



**Desjardins**

NOTES FOR A SPEECH GIVEN BY

MR. ALBAN D'AMOURS,  
PRESIDENT AND CHIEF EXECUTIVE OFFICER  
OF DESJARDINS GROUP

TO THE MEMBERS OF  
THE CANADIAN CLUB OF TORONTO

*THE COOPERATIVE SOLUTION  
TO GOOD CORPORATE GOVERNANCE*

TORONTO, NOVEMBER 15, 2004

(check against delivery)

---

Ladies and Gentlemen

I am very proud to be here today to address Toronto's business community. I am indeed grateful for this prestigious podium and I will do my best to make this gathering a mutually enriching one.

For many here today, the name "Desjardins" probably meant very little to you until quite recently. But now, it seems, people are talking about Desjardins more often, here in Toronto and elsewhere in Ontario.

For example, some of you may have heard that Desjardins Securities is hiring a new team of leading professionals who have made their mark on the Toronto scene. Desjardins Credit Union was created and acquired the Province of Ontario Savings Office. And then you may have seen the Desjardins name on the sideboards at the Tennis Masters or heard about our involvement in the Picasso exhibition currently at the University of Toronto Art Centre.

Now if you are thinking that there's something going on, that all of this is happening for a reason, that Desjardins is up to something here in Ontario... Well, you're right.

Bolstered by our accumulated expertise in many areas of the financial services industry, we committed to build on that solid foundation to develop new markets. Ontario, a province known for its dynamic economy, is the first of these targets and a market where we expect to create and add value.

We have no doubt that cooperatives, which have long delivered accessible services founded on strong ties with their local communities, represent an attractive option for the population of this province and of the entire country.

Ten million people are already members of a credit union or a Desjardins caisse in Canada. At the end of 2001, these financial services cooperatives together held 13% of the residential mortgage loans granted by Canadian deposit-taking institutions, 10% of personal loans and 15% of deposits. Though these percentages are already significant, we are convinced that the cooperative financial system has even greater growth potential in Canada. Desjardins, as a major stakeholder of this system, plans to work actively to fully realize this potential.

---

**Desjardins: a modern, successful cooperative  
organization that's open to the future**

As you might have seen in the brochure left on your table for you, Desjardins Group today is a human and financial force of more than 7,400 elected officers, 38,000 employees and \$100 billion in assets.

Desjardins Group is a network comprising some 600 caisses and nearly 1,500 service centres all over Québec and in part of Ontario. The Fédération des caisses Desjardins du Québec is the organization that supports this network and Caisse centrale Desjardins is its treasurer.

Desjardins Group also includes about twenty subsidiary companies operating in insurance, investment management, securities, venture capital and international development.

And it benefits from the contribution of its affiliated members, the federations of caisses populaires in New Brunswick and Manitoba.

Desjardins has established a strategic management structure to ensure the unity of all its components and to deliver an integrated service offering to its members and clients, the realization of its development plans and of economies of scale only possible in large businesses.

Throughout its history, and even more so in the last few years, Desjardins Group has proven that the cooperative model can take bold management decisions and support high-performance business practices.

A solid financial performance is a condition for durability as well as a pledge of excellent service to our members and clients. We have just seen two record years in this area with surplus earnings – the Desjardins equivalent of profits – exceeding \$800 million both years.

At 14.7%, our average return on assets for 2002 and 2003 was superior to that of the large banks, which obtained a cumulative average of 13.2% for the same two years.

Desjardins is also one of the most financially solid networks. Its cooperative nature determines the high quality of its capital, nearly 74% of which consists of reserves requiring no remuneration. Its Tier 1 capital ratio, which amounts to 13.69%, is more than 3 percentage points higher than the average of the large banks.

The credit rating agencies give Desjardins scores that compare with the best among the major Canadian banks. For example, the highest rating given in Canada by Standard & Poor's in the financial intermediation sector is double A minus. Only three institutions boast this rating: Royal Bank, Bank of Montreal and Desjardins.

---

The markets, both here in Canada and elsewhere, regularly demonstrate their confidence in Desjardins. The latest issues of Desjardins bonds or debentures quickly found takers among institutional investors, including the record-breaking issue of \$800 million completed in the spring of 2003.

