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# Desjardins Group

August 22, 2012,

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# Presentation Agenda

- Canadian Banking Environment
- Historic Development of Desjardins Group
- Business Model and Governance Structure
- Desjardins' Performances: Market, Socio-Economic and Cooperative, Financial

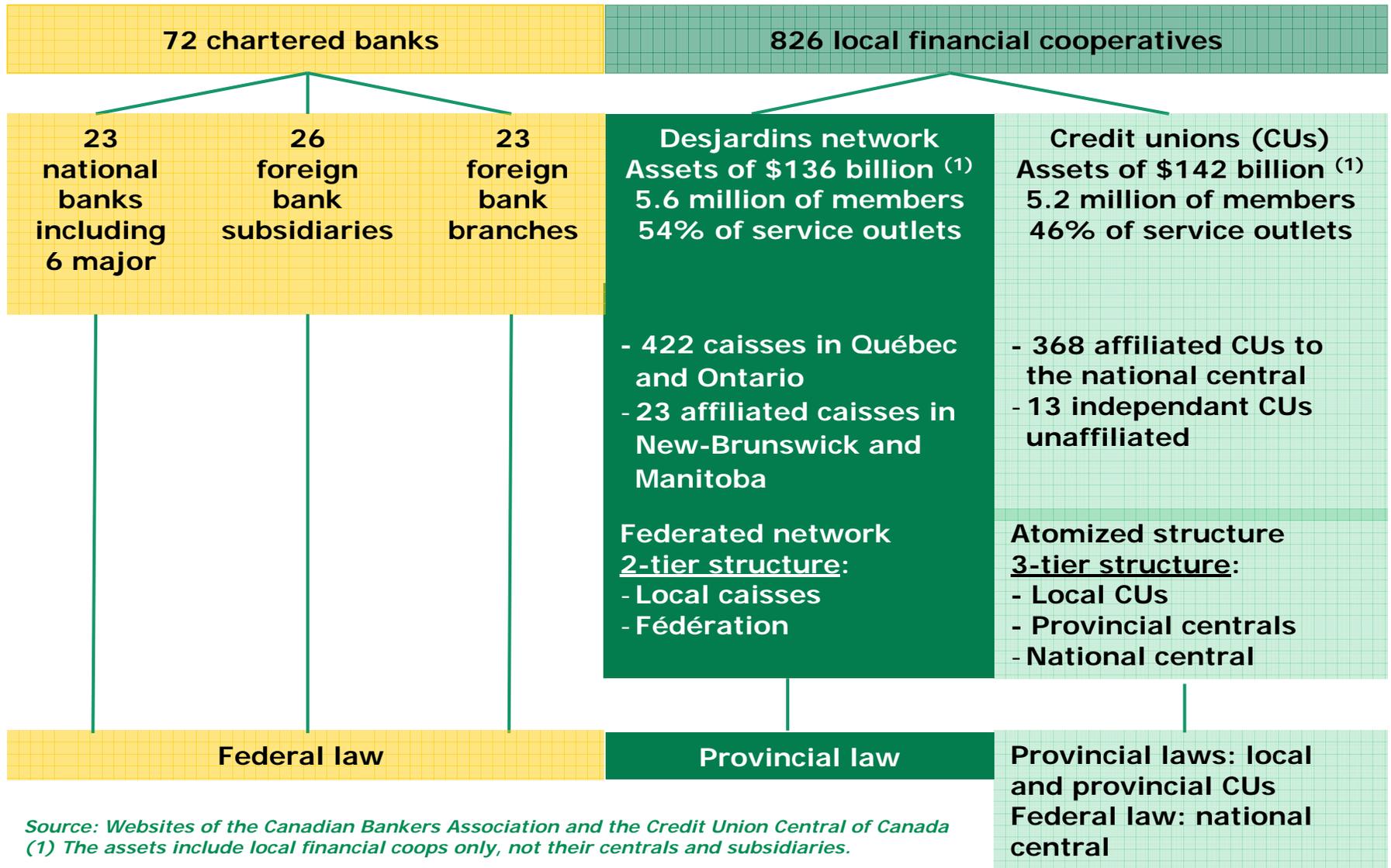
*Unless otherwise indicated, the data presented in this presentation are as at December 31, 2011.*

