

## **Results for the second quarter of 2017**

### **Desjardins Group records surplus earnings of \$581 million, up 36%**

*The amount returned to members and the community reached \$74 million, up \$22 million*

#### **Q2 highlights**

- *Surplus earnings of \$581 million, up \$154 million from 2016*
- *Increase of \$398 million, or 11.4%, in operating income<sup>(1)</sup>*
- *Rigorous cost control limited expense growth to 1.3%*
- *Outstanding residential mortgages increased by \$3.0 billion since December 31, 2016*
- *Total capital ratio of 17.5% as at June 30, 2017*
- *Desjardins Funds now total \$30 billion in assets under management and those of the market-linked guaranteed investments are at \$20 billion*
- *Transaction to [sell Western Financial Group and Western Life Assurance](#) to Trimont Financial Ltd., a subsidiary of The Wawanesa Mutual Insurance Company, closed on July 1, and due to be recognized in Q3 2017*

#### **A socially minded and innovative cooperative group**

- *Some Desjardins employees offered close to 2,000 hours in support of people affected by the floods this past spring in Quebec*
- *Ranked second in Corporate Knights' [2017 Best 50 Corporate Citizens in Canada](#) ranking*
- *Provided financial support to [Alloprof](#) through the Desjardins Foundation to help 20,000 students prepare for rewrite exams throughout the summer*
- *Added [Android Pay](#) to its mobile payment offering*
- *Won two [OCTAS awards](#) in recognition of Desjardins's innovative solutions, including the "My Savings Plan" tool, which encourages young people to save*
- *The Desjardins's Economic Studies team received top honours from the international firm FocusEconomics for the accuracy of their Canadian economic and financial forecasts*

## Results for the second quarter

**Lévis (QC), August 11, 2017** – For the second quarter ended June 30, 2017, [Desjardins Group](#), Canada's largest cooperative financial group, continued to report business growth and posted an 11.4% increase in operating income,<sup>(1)</sup> to \$3,900 million.

This allows Desjardins Group's to post \$581 million in surplus earnings before member dividends, up \$154 million from the same quarter of 2016. The increase is due to the contribution of the caisse network, which continues to grow, and to good investment performance and a decrease in actuarial liabilities arising from changes made to the credit ratings of the securities matched to these liabilities in the Wealth Management and Life and Health Insurance segment. The Property and Casualty Insurance segment benefited from favourable developments in prior years' claims.

The amount returned to members and the community was \$74 million (Q2 2016: \$52 million), including a \$40 million provision for member dividends (Q2 2016: \$22 million); \$23 million in sponsorships, donations and scholarships (Q2 2016: \$22 million); and \$11 million in Member Advantages (Q2 2016: \$8 million).

"Our cooperative financial group's performance over the last quarter is a great achievement, and reflects strong business growth," said Guy Cormier, Chair of the Board, President and Chief Executive Officer. "When Desjardins succeeds, all its members and clients succeed as well. This allows us to play an even larger role as a socioeconomic leader and to give back even more to our members and the community."

Net interest income was \$1,087 million, up slightly from the same period of 2016. Expanding financing activities in mortgages, business loans and point-of-sale financing mitigated the pressure on interest margins in a highly competitive market.

The growth in life and health insurance operations and in property and casualty insurance, combined with the impact of the reinsurance treaty signed as part of the acquisition of the Canadian operations of State Farm, led to a 19.3% increase in net premiums, to \$2,076 million (Q2 2016: \$1,740 million).

Other operating income<sup>(1)</sup> stood at \$737 million, up \$36 million from the same period of 2016. Lending fees and credit card service revenues, consisting mainly of income from the various payment solutions offered by Desjardins's Card and Payment Services, totalled \$154 million (Q2 2016: \$136 million) and came from business growth. Income from brokerage and investment fund services stood at \$307 million (Q2 2016: \$286 million). This growth was primarily due to greater assets under management arising from the sale of various financial products.

Desjardins Group's loan portfolio continued to be of high quality. The gross impaired loans ratio, expressed as a percentage of the total gross loans and acceptances portfolio, was 0.28% as at June 30, 2017, down from 2016. The provision for credit losses totalled \$76 million, relatively unchanged from the same period of 2016.

