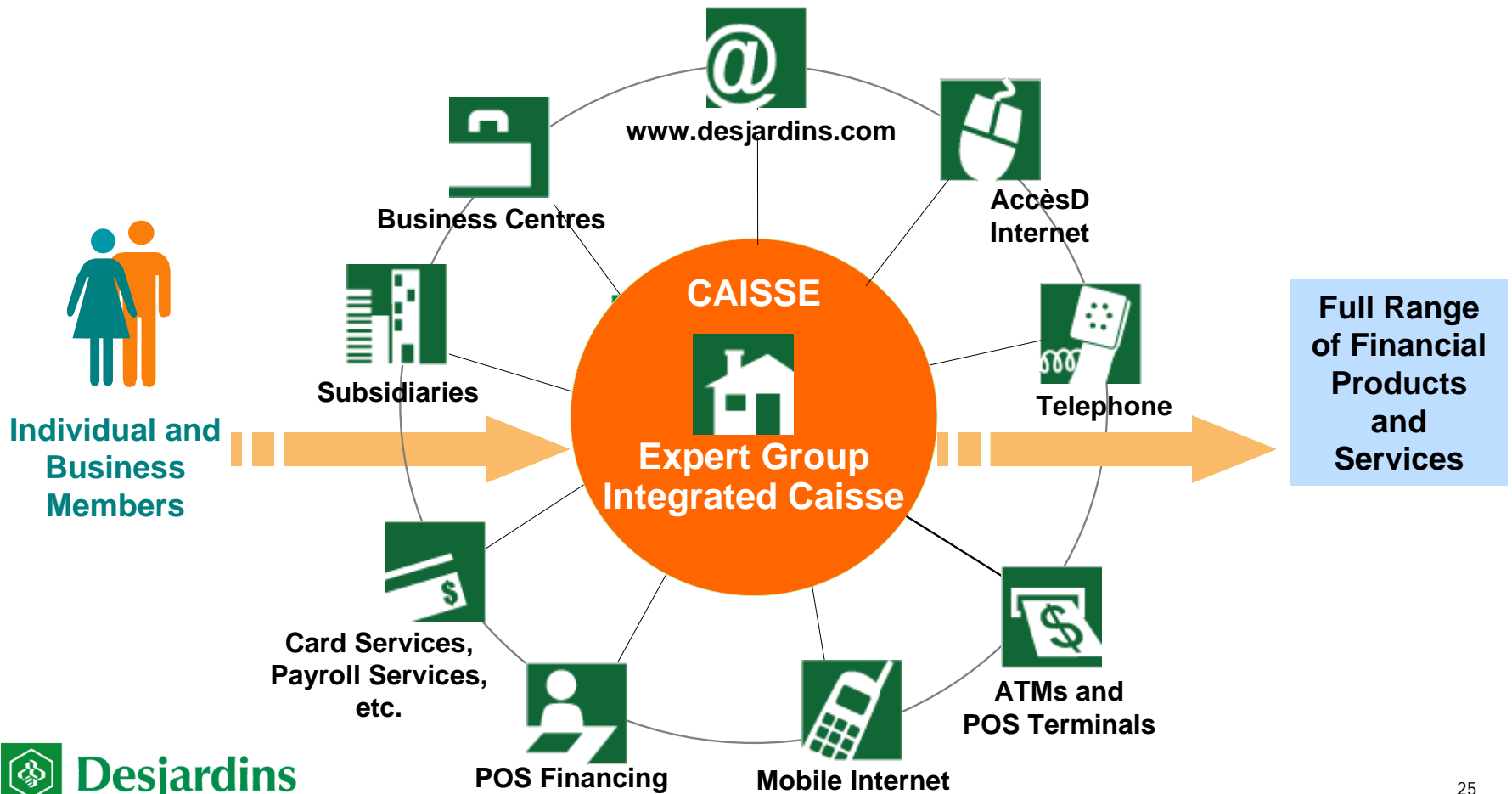
# The Desjardins Caisse (cont'd)

- ❖ In Québec, financial cooperatives must be affiliated with a central unit or a federation
- ❖ Strict adhesion to standards and bylaws defined by the Fédération 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



# Multichannel Integrated Offer

## The Desjardins Caisse: Doorway to an Integrated Network



# Caisse Service Offer

## 1. Savings and Investment:

- ❖ traditional savings products
- ❖ mutual funds (*31 Desjardins Funds including Diapason Portfolios – 20 investment solutions and 18 retirement portfolios – and Chorus Portfolios – 12 investment solutions and 18 retirement portfolios; 13 Northwest Funds, including 4 “fund of funds” portfolios and 1 asset allocation program*)
- ❖ capital protected structured products
- ❖ securities
- ❖ financial planning
- ❖ estate management services
- ❖ private management (*including discretionary portfolio management and specialized trust services*)

**2. Financing:** consumer and mortgage loans, industrial and commercial loans, car leases, point-of-sale financing, etc.

