



Desjardins

NOTES FOR A SPEECH BY THE CHAIR OF THE BOARD,
PRESIDENT AND CEO OF DESJARDINS GROUP

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FOR THE OPENING OF THE INTERNATIONAL
CONFEDERATION OF POPULAR BANKS CONGRESS

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Actual speech may differ from this text

Dear Minister,

Mr. President and Chief Executive Officer of the *Autorité des marchés financiers*,

Colleague members of the International Confederation of Popular Banks,

Distinguished guests,

Ladies and Gentlemen:

It is my very great pleasure to welcome you to Québec City. My colleagues on the Board of Directors as well as the people who work with me on the Desjardins Group management team would like to join me in wishing you an excellent and productive Congress. I would ask that the Desjardins Group representatives here today please stand so that you know who they are and can call upon them if necessary at any time throughout the Congress. Ladies and gentlemen, thank you for being here with us.

I would like to welcome you today to Québec City, though I could also add “welcome to Canada” and even to North America. Indeed, it is a special occasion when the International Confederation of Popular Banks (CIBP) holds a congress outside of Europe—the cradle of the Confederation, in fact. We are deeply honoured.

Also with us on this occasion are representatives from a friend of Desjardins, the *Fédération des caisses populaires acadiennes* of Canada. In addition, we have the pleasure of welcoming representatives from the Filene Research Institute from the U.S., the China Banking Association, the European Association of Cooperative Banks as well as the International Cooperative Banking Association. I would like to ask these guests to please stand up so that we may see who they are.

The influence of European mutualist thinking in North America

Having the CIBP Congress in Québec City is for us an opportunity to acknowledge how European mutualist thinking has supported the development of the North American cooperative movement.

While Alphonse Desjardins, founder of Desjardins Group, contributed significantly to establishing the cooperative formula in North America, he was able to do so thanks to discussions, advice and experiences shared by numerous European partners, particularly Henry Wolfe from England, Luigi Luzzatti from Italy, Charles Rayneri from France and Frédéric Guillaume Raiffeisen from Germany.

Discussions between Alphonse Desjardins and these partners were extremely useful since Canada ranks among the countries with the highest proportion of cooperative members in the world. One in three Canadians is a member of a financial cooperative. In Québec, seven in ten Quebecers are caisse Desjardins members.

Such strong development in Canada would no doubt not have been possible without our predecessors' strong commitment to what we now call "intercooperation," one of our fundamental values.

A changing and challenging world

The world is changing. Our commercial and financial environments are also changing at an accelerated rate. Competition is growing more intense, with the introduction of new, non-traditional players. By the same token, our members and clients are also changing. They are looking for trustworthy partners and are expecting us to fulfill new requirements and greater expectations.

While all of this certainly creates opportunities, these factors also present challenges and sometimes even dangers. The enormity of the most recent global financial crisis called us to attention and reminded us of the importance of our values of discipline and integrity. This crisis led us all to strengthen management in terms of risk, monitoring and operations. Economic recovery is not even assured, and yet the levels of public debt continue to feed uncertainty and the fear of negative impacts on people and on the real economy.

Finally, although globalization and technological advancements mean that our members are exposed to increasingly dynamic competition, they also call upon and stimulate our imagination and energy. Today we must implement new means of expressing our cooperative values as concretely as possible, and of ensuring the relevance and durability of our cooperative business model and democratic governance.

We must maintain and develop the commitment of both current and future members, and ensure the future of our cooperative enterprises through profitable growth, solid financial performance and strong capitalization, all based on a long-term perspective and a profound culture of cooperation.

Nowadays, everyone has to deal with the pressure of getting through the day, handling current operations and meeting occasional challenges. The last few years have been especially trying times in that regard. However, it is exactly in times like these that it becomes even more important to reflect and, if I may say, transcend, the here and now to project ourselves into the future, drawing on lessons learned from past experiences.

Today and tomorrow, that is what we will be doing together. The Congress theme sums up quite well one of the main challenges being faced by financial services cooperatives and popular banks: harmonizing financial performance and cooperative performance. In a context of heightened competition and higher capitalization requirements, we must all show solid financial performance without sacrificing our cooperative nature and values.