Non-interest expense stood at \$1,878 million (Q2 2016: \$1,854 million). Rigorous cost control limited the increase to 1.3%, despite business growth, in particular in credit card and point-of-sale financing activities, as well as the impact of the reinsurance treaty signed as part of the acquisition of the Canadian operations of State Farm.

---

<sup>1</sup> See "Basis of presentation of financial information."

## **Total assets of \$272.0 billion, up \$13.6 billion**

As at June 30, 2017, Desjardins Group had total assets of \$272.0 billion, up \$13.6 billion or 5.3% since December 31, 2016. This increase was largely due to growth in the securities portfolio and the net loans and acceptances portfolio.

## **Strong capital base**

Desjardins Group maintains very good capitalization levels in compliance with Basel III rules. Its Tier 1A and total capital ratios were 17.1% and 17.5%, respectively, as at June 30, 2017, compared to 17.3% and 17.9% as at December 31, 2016.

## **Results for the first six months of 2017**

At the end of the first six months of 2017, operating income<sup>(1)</sup> was \$7,655 million (2016: \$6,973 million), up 9.8%, and surplus earnings before member dividends were \$964 million (2016: \$809 million), an increase of 19.2%. This difference is due to the same reasons given for the second quarter results.

## **Segment results for the second quarter of 2017**

### ***Personal and Business Services***

For the second quarter of fiscal 2017, the Personal and Business Services segment reported surplus earnings before member dividends of \$272 million (Q2 2016: \$251 million). This increase was mainly due to growth in credit card and point-of-sale financing activities, good performance in the caisse network, and income from mergers and acquisitions in the capital markets.

For the first six months of 2017, surplus earnings totalled \$518 million (2016: \$483 million).

### ***Wealth Management and Life and Health Insurance***

Net surplus earnings generated by the Wealth Management and Life and Health Insurance segment were \$189 million at the end of the quarter (Q2 2016: \$124 million). This 52.4% increase was largely due to good investment performance and the decrease in actuarial liabilities arising from changes made to the credit ratings of the securities matched to these liabilities.

For the first six months of 2017, surplus earnings totalled \$332 million (2016: \$221 million).

### ***Property and Casualty Insurance***

The Property and Casualty Insurance segment recorded net surplus earnings of \$98 million in the second quarter of 2017 (Q2 2016: \$49 million). This increase was essentially due to favourable development on prior years' claims, offset in part by an increase in the year-to-date claims experience in automobile insurance and property insurance compared to the second quarter of 2016.

For the first six months of 2017, surplus earnings totalled \$80 million (2016: \$88 million).

---

<sup>1</sup> See "Basis of presentation of financial information."

## Key Financial Data

### FINANCIAL POSITION AND KEY RATIOS

<i>(in millions of dollars and as a percentage)</i>	<b>As at June 30, 2017</b>	As at December 31, 2016
Assets	<b>\$ 271,983</b>	\$ 258,367
Residential mortgage loans	<b>\$ 109,740</b>	\$ 106,695
Consumer, credit card and other personal loans	<b>\$ 22,832</b>	\$ 22,150
Business and government loans <sup>(1)</sup>	<b>\$ 39,298</b>	\$ 37,637
Total gross loans <sup>(1)</sup>	<b>\$ 171,870</b>	\$ 166,482
Equity	<b>\$ 23,843</b>	\$ 23,293
Tier 1A capital ratio	<b>17.1 %</b>	17.3 %
Tier 1 capital ratio	<b>17.1 %</b>	17.3 %
Total capital ratio	<b>17.5 %</b>	17.9 %
Leverage ratio	<b>7.9 %</b>	8.1 %
Gross impaired loans/gross loans and acceptances ratio <sup>(2)</sup>	<b>0.28 %</b>	0.32 %

<sup>(1)</sup> Includes acceptances.

<sup>(2)</sup> See "Basis of presentation of financial information."

### COMBINED INCOME

<i>(in millions of dollars and as a percentage)</i>	For the three-month periods ended			For the six-month periods ended	
	<b>June 30, 2017</b>	March 31, 2017	June 30, 2016	<b>June 30, 2017</b>	June 30, 2016
Operating income <sup>(1)</sup>	<b>\$ 3,900</b>	\$ 3,755	\$ 3,502	<b>\$ 7,655</b>	\$ 6,973
Surplus earnings before member dividends	<b>\$ 581</b>	\$ 383	\$ 427	<b>\$ 964</b>	\$ 809
Return on equity <sup>(1)</sup>	<b>9.9 %</b>	6.8 %	7.8 %	<b>8.4 %</b>	7.4 %

<sup>(1)</sup> See "Basis of presentation of financial information."