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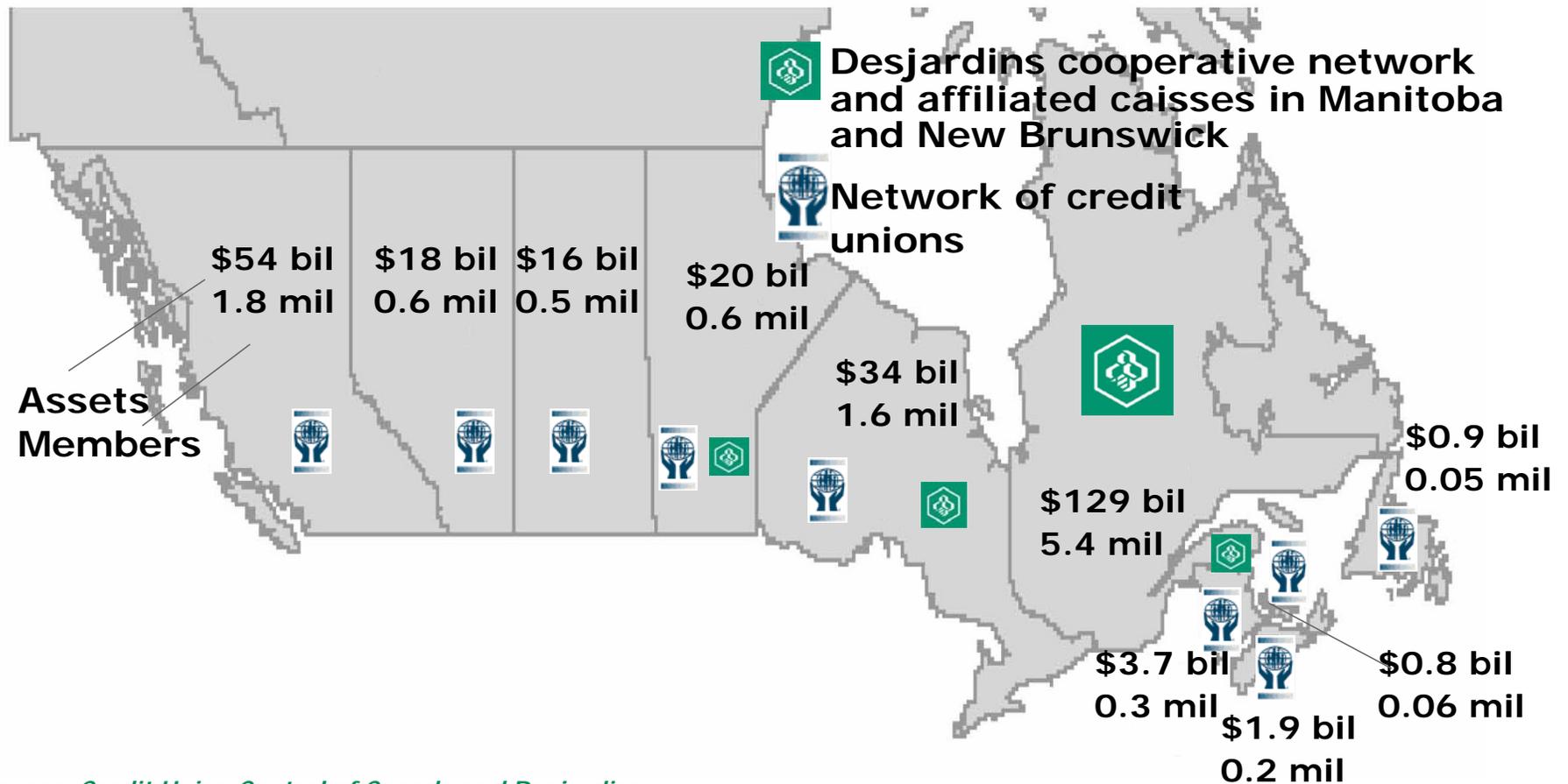
# Canadian Banking Environment

# Canadian Banking System



# Canadian Cooperative Banking Sector

**\$278 billion** in assets in 2011 for **11 million** members; **about 50%** are associated with **Desjardins-affiliated** caisses (\$136 billion)



Source: Credit Union Central of Canada and Desjardins

# 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** (11 million, or about 1/3 of the population)
- In 2011, financial cooperatives accounted for close to **10% of the total national assets** of Canada's deposit-taking institutions, with **assets of \$278 billion**
- Financial cooperatives have always preserved a **solid Canadian market share for key financial services**. In 2011, they held 12% of the savings volume and 12% of the volume of loans
- Financial cooperatives own **35% of banking service centres** in Canada; the rest are divided among the 9 largest banks

*Source: Credit Union Central of Canada, Statistics Canada and the Canadian Bankers Association*

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# Asset Ranking Worldwide and in Canada

The largest Canadian deposit financial institutions	Assets 2011 \$CAN billion	Canadian ranking based on 2011 assets	World ranking based on 2010 assets	ROE 2011 %
Royal Bank of Canada	751.7	1st	36th	12.9
Toronto-Dominion Bank (TD)	686.4	2nd	38th	14.5
Scotia Bank	575.3	3rd	43rd	18.8
Bank of Montréal (BMO)	477.4	4th	57th	15.3
Canadian Imperial Bank of Commerce (CIBC)	353.7	5th	62nd	21.3
<b>Desjardins Group</b>	<b>190.1</b>	<b>6th</b>	<b>105th</b>	<b>12.2</b>
National Bank of Canada	156.3	7th	121st	17.7

ROE = Return on equity. Average ROE of major Canadian banks in 2011 = 15.8%

Source: Website of the Canadian Banking Association and annual reports of banks and Desjardins Group at year end 2011. World ranking from The Banker Magazine July 2011 edition

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# Historic Development of Desjardins Group

# How It All Began

- **Alphonse Desjardins** 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
- Began corresponding with European cooperators in 1898 to discuss cooperative models
- Decided to organize popular credit using popular savings
- **Founded the first caisse populaire on December 6, 1900** in Lévis, which recognized by Québec statute in 1906
- Recognized as the **father of the North American savings and credit cooperative movement**