**3. Insurance:** property & casualty, life and disability, health and travel, etc.

**4. Other Services for Businesses:** cash management, payroll, international services, etc.

A collage of images in the background, including hands raised, a group of people, a smiling couple, and a hand holding a coin.

# Caisse Responsibilities

- ❖ Maintaining the business relationship with members and satisfying their needs
- ❖ Socio-economic commitment to local neighbourhoods
- ❖ Community commitments (donations and sponsorships)
- ❖ Local business plan
- ❖ Participating in the establishment of network business objectives
- ❖ Strategic issues

# The Fédération

- ❖ **Central support organization** for the caisse network; assumes representation, advisory, orientation, planning, coordination and **watchdog** responsibilities for the entire Group
- ❖ **Decentralized structure** composed of 5 Regional Executive Divisions 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)

# 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



# Other Caisse Support Structures

## ❖ **Business Centres**

- Are not legal entities but business units created by a group of caisses to better serve their business clientele
- Enable the caisses to gain state-of-the-art expertise, grant larger loans and share the credit risk
- 459 caisses (86%) were served by 52 business centres (101 locations) as at June 30, 2007 – 3 of which are in Ontario

## ❖ **Administrative Centres** that carry out administrative “back office” activities for the caisses enabling them to focus on their added value service offer (12 as at June 30, 2007)

## ❖ **Call Reference Teams (CRTs)** for the caisses, to answer all their questions regarding the computer systems or the offer of services to members

## Caisse Centrale Desjardins

**Assets:**  
**\$16.5 billion**

**Net income:**  
**\$54.5 million**  
(up by 10%)

**Loans:**  
**\$18.0 billion**

**Deposits:**  
**\$13.7 billion**

**Employees:**  
**330**

(Data as at December 31, 2006)

- ❖ Group's financial agent for Canadian and foreign financial institutions
- ❖ Supplies funds and acts as treasurer to the entire Group network (liquidity, matching)
- ❖ Provides treasury, derivative instruments, foreign exchange and financing services to Group entities, public and parapublic sectors, governments and mid- to large-sized businesses (banking syndicates, agent and coagent)
- ❖ Works closely with the Business Centres in their service offering to medium-sized businesses
- ❖ Operates a bank in Florida (Hallandale, Pompano, Lauderhill), 1 commercial lending subsidiary in the U.S., many offices in Québec and one in Toronto



## Other Fédération Entities

### DID:

60 projects in  
over 20 countries  
throughout Africa,  
the Americas, Asia  
and Central and  
Eastern Europe

Supports  
815 caisses,  
with assets of  
\$1.1 billion, and  
over 3 million  
people

(Data as at June 30, 2006)

- ❖ **Développement international Desjardins:** Provides technical and financial support to the community finance sector for savings and credit cooperatives and other financial institutions in emerging and developing countries
- ❖ **Fonds de sécurité Desjardins:** Administers a security fund ensuring the solvency of Desjardins caisses (net worth of \$574 million as at December 31, 2006)
- ❖ **Capital Desjardins:** Issues bonds on the institutional investors market (record issue of \$800 million in subordinated debentures in 2002 and \$450 million in 2004 to improve Desjardins Group capitalization)



## Other Fédération Entities (cont'd)

- ❖ **Desjardins Trust:** Desjardins Group's trust company; ranked #1 in Québec. Since 2005, its manufacturing, wholesale and specialized investment fund and private management services were reassigned to the Fédération. Nonetheless, Desjardins Trust is still the trust arm of Desjardins Group and as such, remains active in the field of securities custody (leader in Québec with more than 50% of Québec market), personal trust services, asset administration, estate liquidation and the Immigrant-Investor Program
- ❖ **Fondation Desjardins:** \$715,000 paid out each year in training, research and business development grants (largest distributor of private university scholarships in Québec)
- ❖ **Société historique Alphonse-Desjardins:** Safeguards and presents the history and heritage of Desjardins Group and its founder

# The Subsidiaries:

## Desjardins Venture Capital

**274 partner  
businesses  
(29,000 jobs)**

**New commitments:  
\$132 million**

**Assets under  
management:  
\$778 million**

**Net earnings of Group  
funds under management:  
\$2 million**

(Data as at December 31, 2006)

