



PRESS RELEASE

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Desjardins Group Announces Surplus Earnings of \$338 Million for the Second Quarter of 2009

Financial highlights

Surplus earnings before member dividends of \$338 million for the second quarter of 2009, unchanged from the amount posted for the same period of 2008.

Surplus earnings before member dividends of \$455 million for the first six months of 2009, compared to \$405 million in the same period of 2008.

Strong balance sheet with over \$10 billion in capitalization and a quality loan portfolio.

Tier 1 capital ratio still among the best in the industry.

Assets grew 5.2% to \$159.9 billion.

Good growth in financing activities, which expanded over 7%.

Issuance of \$500 million of subordinated debt, which improved Desjardins Group's capital base.

Key financial data:

	For the three months ended June 30			For the six months ended June 30		
	2009	2008	Change	2009	2008	Change
Surplus earnings before member dividends	\$338 million	\$338 million	----	\$455 million	\$405 million	12.3%
Return on equity	13.4%	14.3%	----	9.2%	8.7%	----

Assets	\$159.9 billion	\$151.9 billion	5.2%
Equity	\$10.1 billion	\$9.6 billion	6.0%
Tier 1 capital ratio (*)	14.73%	13.98%	----
Growth in total loans	7.2%	8.2%	----
Growth in total deposits	5.5%	9.5%	----

(*): The 2009 ratio is calculated according to the new rules of the Basel II Capital Accord, while the 2008 ratio was assessed under the former regulatory framework or Basel I.

2009 second quarter results

Lévis (Québec), August 17, 2009 – For the second quarter of 2009, Desjardins Group, the largest cooperative financial group in Canada, announced surplus earnings before member dividends of \$338 million, unchanged from the amount posted for the same period of 2008. Return on equity was 13.4%, compared to 14.3% on a year-over-year basis.

Results for the quarter benefitted from strong business volume growth and very good investment income growth, despite lower interest rates, which restrained net interest income at the caisses and, at the same time, limited their profitability.

In terms of income, Desjardins Group's total income attained \$2,772 million at the end of the second quarter of 2009, for an increase of \$320 million or 13.1% compared to the same period of 2008.

Net interest income stood at \$828 million for the second quarter of 2009, down \$19 million or 2.2% compared to the same quarter last year, due to lower interest rates. Net premiums grew \$60 million or 6.0% as a result of good growth in insurance premiums, particularly in the life and health insurance subsidiary.

Other income stood at \$887 million, up \$279 million or 45.9% over the same quarter last year. Other income benefitted from strong growth in investment income, in part as a result of improved market conditions but also from the strategies implemented. It should nevertheless be noted that an equivalent amount of the increase in investment income at the life and health insurance subsidiary drove up expenses related to claims, benefits, annuities and changes in this subsidiary's insurance provisions. Income from brokerage, investment fund and trust services were also affected by uncertainty in the markets and fell \$24 million or 14.7%, a performance similar to the industry as a whole.

The quality of Desjardins' loan portfolio remains excellent, with a ratio of gross impaired loans to gross loans of 0.46%. Provisions for credit losses for the second quarter of 2009 stood at \$45 million, compared to \$46 million a year earlier.

Expenses related to claims, benefits, annuities and changes in insurance provisions stood at \$980 million, up \$203 million or 26.1% compared to the same quarter of 2008. A large part of this growth is explained by an equivalent increase in investment income at the life and health insurance subsidiary, as mentioned above.

At \$1,275 million, non-interest expense grew \$99 million or 8.4% over the same quarter of 2008. Much of this growth was due to increased salaries and fringe benefits related to the annual indexation of salaries. The cumulative results for the second quarter of 2009 also include a \$28 million expense for severance benefits and professional fees, presented as part of reorganization expenses.

Funding and capital supply

During the second quarter of 2009, Desjardins Group successfully completed a \$500 million offering of senior notes – 5.541% Series F maturing in 2021 – through Capital Desjardins. This was the second issuance of debt by Capital Desjardins under a base shelf prospectus dated June 30, 2008 that allows the Group to issue up to \$2 billion in securities. Capital Desjardins invested the gross proceeds of the notes in subordinated notes to be issued by the caisses in order to enhance the Group's capital base and meet general needs.

