



Desjardins

NOTES FOR A SPEECH BY

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TO THE MEMBERS OF THE
BOARD OF TRADE OF METROPOLITAN MONTRÉAL

“THE THREE KEYS TO OUR FUTURE:
EDUCATION, ENTREPRENEURSHIP AND COOPERATION”

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(Actual speech may differ from this text)

Distinguished Guests,
Ladies and Gentlemen,

First of all, I would like to thank the Board of Trade of Metropolitan Montréal for allowing me the privilege of speaking to you today, as the representatives of Montréal's sizeable business community. I am very touched and grateful to see so many of you here.

I would like to tell you, first off, that the past eight months I have spent as President of Desjardins Group have been both very exciting and very demanding.

It is a major challenge, as well as a great honour, to undertake the leadership of the collective enterprise that is Desjardins Group. I would like to take this opportunity to thank our officers, managers and employees for their commitment to serving our members, and highlight their outstanding contributions to the smooth operation of our Group.

That said, in the past few months, we all have had to deal with a rather unwanted guest, namely the global financial crisis, which continues to make a lot of noise and demand our attention. To borrow from the language of music, we've had to learn to play this score "*molto agitato*" when we would have preferred to play it "*moderato cantabile*."

So please allow me to somewhat redirect the initial plan of my speech and start off by addressing this subject, which is on everybody's mind.

In the context of this crisis, I believe that we need to stay the course on our objectives and not lose sight of the long term. I also believe that, given our respective roles in our businesses and within the economy, we have a shared responsibility to maintain public confidence. While being realistic about the situation, we must also keep looking for solutions.

I also want to reaffirm the importance of cooperation in today's world and the current economic context – cooperation here being taken in the broader sense of collaboration and joint action around the globe.

The Canadian financial system: solidity and stability that must be protected

When I was elected last March, the subprime mortgage loan crisis in the United States had already begun affecting financial markets, but the fallout was still relatively moderate. However, the pressure has grown over recent months, reaching a peak in September and October.

Since then, we have been in the throes of a long period marked by high market volatility on a daily basis, knowing that the real economy is likely to feel the repercussions in 2009.

Canada has a relatively enviable place in the difficult global context we are all experiencing. The International Monetary Fund reminded us of this once again, in its most recent economic forecast update.

Canada is the only G7 country whose government has achieved a budget surplus in the last few years. The U.S. economy is shrinking, which is naturally creating difficulties for all export sectors, but the vigour of our domestic economy – both in Canada and within Québec – should enable us to weather the storm.

While American and European banks have been sorely tested in the last few months, the Canadian banking system has not been quite so severely affected. This is because, in general, we have not been using some of the riskier business models that caused such great damage in other markets.

However, as our Finance Minister, Mr. Jim Flaherty recently reminded us – and rightly so – Canada is not an island unto itself. We salute the special measures announced by the Bank of Canada and the federal government to ensure the stability of the Canadian financial system.

Desjardins Group is, of course, pleased to see itself included among the financial institutions that could, if needed, benefit from these measures, indicating that its role has been fully recognized within the Canadian financial system.

But I would insist here on adding that the government of Canada should remain cautious, to prevent our institutions from becoming disadvantaged with respect to foreign competitors, who are receiving very strong support from their respective governments, whether in terms of loan guarantees or capital support measures.

In Canada, we are blessed with a financial system whose solidity and stability are often cited as examples the world over. We should therefore make sure that the highly advantageous support plans for financial institutions in Europe and the United States do not reduce the competitiveness of Canadian financial institutions, especially in terms of access to global markets as well as of capital and supply costs.

A new era of cooperation?

Every country on the planet is affected by the current crisis and each of them also forms part of the solution. Our experience of the last few months shows us just to what extent our economies today are inter-connected.

Perhaps, therefore, our hope today lies in reminding ourselves of our need to rely on one another. We are currently seeing a level of joint action and cooperation that has not been seen for a very long time on an international scale.

Next weekend, the leaders of the major industrialized and emerging countries of the G20 will be meeting in Washington to discuss the problems affecting our economies and the various ways to mitigate them. I am certain that Prime Minister Harper will be able to demonstrate the utmost leadership, especially given the relatively good position of the Canadian economy and financial system.

Much hope has also been placed – and I hardly need to remind you – in the new leadership coming from the United States, which just elected a new president who has committed to work in a spirit of cooperation.

If the current crisis succeeds in convincing people of the importance of cooperation, if it leads to the implementation of multilateral mechanisms that will help us to act more efficiently and effectively in the future, it will have had at least one positive consequence.