## CONTRIBUTION TO COMBINED SURPLUS EARNINGS BY BUSINESS SEGMENT

	For the three-month periods ended			For the six-month periods ended	
	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
<i>(in millions of dollars)</i>					
Personal and Business Services	\$ 272	\$ 246	\$ 251	\$ 518	\$ 483
Wealth Management and Life and Health Insurance	189	143	124	332	221
Property and Casualty Insurance	98	(18)	49	80	88
Other	22	12	3	34	17
	\$ 581	\$ 383	\$ 427	\$ 964	\$ 809

## CREDIT RATINGS OF SECURITIES ISSUED

	DBRS	STANDARD & POOR'S	MOODY'S	FITCH
Fédération des caisses Desjardins du Québec				
Short-term	R-1 (high)	A-1	P-1	F1+
Senior medium- and long-term	AA	A+	Aa2	AA-
Capital Desjardins inc.				
Senior medium- and long-term	AA (low)	A	A2	A+

*More detailed financial information can be found in Desjardins Group's interim Management's Discussion and Analysis, which will be available on the [SEDAR](#) website under the Capital Desjardins inc. profile.*

## About Desjardins Group

[Desjardins Group](#) is the leading cooperative financial group in Canada and the sixth largest cooperative financial group in the world, with assets of \$272 billion. It has been rated one of the Best Employers in Canada by Aon Hewitt. To meet the diverse needs of its members and clients, Desjardins offers a full range of products and services to individuals and businesses through its extensive distribution network, online platforms and subsidiaries across Canada. Counted among the world's strongest banks according to *The Banker* magazine, Desjardins has some of the highest capital ratios and [credit ratings](#) in the industry.

### **Caution concerning forward-looking statements**

*Certain statements made in this press release may be forward-looking. By their very nature, forward-looking statements involve assumptions, uncertainties and inherent risks, both general and specific. It is therefore possible that, due to many factors, these predictions, forecasts or other forward-looking statements as well as Desjardins Group's objectives and priorities may not materialize or may prove to be inaccurate and that actual results differ materially. Various factors that are beyond Desjardins Group's control, and therefore whose impacts on Desjardins are difficult to predict, could influence the accuracy of the forward-looking statements in this press release. Additional information on these and other factors are available under the risk management section of Desjardins Group's 2016 annual Management's Discussion and Analysis. Although Desjardins Group believes that the expectations expressed in these forward-looking statements are reasonable, it cannot guarantee that these expectations will prove to be correct. Desjardins Group cautions readers against placing undue reliance on these forward-looking statements when making decisions. Desjardins Group does not undertake to update any verbal or written forward-looking statements that may be made from time to time by or on behalf of Desjardins Group, except as required under applicable securities legislation.*

### **Basis of presentation of financial information**

*The financial information in this document comes primarily from the 2017 quarterly financial statements. Those statements have been prepared by Desjardins Group's management in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and the accounting requirements of the Autorité des marchés financiers (AMF) in Quebec, which do not differ from IFRS. Unless otherwise indicated, all amounts are in Canadian dollars (\$).*

*To assess its performance, Desjardins Group uses IFRS measures and various non-IFRS financial measures. Non-IFRS financial measures, other than the regulatory ratios, do not have standardized definitions and are not directly comparable to similar measures used by other companies, and may not be directly comparable to any IFRS measures. Investors, among others, may find these non-IFRS measures useful in analyzing financial performance. The measures used are defined as follows:*

#### *Adjusted net surplus earnings for the Property and Casualty Insurance segment*

*The net surplus earnings of the Property and Casualty Insurance segment are adjusted to exclude the expenses, net of income taxes, incurred as part of the sale of Western Financial Group Inc. and Western Life Assurance Company as well as those incurred as part of the acquisition of the Canadian businesses of State Farm Mutual Automobile Insurance Company (State Farm), completed on January 1, 2015. The latter expenses include the costs related to the transaction and the integration of operations as well as processing expenses.*

#### *Gross impaired loans/gross loans and acceptances ratio*

*The gross impaired loans/gross loans and acceptances ratio is used to measure loan portfolio quality and is equal to gross impaired loans expressed as a percentage of total gross loans and acceptances.*