Results for the first six months of 2009

For the six-month period ended June 30, 2009, Desjardins Group announced surplus earnings before member dividends of \$455 million, as compared to \$405 million for the same period of 2008. Return on equity was 9.2%, compared to 8.7% on a year-over-year basis.

Results for the first six months of 2009 profited from improved market conditions, which had a favourable influence on investment income, and from a write-down of the portfolio of restructured ABCP notes that was smaller than the write-down in the first six months of 2008. An amount of \$84 million was recorded in the first six months of 2009 as a decline in the fair value of all the portfolios of restructured ABCP notes and the write-off of an ABCP security excluded from the moratorium of the Montreal Accord. This compares to a write-off of \$198 million recorded for the same period of 2008. As for the caisse network, it posted \$216 million in surplus earnings for the first six months of 2009, 39.7% less the \$358 million it recorded for the same period of 2008. The drop was primarily due to lower interest rates, which affected net interest income.

“Overall, we’re satisfied with these results,” said Monique F. Leroux, Chair of the Board, President and CEO of Desjardins Group. “Despite an environment that has at times been difficult, our caisse network and our subsidiaries actively pursued business development, particularly our general insurance and securities subsidiaries, which outperformed forecasts. Our capitalization has also been strengthened by issuing subordinated debt. Even though the economy seems to be improving, we will continue to exercise caution and remain vigilant in the second half of the year.”

Every quarter, Desjardins Group must establish the most accurate estimate possible of the amount that will be recorded for payment of member dividends at the end of the fiscal year. The estimate is based on potential surplus earnings in the caisse network. The Group therefore recorded a \$106 million provision for member dividends for the first six months of 2009, compared to \$294 million a year earlier. The provision for 2009 includes a \$29 million upward adjustment for 2008 dividends.

Desjardins remains one of the best capitalized financial institutions in Canada; its Tier 1 capital ratio, assessed under the new regulatory framework (the Basel II Accord), stood at 14.73% as at June 30, 2009, compared to 13.98% as assessed under the former regulatory framework (Basel I Accord) a year earlier. The Tier 1 ratio therefore exceeds the Group’s capitalization target and is one of the best in the industry. In addition, the total capital ratio, assessed under the Basel II Accord, was 14.73%, compared to 13.17% as assessed under the Basel I Accord as at June 30, 2008.

Desjardins Group’s total income stood at \$5,017 million at the end of the first six months of 2009, up \$383 million or 8.3% compared to the same period of 2008.

Net interest income attained \$1,623 million, down \$33 million or 2.0% compared to the same period of 2008. Net premiums grew \$70 million or 3.5% as a result of growth in insurance premiums, particularly in life and health insurance. Other income benefitted from a large increase in investment income as a result of improved market conditions and the strategies implemented. It should be recalled that an equivalent amount of the increase in investment income at the life and health insurance subsidiary affected expenses related to claims, benefits, annuities and changes in insurance provisions. Income from brokerage, investment fund and trust services were affected by uncertainty in the markets and fell \$67 million or 20.3%.

The quality of Desjardins’ loan portfolio remains excellent, even though provisions for credit losses grew to \$105 million, as compared to \$90 million one year earlier.

Expenses related to claims, benefits, annuities and changes in insurance provisions totalled \$1,769 million at the end of the first six months of 2009, up \$169 million or 10.6% compared to one year earlier. A large part of this growth is explained by an equivalent increase in investment income at the life and health insurance subsidiary, as mentioned above.

At \$2,496 million, non-interest expense increased \$98 million or 4.1% compared to the first six months of 2008. Over half of this increase resulted from increased salaries and fringe benefits, in particular as a result of the annual indexation of salaries. The cumulative results for the first six months of 2009 include a \$28 million expense for severance benefits and professional fees. It is also worth noting that the non-interest expense reported in 2008 included a \$25 million write-off of deferred expenses related to technological developments.