# Key Moments in the History of Desjardins Group

Foundation of the first caisse populaire in Lévis	1900
Creation of the Fédération des caisses Desjardins du Québec	1932
Foundation of Desjardins General Insurance Group	1944
Foundation of Développement international Desjardins	1970
Creation of the Caisse centrale Desjardins	1981
Acquisition of Laurentian Group Corporation	1994
Merger of the 11 federations and the Confederation	2001
Reorganization and simplification of internal structures	2009
Acquisition of Western Financial Group (Canada) Conclusion of a cooperative agreement with Crédit Mutuel (France)	2011
Acquisition of MGI Financial (Canada)	2012

# Development of the Desjardins Group 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 Group's Mission, Vision and Values

## A mission that still holds strong:

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

- by continually developing **an integrated cooperative network** of secure and profitable financial services, owned and administered by the members, as well as a network of complementary financial organizations with competitive returns, controlled by the members;
- by **educating people**, particularly members, officers and employees, about democracy, economics, solidarity, and individual and collective responsibility.

## Strong values:

**Money at the service of human development**

**Personal commitment**

**Democratic action**

**Integrity and rigour in the cooperative enterprise**

**Solidarity with the community**

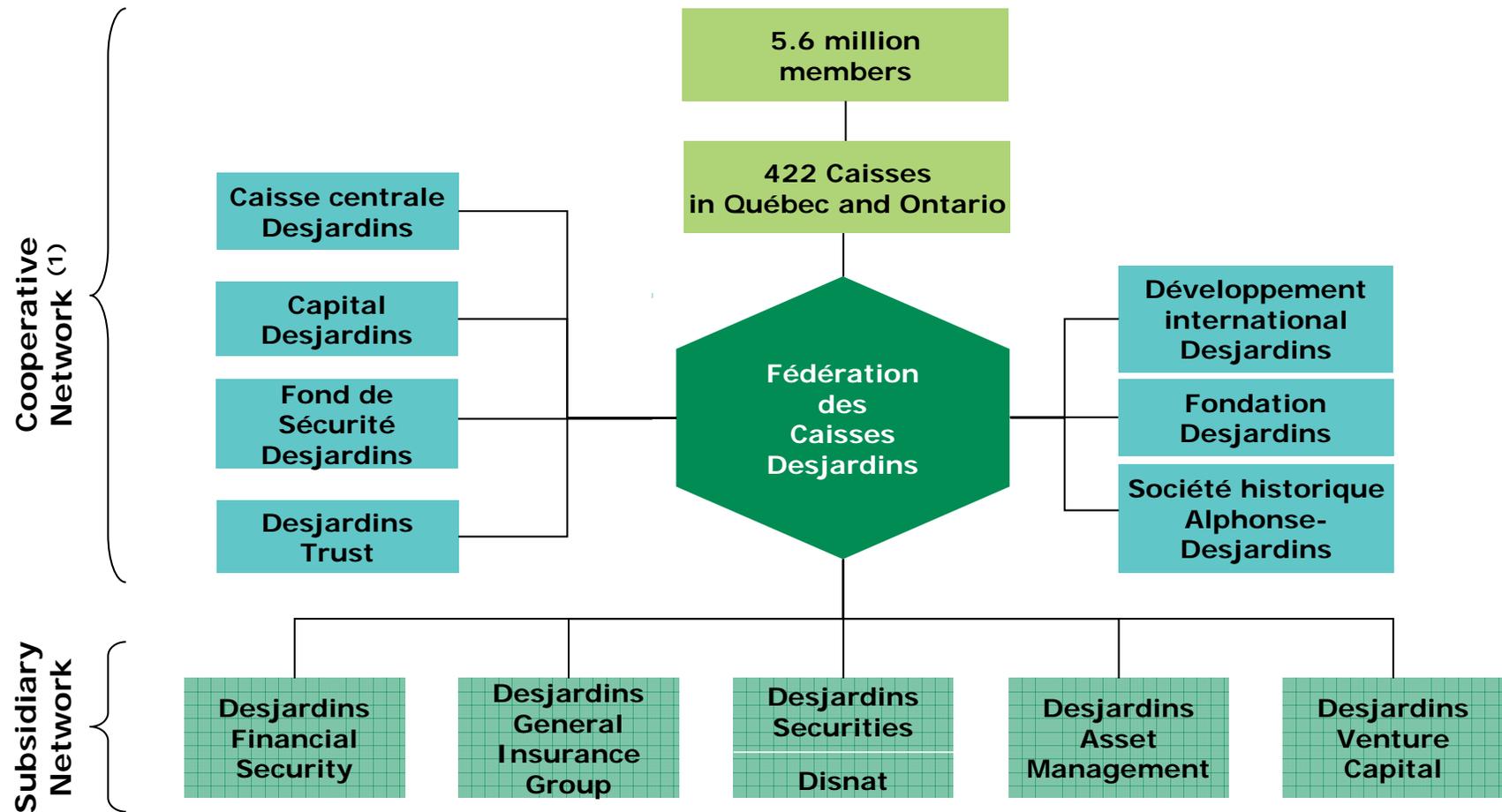
## A vision of the future:

**Desjardins, the leading cooperative financial group in Canada, inspires trust around the world through the commitment of its people, its financial strength and its contribution to sustainable prosperity.**

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# Business Model and Governance Structure

# Desjardins Group's Main Entities



(1) Diagram excludes the affiliated federations and caisses of Manitoba and New Brunswick.