#### *Return on equity*

*Return on equity is used to measure profitability. Expressed as a percentage, it is equal to surplus earnings before member dividends, excluding the non-controlling interests' share, divided by average equity before non-controlling interests.*

## Income

### *Operating income*

*The concept of operating income is used to analyze financial results. This concept allows for better structuring of financial data and makes it easier to compare operating activities from one period to the next by excluding the volatility of results specific to investments, particularly regarding the extent of life and health insurance and P&C insurance operations, for which a very large proportion of investments are recognized at fair value through profit or loss. The analysis therefore breaks down Desjardins Group's income into two parts, namely operating income and investment income, which make up total income. This measure is not directly comparable to similar measures used by other companies.*

*Operating income includes net interest income, generated mainly by the Personal and Business Services segment and the Other category, net premiums and other operating income such as deposit and payment service charges, lending fees and credit card service revenues, income from brokerage and investment fund services, management and custodial service fees, foreign exchange income as well as other income. These items, taken individually, correspond to those presented in the Combined Financial Statements.*

### *Investment income*

*Investment income includes net income on securities at fair value through profit or loss, net income on available-for-sale securities and net other investment income. These items, taken individually, correspond to those presented in the Combined Financial Statements. The life and health insurance and P&C insurance subsidiaries' matching activities, which include changes in fair value, gains and losses on disposals and interest and dividend income on securities, are presented with investment income, given that these assets back insurance liabilities, for which the results are recognized under expenses related to claims, benefits, annuities and changes in insurance contract liabilities in the Combined Financial Statements. In addition, this investment income includes changes in the fair value of investments for the Personal and Business Services segment, recognized at fair value through profit or loss.*

	For the three-month periods ended			For the six-month periods ended	
	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
<i>(in millions of dollars)</i>					
<b>Presentation of income in the Combined Financial Statements</b>					
Net interest income	\$ 1,087	\$ 1,057	\$ 1,061	\$ 2,144	\$ 2,115
Net premiums	2,076	1,982	1,740	4,058	3,461
Other income					
Deposit and payment service charges	122	120	119	242	237
Lending fees and credit card service revenues	154	172	136	326	285
Brokerage and investment fund services	307	278	286	585	546
Management and custodial service fees	106	101	92	207	180
Net income on securities at fair value through profit or loss	476	301	878	777	1,390
Net income on available-for-sale securities	181	80	99	261	178
Net other investment income	54	54	50	108	100
Foreign exchange income	20	19	22	39	38
Other	28	26	46	54	111
<b>Total income</b>	<b>\$ 4,611</b>	<b>\$ 4,190</b>	<b>\$ 4,529</b>	<b>\$ 8,801</b>	<b>\$ 8,641</b>
<b>Presentation of income in the Management's Discussion and Analysis</b>					
Net interest income	\$ 1,087	\$ 1,057	\$ 1,061	\$ 2,144	\$ 2,115
Net premiums	2,076	1,982	1,740	4,058	3,461
Other operating income					
Deposit and payment service charges	122	120	119	242	237
Lending fees and credit card service revenues	154	172	136	326	285
Brokerage and investment fund services	307	278	286	585	546
Management and custodial service fees	106	101	92	207	180
Foreign exchange income	20	19	22	39	38
Other	28	26	46	54	111
<b>Operating income</b>	<b>3,900</b>	<b>3,755</b>	<b>3,502</b>	<b>7,655</b>	<b>6,973</b>
Investment income					
Net income on securities at fair value through profit or loss	476	301	878	777	1,390
Net income on available-for-sale securities	181	80	99	261	178
Net other investment income	54	54	50	108	100
	711	435	1,027	1,146	1,668
<b>Total income</b>	<b>\$ 4,611</b>	<b>\$ 4,190</b>	<b>\$ 4,529</b>	<b>\$ 8,801</b>	<b>\$ 8,641</b>

**For further information (*media inquiries only*):**

André Chapeau  
Public Relations  
514-281-7229 or 1-866-866-7000, ext. 5557229  
[media@desjardins.com](mailto:media@desjardins.com)

Réal Bellemare  
Executive Vice-President,  
Finance, Treasury and Administration,  
and Chief Financial Officer of Desjardins Group