This theme of performance is not new in fact; it continues to be addressed in the strategic and operational management of our organizations. Please allow me to use Desjardins Group as an example to better illustrate my point and briefly outline how we plan to create a balance with the different aspects of overall performance.

Back in time...

Let's go back to December 6, 1900. Desjardins Group's first caisse, Caisse de Lévis, opened in the midst of an economic crisis. Despite the fact that much of the population was experiencing financial hardship, traditional institutions and intermediaries at the time refused to get involved since the outlook for profit was low, with little hope for successful business. Those that did extend credit to certain people experiencing difficulty, did so under totally unacceptable, usurious conditions.

Alphonse Desjardins on the other hand was determined to make sure that everyone—including labourers, merchants, artisans and farmers—had access to quality financial services. His caisse model, inspired by European “best practices,” was innovative and responded to the needs of the people and society as a whole. The model was in fact founded on self-empowerment, the importance of members' interests and the common good. That being said, Alphonse Desjardins was no less concerned about profitability, sound management practices, productivity and capitalization. According to him, the caisse always had to set the example and inspire long-term confidence. His writings strongly attest to this concern.

A keen observer of the realities of his time, Alphonse Desjardins also anticipated the future. I would like to share one of his observations from 1910:

“More than ever before, people are struggling on the economic battlefield. Now that communications are easier and more rapid, the market has become a world market, and the definitive victory will go to the country that has succeeded in marshalling all its energies and all the vital forces of its citizens, that has succeeded best in supporting their initiatives and that as a consequence has adopted the most productive plan with the least effort.”

Those words sound like they could have been written today.

Shared reflection

When I looked at the themes for this Congress, I noticed that they are similar to the questions that have been central to reflections and discussions held by Desjardins Group during the past year.

As recently as November 2009, Desjardins Group officers participated in our organization's 20th Orientation Congress. While the financial world was just starting to recover from the worst crisis since the 1930's, approximately 2,000 caisse delegates decided to reflect on the future and adopt long-term orientations related to the member/client experience, opportunities in terms of growth and innovation as well as the requirements that must be respected to strengthen productivity, financial performance and capitalization.

Discussions on the orientations have been well rooted in our history, our mission and our cooperative values. Without getting into detail this morning about the vision and Strategic Plan that we adopted following our Congress, I thought I would share with you a simple image that is intimately related to the theme of performance, various aspects of which will be discussed here during these two days.

What you now see on the screen is what we call the Desjardins Performance Model. This image shows the components of performance for Desjardins which, as "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".

I would first like to direct your attention to how our new Performance Model stands on a base comprising Desjardins Group's cooperative values. The design reflects how our values must work their way into every aspect of the organization's culture. Far from working in opposition to the performance model, these values are its very foundation.

A model that speaks to the heart

Let us begin with the left side of our Performance Model. It comprises an essential part of cooperative performance: the member/client experience.

This is our mandate and—I am tempted to add—the number one criteria in every decision we make. When looking for solutions to complex issues pertaining to finance, operational processes and governance, it is sometimes all too easy to forget our purpose. By consistently and constantly focusing on the needs of members and the member/client experience, we simplify the process by returning to the heart of the matter. We are all confronted with non-mutual competitors who, we have to admit, also provide a high level of quality service and experience to their target clientele.

You will also notice that we have added two other aspects we deem essential to the member experience: the mobilization of our human capital—officers, managers and employees—as well as cooperation and involvement. Using different means, be they human or technological, we place great emphasis on our close relationship with our members, on personal commitment and on financial education, which are all part of our culture and history.

In addition, we have an advantage—albeit an advantage that is not set in stone—related to the emotional bond that Desjardins Group has forged with its members and officers. It is therefore our duty to ensure that we constantly renew our promise to consider the interests of members when developing our operational and organizational methods.

A model that speaks to logic

The right side of our hexagon speaks to logic; it pertains to our fiduciary responsibility to our members, for whom we want to build as a legacy an even stronger and efficient Desjardins Group. This aspect of our model combines fields of activity related to financial performance. In a fairly short-term perspective, the focus is on profitability and productivity as well as financial stability and risk management. In a mid-term and long-term perspective, the accent is on growth and innovation.