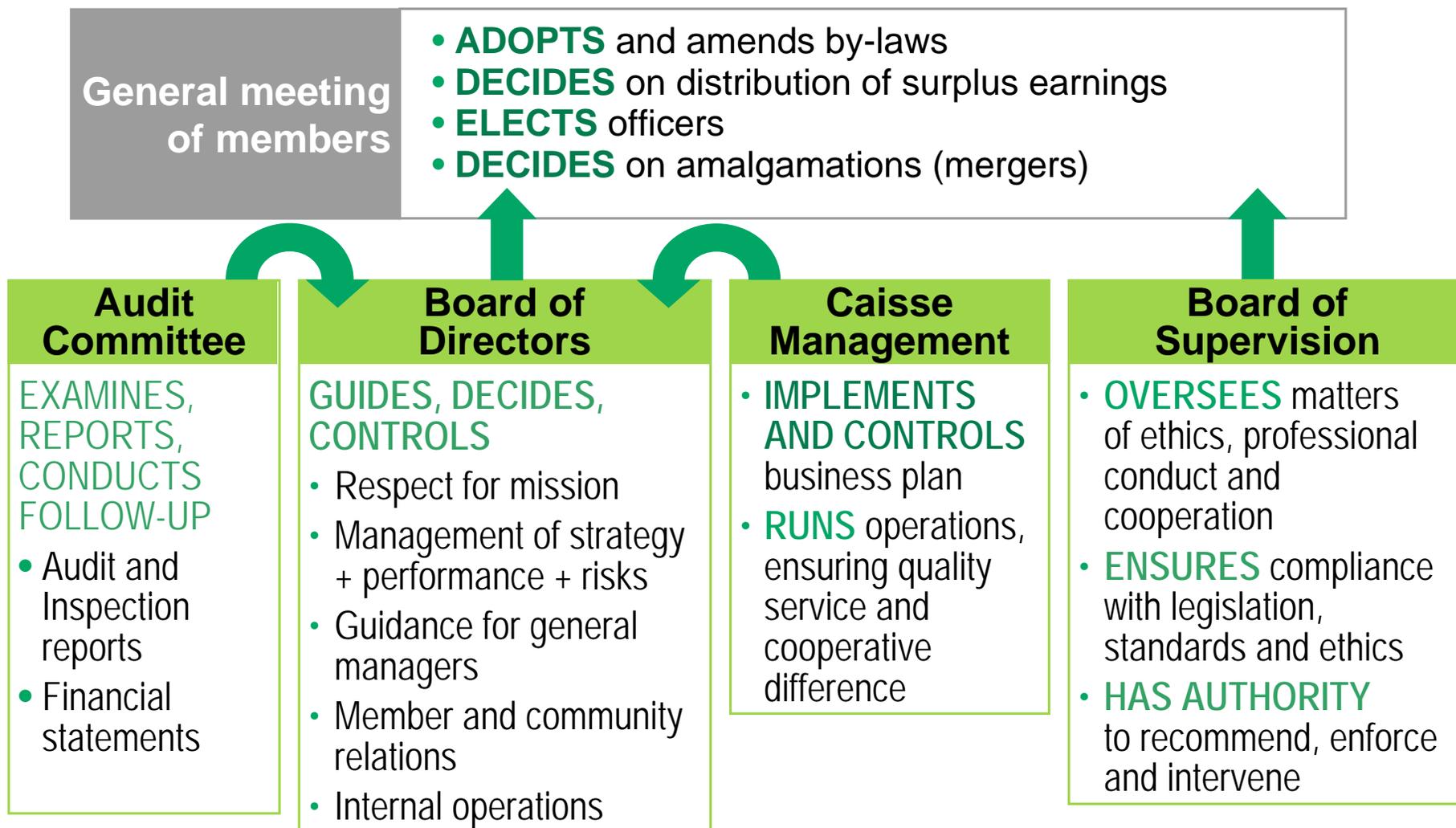
# The Caisses Desjardins

- **Autonomous legal entity** with its own Boards, General Meeting and financial statements
- Caisse **clients are all owner-members** via the obligatory \$5 qualifying share and participate in the **growth of an inalienable collective wealth**
- 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**
- In Québec, financial cooperatives **must be affiliated** with a federation
- **Average Québec caisse assets:**  
~ \$315 million
- **Caisse capitalization** made up mainly of:
  - **44%** reserves and surplus earnings net of deductions from Tier 1
  - **23%** 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)
  - **33%** subordinated debenture issued on institutional markets