**Ambitious objectives for the future**

Further developing its business in the rest of Canada is one of Desjardins' major strategic objectives.

Many of our subsidiary companies have already paved the way. Their growth, assisted by a number of acquisitions made in recent years, has enabled Desjardins Financial Security to rank fourth in Canada in terms of market share in personal insurance and Desjardins General Insurance Group to be placed seventh in damage insurance.

Desjardins Securities has seen accelerated expansion over the past few years. It employs nearly 200 people in Ontario and is on the list of the top ten traders on the Toronto Stock Exchange.

Of course, we intend to push even further ahead in all of these fields. Our specialized subsidiaries will continue to develop their own client base while offering professional service to caisse members.

Currently, Desjardins has nearly 3,700 employees working in Canadian provinces other than Québec. This business accounts for 17% of our top line. We would like to see this percentage closer to 25% in the next few years.

With this in mind, we recently renewed the partnership between those caisses affiliated with the Fédération des caisses populaires de l'Ontario and those in Québec. The Ontario caisses, which mainly serve French-speaking communities here, now have the same rights and obligations within the Group as their Québec counterparts. They are now much more closely associated with the Group as a whole on decision-making and operational levels. We are all moving forward together.

It is also in this context that, two years ago, our organization supported the creation of Desjardins Credit Union (DCU), which went on to acquire the Province of Ontario Savings Office. DCU is a cooperative that was established by Ontarians, for Ontarians and, through a close partnership with Desjardins, will soon be able to offer its members the extensive range of services available to caisse members in Québec. For the clients of the Province of Ontario Savings Office, this change will also lead to considerable expansion of the services they had access to until now.

---

### **Inviting new partnerships**

Because this is a first-time venture and a strategic opportunity for Desjardins to showcase its products and services to communities which, up until recently, had no knowledge of them, DCU is truly an example of what we can accomplish outside Quebec. It is also a good example of partnerships or business agreements that could eventually be established with other existing credit unions.

That being said, let me make it clear that Desjardins is not coming to Ontario as conqueror. We certainly have no intention of stealing marketshare from the credit unions. Rather, on the battleground of competition with large financial groups and their massive resources, we see ourselves as a partner in-the-making for other cooperatives. This is already the case for several of them. For instance, Caisse centrale Desjardins has signed financing agreements with several of the largest credit unions in Ontario and British Columbia. A number of them also offer Desjardins products to their members.

We believe that Desjardins' financial clout and technological expertise, not to mention its manufacturing capacity, will make it a precious ally for other institutions sharing the same objectives in their communities.

A genuine kinship already exists between Desjardins and other credit unions. First, we share similar origins. Indeed, the same man is at the root of both our movements: Alphonse Desjardins, whose 150th anniversary we are celebrating this year. We also share the same values and we exist first and foremost to serve our members.

It is in our best interest to work together to strengthen the financial cooperative movement across the country and to expand its reach in communities where there is limited presence.

### **Opportunities to be seized**

In the same vein, I believe that possible bank mergers in Canada represent attractive development opportunities for the cooperative sector. If these mergers are permitted, the government will most certainly impose conditions such as requirements for some branches to remain open and others to close altogether. The cooperative movement will have to be in a position to mobilize financial expertise and strength to take advantage of these opportunities.

Since one of the main challenges around these mergers will be to maintain access to financial services, Canadians might find themselves better served by cooperative institutions, whose specific aim is to offer everyone, without distinction, quality services - particularly people in rural areas as well as in the large cities. For example, in Québec there are some 400 municipalities where the only financial institution present is a Desjardins caisse.

Cooperatives, as collectively-owned enterprises that work for those who create them, are, by their very nature, faithful allies in these communities' struggle to develop.

---

Canadians are fortunate to have both a banking system and a financial cooperative system that are excellent. The two systems emulate each other in a way that stimulates efficiency on the part of the cooperatives and incites the banking system to take human and social considerations into account. This makes it possible for Canadians to be more fully served.