Finally, I hope that the lessons we will draw from our recent experience will help us to put in place mechanisms to enable us, in the future, to better manage the relationship between financial innovation, risk management, regulatory frameworks and accountability.

Desjardins Group: a cooperative financial group

I would now like to talk about Desjardins, the largest cooperative financial group in Canada.

We know that the use of credit beyond the limits of caution and responsibility has a lot to do with the root of the current crisis. This serves as a reminder of just how wise Alphonse Desjardins was when, in the early years of Desjardins Group, he would encourage and advise the people at the caisses to first collect savings, *then* lend it out, under sound and responsible conditions, and at a fair and reasonable price.

Cyrille Vaillancourt, masthead of Desjardins Group from the 1930s to the 1960s, used to like to say “*souci de l'épargne épargne les soucis*” or concern for savings saves on concerns.

These messages are worth thinking about today...

That being said, Desjardins has always brought the same level of care to member service, regardless of the era or the prevailing economic conditions. Today's situation has simply given us an opportunity to get even closer to our members and meet with them more often to offer advice and reassurance, while helping them focus more on their objectives.

In fact, the fundamental strength behind Desjardins today is the wealth of its human capital, made up of nearly 6 million members, 6,500 elected officers and 40,000 employees. These are the people that make Desjardins Group a first-rank economic force in Québec and across Canada.

Desjardins is also a major financial force, resting on a solid capital base, and that is reflected in the excellent credit ratings attributed to the Group.

Because we are in Montréal and, being an accountant by trade, I have an interest in figures, I would like to offer you some statistics that reflect the extent of Desjardins' presence in the area.

Desjardins has more than 110 caisses in Greater Montréal, as well as 276 service centres and 10 business centres. There are over 7,000 people – officers, managers and employees – working for nearly 1,400,000 local members.

And if, to our network of caisses and their centres, we add the staff of the Fédération and all its subsidiaries, we come to a total of close to 13,000 people employed by Desjardins Group in the Greater Montréal area alone.

We are therefore very present in Montréal, and we plan to increase this presence – and our initiatives – in the coming years. Carrefour Desjardins, which works for both our members and our caisses, the arrival of a large number of employees at the Windsor Building and the opening of several new service centres in the West Island are some concrete indicators of this intent.

I welcome the presence today of many representatives of Desjardins, as well as of the presidents of our regional councils of caisses from the West End and West Island, the East End, the South Shore, the Laval-and-Laurentians region and the Group Caisses. They are to be commended for the work they do in the communities of Greater Montréal, as part of our overall concerted development plan.

While it is easy to recognize the unparalleled presence of Desjardins throughout Québec, we might wonder how its activities province-wide can turn into positive spin-offs for Québec's economy and its people.

The data we are releasing today show that, when we take into account both jobs within Desjardins and jobs which it helps create among its numerous suppliers, as well as those generated by all these employees through consumer spending, Desjardins could be considered responsible for the equivalent of nearly 68,000 full-time jobs in Québec.

In essence, for every job created at Desjardins, another is generated in the rest of the economy.

Meanwhile, the Québec government also benefits from Desjardins' presence, which brings in over \$1 billion every year in income taxes, various other taxes and incidental taxation. That represents 2.1% of its independent income.

No other company can claim to make such a significant contribution to Québec's economy. The added value that we bring to the Québec economy, along with our distinctive nature, our mission and our cooperative values, totals more than \$4.8 billion.

The cooperative movement alive and well in Québec and across Canada

While Desjardins is a pillar of the Québec economy, it is not the only company in the province that uses a cooperative business model. The cooperative world in Québec is quite plentiful with about 3,200 cooperatives and some forty mutual companies, whose total business volume is \$22 billion.

The cooperative movement, with Desjardins, the *Coopérative fédérée* and Agropur at the head of the list, employs no less than 88,000 individuals throughout Québec. This is also one of the main ways through which the sense of entrepreneurship is expressed! In the 10 past years, an average of 160 cooperatives were created annually. And what is especially interesting is that this type of collective enterprise is particularly resilient.

A provincial government study shows that while only half of all businesses in Québec survive more than three years, three quarters of all cooperatives succeed in doing so. In the longer term, four out of 10 cooperatives make it past ten years, compared to only two businesses in 10 overall.

The cooperative movement also plays a significant role across Canada. Canadian farming co-ops, for example, earn more than \$14 billion in income, while Canadian financial services cooperatives – which include credit unions, caisses populaires and group caisses – had combined assets of nearly \$210 billion as at December 31, 2007. Together, these cooperatives run some 37% of the banking service centres in operation in Canada, with the six major banks combined sharing the rest.

And, in more than 1,100 Canadian communities, the local caisse or credit union is the only established financial services supplier.