# Caisse responsibilities

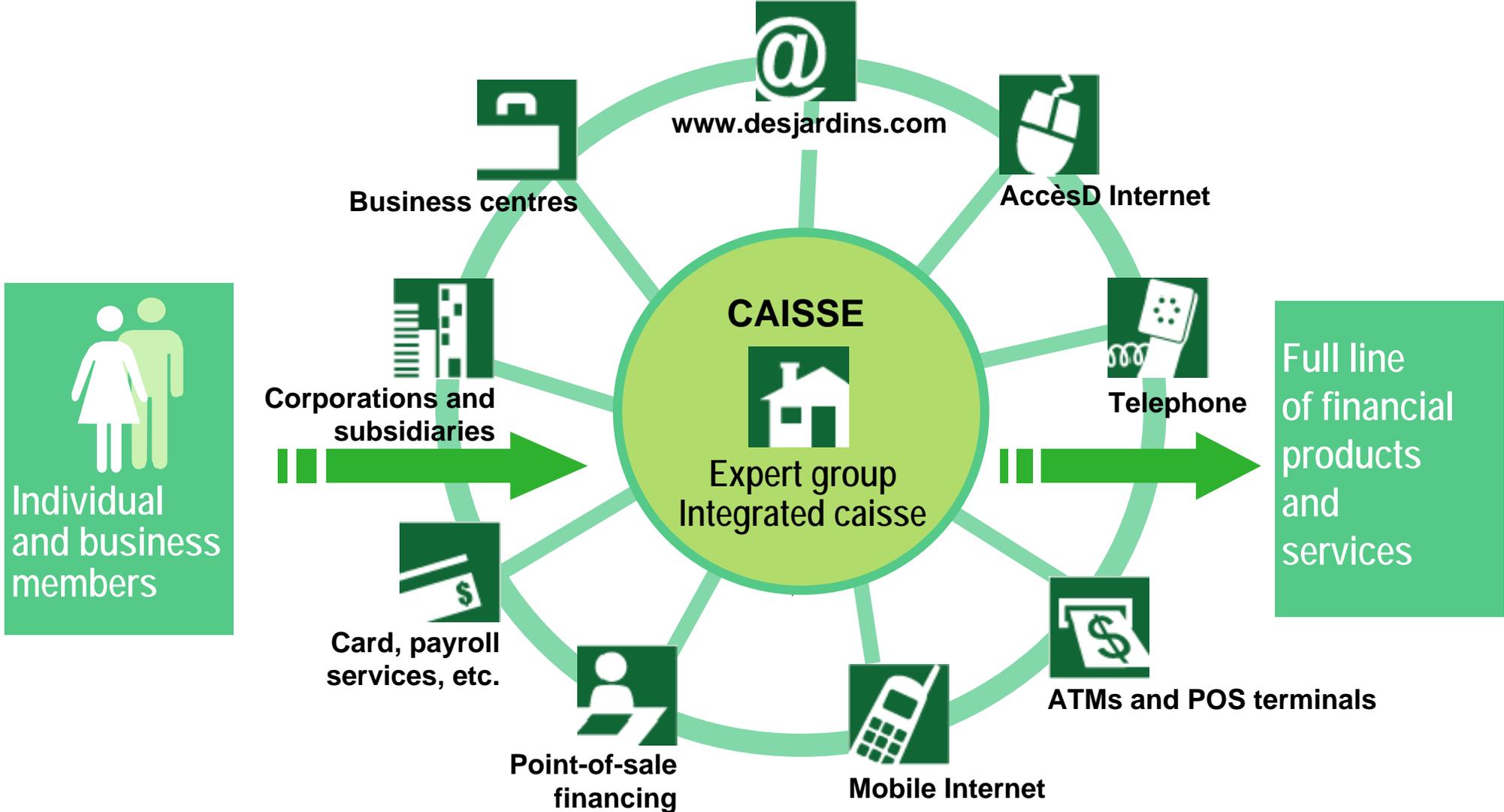
- Maintaining the **business relationship with members** and satisfying their needs
  - Example of a strategy to prioritize this main responsibility: the creation of **Administrative Centres** (12 Centres in 2012) that carry out administrative “back office” activities for the caisses enabling them to focus on their added value service offer
- **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**