Accordingly, legislators and various authorities have the responsibility to maintain a regulatory environment that enables the development of both banking and cooperative systems while, at the same time, respecting their differences.

In this regard, it is important to note that Desjardins has developed in-depth expertise in cooperative legislation through its collaboration with Québec's various governments over the years. We have applied this expertise elsewhere in the world. Développement international Desjardins has supported a good number of countries wishing to define a legal framework for their cooperative movement.

Here in Ontario, we are working in partnership with the different groups of caisses populaires and credit unions in an equally collaborative manner to update the Credit Unions and Caisses Populaires Act.

The federal government is aware of our openness and availability to assist in developing a strong cooperative movement across Canada in order to guarantee the population access to quality financial services. We believe this will give our political leaders sufficient assurance to authorize bank mergers.

**Cooperative governance that guarantees thoughtful and  
dedicated service to the community**

Cooperative governance and long-term commitment to the community go hand-in-hand. At Desjardins, an important role for the regions is an integral part of our organization and of our governance.

Each of our approximately 600 caisses, has its own board of directors consisting of local elected officers. In each of our 17 regions, these directors elect a council of representatives to act as their voice in the provincial Federation. The elected president of each council gets a seat on the Federation's board of directors.

All the members of this board – including the President and Chief Executive Officer of the Group, who is elected by the members of the councils of representatives, an electoral college of 255 people – are democratically chosen. All the Québec regions and the Fédération des caisses populaires de l'Ontario are equally and fairly represented on this board.

---

These people work together to ensure the overall development of Desjardins Group and the fulfilment of its mission. It would be impossible to forget or neglect a region without getting a reaction from board members.

Different consultation forums and formal methods of exchange in our governance structure allow elected members to be continuously attuned to the needs of the caisses and their members.

Even though we have always focused on maintaining and enriching our own democratic practices, during the second half of the 90's, we voluntarily adopted the key governance measures created for companies registered with the TSX.

We have come to understand very well the rules necessary to balance between the responsibility and the accountability of directors, senior management and employees, of the caisses, the Fédération and the many subsidiaries of Desjardins Group. Furthermore, we have opened the board of directors of our subsidiaries to outside directors.

Sufficient processes for the exchange of information and discussion ensure a similar balance between the caisses, which form the base of our structure, and the Fédération, which is the organization chosen by the caisses to develop the specialized expertise they need, to assure coordination within the Group and to maintain a watchful eye on the network.

One of the main reasons for Desjardins' success stems from its effective network and the balance between the self-government of the caisses - a guarantee of proximity to its members and responsiveness to local needs - and the solidarity of the network which, in turn, is a guarantee of consistency, efficiency and competitiveness.

Our governance practices and cooperative democracy operate in a fashion whereby one strengthens the other. This ensures decisions are consistent with the needs of the members and the communities we aim to serve. They also give tools to meet the challenges we are facing in our market.

The participation of members in the democratic management of cooperatives is a key factor in Desjardins' integrity. Cooperatives, in that they are largely capitalized by those to whom they belong, do not suffer the same pressures from financial markets as capital stock companies. Protected from performance expectations that can prove to be untenable in the long term, their leaders are therefore less attracted to the questionable activities and practices that we've seen in some large companies in recent years.

For the same reason, cooperatives can formulate plans and strategies over longer periods. They can do so with a view towards sustainable development. In other words, cooperatives can not only intervene on economic and financial levels, but also affect the social, cultural and environmental conditions necessary for quality of life.

---

As an example, Desjardins returned no less than \$80 million to the community in the form of sponsorships, donations and academic scholarships in 2002 and 2003. In so doing, we can support, without being forced by law or restriction, countless projects and institutions that play fundamental roles in the regions where we are present.

If we add to that the value of our patronage allocations, or dividends, to members – calculated based on the volume of business each member conducts with its cooperative – more than one billion dollars was given back to Desjardins caisses members and communities during those same two years.

These are the many reasons why the cooperative formula in the 21st century has much to contribute to the financial sector.

This is also why Desjardins sees the growth of its activities across Canada as tied to both the expansion of its specialized companies and the development of an even stronger, more extensive cooperative sector.

Thank you for your attention.

\* \* \*

---