- ❖ Group's venture capital arm
- ❖ Manages the activities of 9 funds:
  - Desjardins Limited Partnership (LP)
  - 6 Desjardins regional investment funds
  - Desjardins Capital régional et coopératif: a public company that raises venture capital, particularly for Québec cooperatives and regions; overall, \$417.5 million was injected into 209 companies and cooperatives across Québec; its capitalization could reach \$1,325 million in 2011
  - Desjardins – Innovatech LP

# The Subsidiaries:

## Desjardins Securities

**61% of industry  
income is  
generated by  
subsidiaries of the  
6 big banks**

\*\*\*

**Assets under  
management:  
\$17.6 billion  
(up by 14%)**

(Data as at December 31, 2006)

- ❖ Offers the full line of products and services of an integrated brokerage firm: Full-service Brokerage (with advisory services), Discount Brokerage (without advisory services), Institutional Brokerage (stocks and fixed income), Research and Corporate Financing
- ❖ 306 investment advisors; 43 points of service in Québec, Ontario and Vancouver
- ❖ Disnat *Direct* is recognized as the best direct access brokerage service for meeting the needs of Canadian clients
- ❖ Leader in many corporate financing issues and growing recognition in the Research sector (overall Canadian ranking = 9th/30)
- ❖ Equity Capital Market: substantial rise in income in 2006 and growing size of income from the Canadian market (78%) and foreign markets (25%)

# The Subsidiaries:

## Desjardins Financial Security

**Over 5 million clients  
across Canada**

**Insurance and  
annuity premiums:  
\$2.4 billion**

**Assets:  
\$12.8 billion**

**Assets under management  
and administration:  
\$19.9 billion**

**Net earnings attributable  
to shareholders:  
\$145.8 million**

(Data as at December 31, 2006)

- ❖ DFS provides life and health insurance coverage as well as savings products and services
- ❖ Owner of two subsidiaries:
  - Sigma Assistel: assistance services throughout the world
  - SFL Management: heads 46 financial centres in Canada and a powerful collection of financial security advisors
- ❖ Number one in Québec and 4th in Canada for direct written premiums
- ❖ Pioneer in the development of “AssurFinance” (Caissassurance) markets by incorporating caisse level transactions and focusing on high-level performance
- ❖ Diverse and efficient distribution channels

# The Subsidiaries:

## Desjardins General Insurance Group

**1.8 million policies and  
premium volume of  
\$1,412 million**

**Underwriting profit  
for the 14th year  
in a row**

**Assets:  
\$2.7 billion**

**Net earnings:  
\$106.6 million**

(Data as at December 31, 2006)

- ❖ 4 subsidiaries: 2 individual insurance companies (Desjardins General Insurance and Certas Direct) and 2 group insurance companies (under The Personal banner)
- ❖ Operates many call centres renowned as being among the most efficient in North America
- ❖ Client/member satisfaction: 95% policy renewal rate
- ❖ Expertise in risk and client segmentation and rates management
- ❖ Some 2,000 agents, experts and client service representatives in various client call centres in Québec and Ontario

# The Subsidiaries:

## Desjardins Asset Management

**Contribution to Desjardins  
Group surplus earnings:**

**Net earnings: \$17.4 million  
Commissions: \$15.0 million**

**Portfolio of  
alternative products:  
\$6 billion**

**\$15 billion in bonds**

**Hedge funds:  
\$5.2 billion  
(1st in Canada,  
39th world-wide)**

(Data as at December 31, 2006)

- ❖ Group of investment experts renowned for creating value for its clients and providing innovative management, advisory and product development services
- ❖ Manages over \$46 billion that come primarily from the asset portfolios of Desjardins insurance subsidiaries, from Desjardins Funds and from management mandates carried out on behalf of other Group components
- ❖ Its investment sectors are: 1) securities investments and financial engineering, 2) mortgage investments and institutional financing, and 3) real estate investments
- ❖ Approximately 170 employees in Québec City, Montréal, Toronto and Vancouver





# Network Strategic Development and 2006-2008 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 (514\* caisses in Québec versus > 1,300 in 1995) without significantly 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 Fédération and caisses)
- ❖ **Optimization of physical caisse network** (relocation of service centres and adjustment of business hours)
- ❖ **Unified strategic management** throughout the Group and **new Fédération service offer** to the caisses with greater added value





# 2006-2008 Strategic Orientations

1. Implement the **cooperative difference** and make it visible
2. Become the **market leader** in **service quality**
3. Become the **principal private wealth manager for individuals** in Québec
4. Become a **leader among businesses**, especially among SMBs in Québec
5. **Maximize our potential** in all markets, especially in **Greater Montréal** and **across Canada**
6. Achieve a **sufficient and reliable financial performance** based on **profitable business development** and sustained **productivity**



# Thank you !

- Lucie Bouchard, Vice-President  
Alliances and Partnerships  
Desjardins Group

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