Clearly, strengthening the supervisory framework has brought to light, like seldom before, how much major international organizations and even governments have yet to learn about the characteristics of the cooperative model. Discussions about the new international accounting standards and proposals for a new Basel Accord are eloquent examples.

That being said, I remain of the opinion that it is absolutely necessary to harmonize accounting rules and reinforce capital supervisory rules. However, the characteristics and singularities of cooperative and mutual groups must be taken into account when these rules are set. To be uninvolved in this process would jeopardize the continuity of a model that has proven successful. In my opinion, the more our respective organizations achieve solid performance and growth and the more they are capitalized, the greater the credibility of our individual and collective representations will be in the eyes of governments and regulators.

As is the case with any other business operating in a competitive context, constant growth is imperative for cooperative banks. As the old adage says, “He who stops moving forward is losing ground.” What’s more, avenues for growth always require capital investment and risk-taking in geographical areas or sectors for which local caisses do not have natural affinities. These are situations when representatives from these caisses, as active and diligent stakeholders, must make important choices, choices that will impact the continuity of our cooperative organizations. Here, the strength of the network becomes a factor. Moreover, informed leadership on the part of management and democratic governance must exert their full influence in the best interests of the long term.

At times, and especially when it pertains to expanding beyond national markets, the idea of growth may seem to threaten our fundamental characteristics, such as our roots in the community or even the fact that members exercise control. We must examine these questions and strive to implement new methods of collaboration and partnership.

Democratic leadership

Finally, we must ensure that governance always remains rooted in our original values, while taking into account the fact that the evolution of our network and the external environment must remain constant preoccupations for Desjardins Group. This is why, parallel to our 20th Congress, we have also undertaken a major reflection project through which we aim to strengthen our democratic governance.

In 2010 and 2011, much of our energy will be devoted to the project we refer to as a “major Desjardins-wide project on Collaboration, Participation and Connection with the Caisse Network,” whose objective is to evaluate the role of elected caisse officers. We will address different vital matters concerning our future, such as profiles, skills development and support for elected officers with regard to our democratic governance. This will enable us to increase the effectiveness, efficiency and quality of our overall governance. In addition, we want caisse representation on Desjardins Group boards to reflect our evolving network where many caisses are choosing to amalgamate. We want to optimize methods of regional collaboration between caisses. Lastly, we are eager to explore the possibilities of online democracy, in a context where networks and virtual communities play an increasingly important part.

A spirit of sharing

It was in a spirit of sharing that I offered a brief look at some current Desjardins projects. I asked some colleagues to do the same during the Congress, with regard to other aspects of the issues and reflections that concern us. We will be delighted to delve deeper into any of these topics with you, in a less formal exchange. I am also very much looking forward to the presentations many of you will be offering today and tomorrow. It is my belief that we all learn greatly from being in each other’s presence. I invite you all to participate in the activities planned over the next two days and especially, to share your experiences.

Before I conclude, please allow me to present some images of Desjardins, which I will introduce with a quote from our founder, one which I have always found inspiring and true. In 1910, Alphonse Desjardins wrote:

"Two qualities triumph over all: first, the clear knowledge of what needs to be done and how to do it, and second, that wonderful virtue called perseverance, an unyielding, energetic, confident perseverance that comes of a deep conviction that one is on the right track."

Conclusion

In conclusion, we all have an important role to play in order to promote recognition of the cooperative model in our ever-changing world. We must realize that we still have much to teach about the characteristics of the cooperative model and its importance on an economic level. One need only look at steps taken by the European Association of Cooperative Banks to see the efforts needed for progress to occur.

In this same spirit, Desjardins plans to take the opportunity presented by 2012 being proclaimed International Year of Cooperatives by the UN to host a World Summit here in Québec, to bring together the world's leading cooperatives from every sector.

We are convinced that this Summit will allow us to assemble the key international players of today and tomorrow. It will provide greater media exposure to how cooperatives function and what they have accomplished, as well as global issues cooperatives are facing in terms of legislation, democracy, capitalization and growth. Moreover, the Summit will help strengthen the international cooperative movement.

As we like to say at Desjardins, we are all called upon today to "cooperate to shape our destiny."

Cooperation that excels. Cooperation that performs. Cooperation that innovates. This is the cooperation of the future. Our future and the future of our children.

I wish you all an excellent Congress!