# Caisse Governance



# Multichannel Integrated Offer

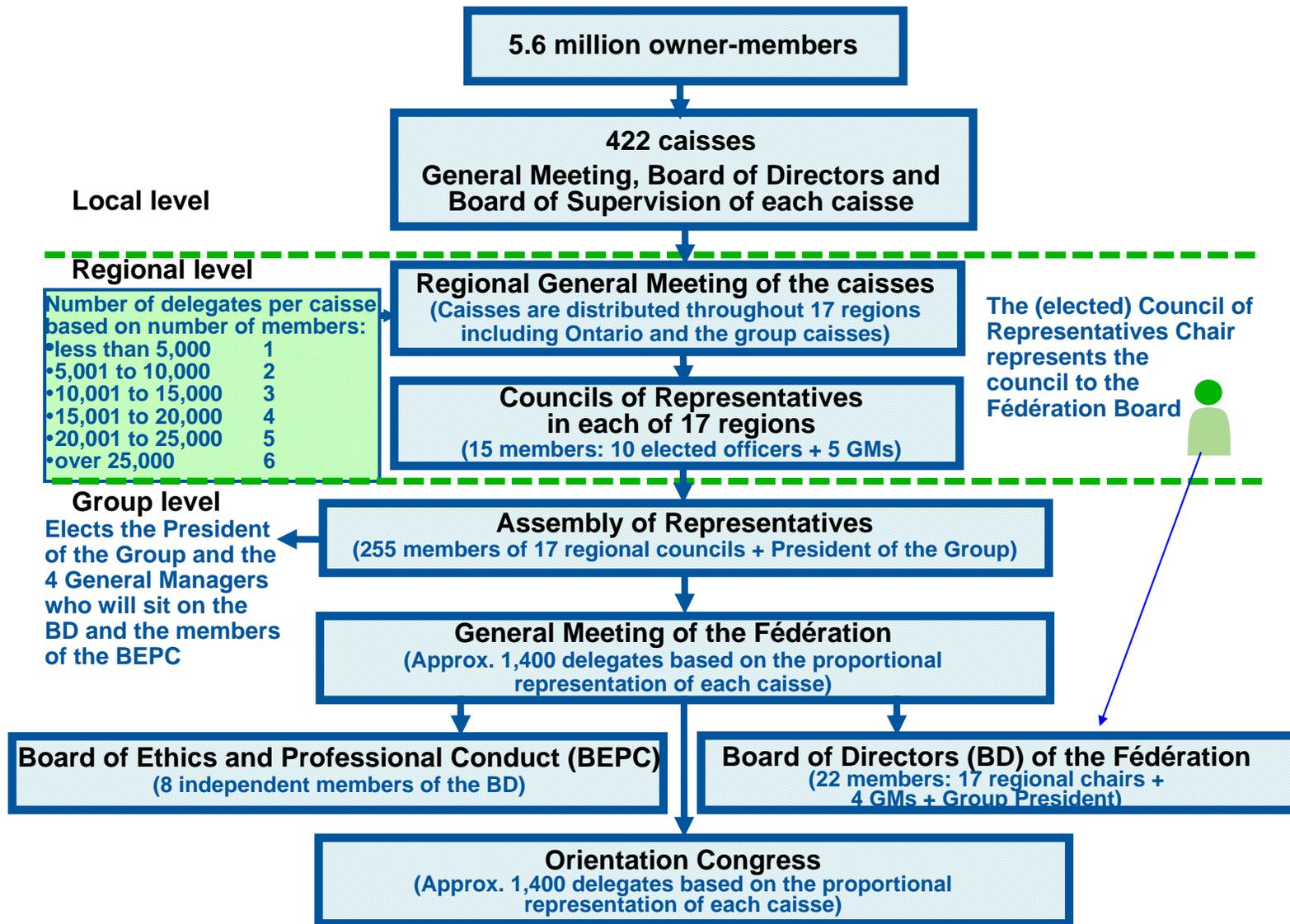
The Caisse Desjardins: gateway to a vast integrated network



# The Fédération

- **Central support organization** for the caisse network; representation, advisory, orientation, planning, coordination and **watchdog** responsibilities for the entire Group
- By law, has some authorities over caisses like **the power to dictate standards and policies common to all caisses** such as:
  - Standards for capital, financial management and conventions, credit, liquid assets and investments, etc.
  - Contributions to Desjardins Security Fund (the caisses' collective reserve)
- **Powers of intervention** like putting caisses under administrative supervision
- **Capacity to request contributions from all caisses** as part of a call for capital or to ensure the minimum capital ratio of Caisse centrale Desjardins
- **Capacity to pledge all assets of Desjardins Group** with the Bank of Canada