Cooperation: a proven business model

At a time when the latest financial crisis has led us to ponder the mechanisms of governance and even review our ideas on capitalism, as recently expressed by President Sarkozy, the cooperative business model has the advantages of being universal and of having proven its mettle throughout history.

Of the 300 largest cooperatives in the world, no fewer than 40 are older than Desjardins Group, which itself is over one hundred years old. Some even date back to the early 1800s.

All of them survived the numerous economic and financial crises that marked the 19th and 20th centuries. What's more, many French, German and Italian cooperatives saw themselves through the two world wars that literally devastated Europe.

So it is no exaggeration to speak of the “resilience” of the cooperative business model.

Education, entrepreneurship and cooperation

Back at home, we can definitely say that the successes of Desjardins Group and the Québec cooperative movement are part and parcel of Québec's success overall. And cooperation, just as definitely, constitutes one of the strengths upon which we will need to rely in the future.

But this strength must work in conjunction with other forces. As we move ahead, we will need to focus on **education** and **entrepreneurship**, as well as **cooperation**.

Last December, I was given the opportunity to speak here at length about my convictions regarding education. I can tell you today that I have not changed my mind on this matter, especially as we will be seeing a growing scarcity of labour in the coming years, and an increasingly complex economy.

Taken in this context, **education** is about making sure that young people starting out have the skills and knowledge they need to fully play out the roles expected of them and to take their rightful place on the job market.

Education is also about focusing special attention on the quality of our higher education system. At a time when not only the major industrialized countries, but also emerging countries such as China and India, are now masters in the art of training huge numbers of science graduates, funding our universities will require substantial efforts.

Here in Montréal, we have a vibrant hub of institutions of higher learning. Major Montréal universities rank high in international lists of the best universities on the planet. **Education** means taking steps to better support them, so they – and their counterparts in other cities and regions of Québec – are able to pursue their mission with sufficient means, manpower and equipment to rival other institutions around the world.

I believe that education will be the driving force behind our future prosperity, our capacity to innovate and our ability to be **enterprising** in a global, competitive market.

In 1891, when he was active within the Lévis Chamber of Commerce, Alphonse Desjardins wrote:

“What are we missing to be a prosperous, industrial centre? What we are missing – let’s not hide the fact – is a little more initiative, together with a dose of audacity, combined with common prudence and wisdom. What is missing – let us say it quite frankly, without false shame and without fear – is a more thorough understanding of the incomparable advantages that we possess and that we are allowing to lie dormant in a very shameful bout of inactivity.”

Could anyone more clearly plead the case for entrepreneurship?

Since the time of Alphonse Desjardins, we in Québec have learned to use our assets and take our place on the economic landscape.

Entrepreneurship means continuing to develop the desire among young people to build and innovate. SMEs play such an important role in our economy that the sustained creation of new businesses will always be an essential factor in our prosperity. This is what we firmly believe at Desjardins, as the financial institution most committed to SMEs in Québec.

Entrepreneurship is also, within large businesses, about continuing to pioneer new projects and to see them through to completion. It’s about continuing to showcase new ideas and develop new markets with distinctive business models.

Entrepreneurship means continuing to build the companies that, in the future, will become the generators of human and economic wealth.

Combined with education and entrepreneurship, I believe that cooperation will allow us to build the best road to a future that meets all our expectations.

Cooperation is first and foremost an attitude, a propensity for discussion and collaboration. We have proven that we can do this.

Cooperation means helping Greater Montréal grow, by enabling the city to draw fully on its knowledge, resources and human capital. It means finding better ways for people from all over the island – east to west – as well as people from the city itself and those from the surrounding region, to work together.

Cooperation also means drawing our voices together as one and focusing on what unites us rather than what divides us.

Cooperation means seeking ambitious common objectives and staying the course to achieve them. We need to close ranks if we are to succeed in the global market – a market in which we will only be able to have real influence and clout if we act together as one.

I believe that the current climate should not blind us or paralyze us. Any difficult period must, on the contrary, force us to nourish our ambitions, so we can give ourselves the means to bounce back more strongly. Successful businesses are those that are able to turn threats and challenges into new development opportunities.

In 1924, Dorimène Desjardins wrote the following to the people who had picked up the torch after her husband's death:

“You mention the numerous obstacles that you encounter in the course of your work for the continuation, expansion and consolidation of the caisses. Let me only hope that they will not stop you on your way, but rather that you will continue to walk firmly and confidently towards your goal.”

Let us all focus on education, entrepreneurship and cooperation to give ourselves – the people of Montréal and of the province of Québec – the means to confidently achieve our ambitions for the future of our children.

Thank you for your attention.

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