# Desjardins Group's Democratic Structure



# Caisse centrale Desjardins

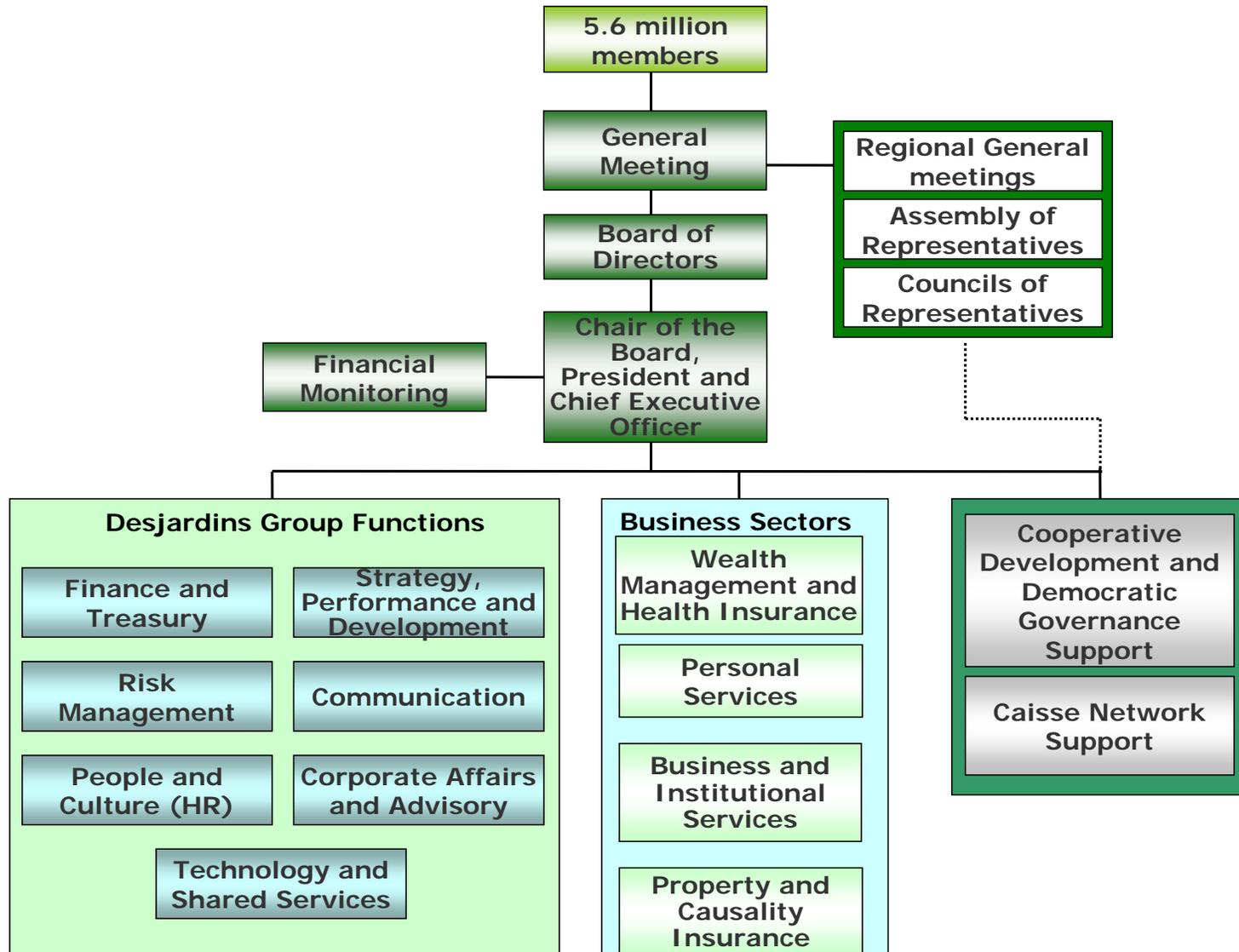
- A **cooperative financial institution**
- Three large segments:
  - **Treasurer** to the Desjardins Group
  - **Financial Operations**
  - **International** Services Management
- **Official representative** to the **Bank of Canada** and the Canadian banking system
- Issuing entity for **senior debt** and **covered bonds**
- Obligations of CCD are not guaranteed by any other entity in the Desjardins Group
- **Equity maintenance agreement:**  
Shareholders have formally undertook to maintain CCD's total capital at a minimum level of:
  - 5.5% of its total assets, or if higher, at
  - 8.5% of its risk-weighted assets

CCD at a Glance <sup>(1)</sup>	
▪ Total Assets:	\$30.0Bn
▪ Total Deposits:	\$21.6Bn
▪ Members' Equity:	\$1.9Bn
▪ Net Income:	\$117M
▪ Capital / Assets:	6.58%

<sup>(1)</sup> As at December 31, 2011

(1) Last twelve months

# Group Management and Governance Structure



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# Desjardins' Performances: Market, Socio-Economic and Cooperative, Financial

# Desjardins Today

- The **largest integrated cooperative financial group in Canada** offering a full range of financial products and services and the **8th<sup>1</sup> most important in the world**
- The **top financial institution in Québec** and the **6th largest in Canada** with assets totalling \$196.4 billion\*
- The **18th<sup>2</sup> safest financial institution** in the world (4th in North America)
- **5.6 million member-owner-users** (70% of Quebecers are members of a Desjardins caisse)
- Close to **400,000 business members** (44% penetration rate in Québec)
- Supported by **5,366 elected officers**
- **Québec's largest private employer** and among the 20 largest in Canada (44,645 people)
- **422 caisses** offering **1,310 service outlets**
- **43 business centres**
- **2,559 banking ATM's** with more than 50 % of market
- **Desjardins bank** in Florida with 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

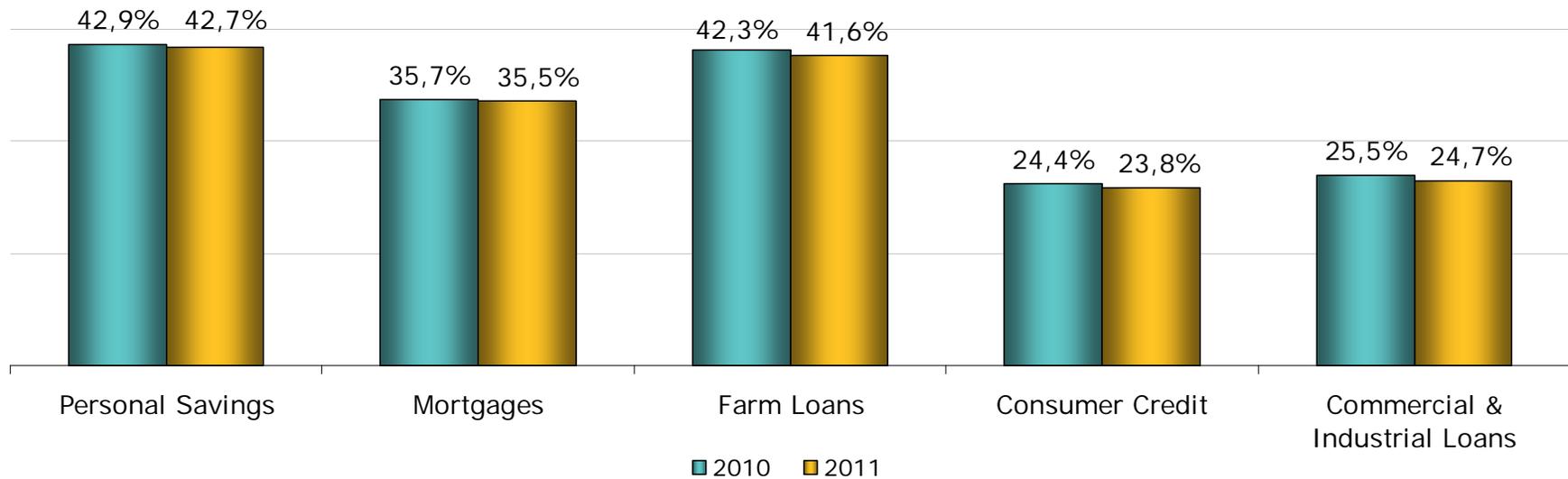
*1 Source: 2010 edition of the International Cooperative Association (ACI) Global 300 listing based on 2008 revenues (US dollars)*

*2 Source: World ranking from Global Finance magazine, 2012 edition*

*\* As at March, 2012*

# Market Leadership

## Leading Market Share in Quebec in Personal and Commercial Banking



### Life & Health Insurance

- Over 5 million clients
- No. 1 insurer in Quebec
- No. 5 insurer in Canada
- Extensive range of products
- Offices across Canada
- ROE: 21.2%

### General Insurance

- Leading direct insurance provider in Quebec
- No. 7 insurer in Canada
- ROE: 17.4%

### Securities Brokerage

- 48 full-service branches
- \$24 billion under administration
- No. 5 fixed income group in Canada
- Disnat trading platform ranked No. 1 in Canada

*Source: Desjardins Group Annual Report and Economic Studies – Savings and Credit Markets*

# 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 33% of its surplus earnings returned to the members over the past 5 years in member dividends, totalling close to \$2 billion
- The **most accessible** financial institution in Québec; alone in 58% of the municipalities
- **Significant contribution** by the caisses and Desjardins Group **to local and regional socio-economic development**
  - *Capital régional et coopératif Desjardins*
  - \$386 million in the last 5 years in donations, sponsorships and bursaries
  - Relief Fund Community Development
  - Desjardins Student Loans Management Service in Gaspésie (100 jobs to help local economy), etc.
- A **world leader in community finance** in emerging and developing countries, through Développement international Desjardins
- **Intercooperation**: Financial support and/or sharing of expertise with Canadian cooperatives in various fields and several organizations representing the interests of cooperatives in Canada and abroad
- Integration of **cooperative values** into business and management practices:
  - Non discriminatory approach of people and personal assets in providing access to services
  - Customer advocacy
  - Solidarity products
  - Socially and Environmentally responsible products, etc.
- Cooperative, financial and economic **education** of members
  - Co-opme Program
  - School Caisse and Student Caisse
  - VISA Desjardins debt prevention program
  - Young intern officers, etc.

# Key Financial Results in 2011

Group financial data including subsidiaries, Québec and Ontario caisses, excluding New-Brunswick and Manitoba caisses and federations	2009 <sup>1</sup> CAN\$	2010 CAN\$	2011 CAN\$	Change 2010-2011
<b>Assets</b>	\$157.4 bil	\$178.9 bil	\$190.1 bil	6.3%
<b>Loans</b>	\$110.3 bil	\$118.3 bil	\$125.2 bil	5.8%
<b>Deposits</b>	\$106.2 bil	\$114.3 bil	\$123.4 bil	7.6%
<b>Equity</b>	\$11.7 bil	\$12.2 bil	\$14.0 bil	14.8%
<b>Total income</b>	\$10.7 bil	\$11.5 bil	\$13.2 bil	14.4%
<b>Gross impaired loans/gross loans ratio</b>	0.46%	0.43%	0.41%	
<b>Surplus earnings (net earnings)</b>	\$1,091 mil	\$1,386 mil	\$1,582 mil	14.1%
<b>In % of average assets</b>	0.70%	0.82%	0.86%	
<b>Member dividends</b>	\$383 mil	\$379 mil	\$401 mil	5.8%
<b>Return on equity</b>	10.2%	12.2%	12.2%	
<b>Productivity ratio</b>	74.5%	72.6%	71.1%	

<sup>1</sup> In accordance with GAAP in effect prior to the adaptation of IFRS

# Credit Ratings and Capital Ratios

Medium and long-term Credit ratings			
	Moody's	S/P	DBRS
Toronto-Dominion	Aaa	AA-	AA
<b>Desjardins</b>	<b>Aa1</b>	<b>AA-</b>	<b>AA</b>
Scotiabank	Aa1	AA-	AA
Royal Bank	Aa3	AA-	AA
Bank of Montreal	Aa2	A+	AA
CIBC	Aa2	A+	AA
National Bank	Aa2	A	AA(low)

June 2012

## 2011 Desjardins Ratios

BIS Tier 1 capital ratio **17.3%**

Total capital ratio **19.3%**

**Tier 1 capital is of high quality, as it is composed at 83.3% of reserves.**