The productivity ratio is calculated as Desjardins Group's non-interest expense to total income, net of expenses related to claims and insurance benefits. The ratio was 76.8% at the end of the first six months of 2009, an improvement over the 79.0% ratio posted for the same period of 2008. Various initiatives were taken to improve productivity, such as implementing a new organizational structure for Desjardins Group.

Desjardins Group had \$159.9 billion in total assets as at June 30, 2009, compared to \$151.9 billion one year earlier. This represents growth of close to \$8 billion or 5.2%.

Results by business segment

Personal and Commercial

This segment primarily encompasses the caisse network, the Fédération des caisses Desjardins du Québec, Caisse centrale Desjardins, the Fonds de sécurité Desjardins, Capital Desjardins Inc., Desjardins Trust and the Ontario Federation and caisses. It should be noted that, since the first quarter of 2009, the companies created specifically to hold the ABCPs repurchased by Desjardins Group and previously included in the Personal and Commercial segment are now presented in the "Other" segment. The information on earlier quarters has been reclassified to conform to the new presentation.

At the end of the second quarter of 2009, surplus earnings before member dividends in the Personal and Commercial segment stood at \$231 million, down \$27 million or 10.5% compared to the second quarter of 2008.

After the first six months of 2009, surplus earnings before member dividends for this segment were \$357 million, down \$82 million or 18.7% from the same period of 2008 due to lower profitability in the caisse network. However, Caisse centrale Desjardins posted improved profitability.

For the first six months of 2009, total income for the Personal and Commercial segment was \$2,517 million, down \$16 million or 0.6% compared to the same period a year earlier. Net interest income stood at \$1,643 million, down \$18 million or 1.1% due to lower interest rates.

Other income totalled \$874 million for the first six months of 2009, similar to the figure posted one year earlier. As mentioned above, other income was enhanced by higher investment income following improved market conditions combined with the strategies implemented, as well as a \$12 million or 6.0% increase in income related to credit card activities. However, the growth of other income was tempered, primarily by a \$36 million or 20.3% drop in income from brokerage, investment fund and trust services.

Provisions for credit losses for the first six months of 2009 totalled \$104 million compared to \$90 million for the same period one year earlier.

Non-interest expense was \$1,919 million, a limited increase of \$70 million or 3.8% from the first six months of 2008. Much of this increase stemmed from a greater salaries and fringe benefits expense, due in part to the annual indexation of salaries.

In addition, net income of Caisse centrale Desjardins (CCD) stood at \$43.8 million for the second quarter of 2009, up \$15.5 million compared to the second quarter of 2008. For the six months ended June 30, 2009, CCD's net income was \$83.3 million, up \$36.8 million compared to the same period of 2008. This excellent performance was due to the results posted by all of CCD's segments, particularly the Group Treasury segment, which reported 72% more gross income compared to the same period of 2008. CCD's contribution to the Personal and Commercial segment was \$72 million, compared to \$45 million in 2008.

In the Personal and Commercial segment's financing activities, loans outstanding net of the allowance for credit losses grew 7.6% or \$7.4 billion over the year, to \$105.2 billion as at June 30, 2009.

More specifically, the segment's outstanding residential mortgages stood at \$60.2 billion as at June 30, 2009 and represented close to 57% of its total portfolio. This was a 6.3% or \$3.6 billion increase year-over-year, despite 22.5% and 42.6% fewer housing starts in Québec and Ontario, respectively, than in 2008. In addition, home resale transactions in Québec and Ontario also fell, but less markedly: 7.5% and 9.1%, respectively.

The Personal and Commercial segment also saw strong growth in consumer loans in the second quarter of 2009. Outstanding loans in this category increased 13.0% or \$2.2 billion annually, to \$18.9 billion as at June 30, 2009. This increase is explained by the great success of the Versatile Line of Credit product among members and clients, sustained growth in automobile loans, and the success of the various financing programs offered through the Desjardins VISA credit card. The Personal and Commercial segment's outstanding loans to businesses and governments grew 6.7% or \$1.7 billion year-over-year, to \$26.9 billion as at June 30, 2009.

As for savings recruitment, deposit liabilities outstanding stood at \$107.5 billion, up 5.5% or \$5.6 billion over 2008. Personal savings, which represented 69.0% of the Personal and Commercial segment's deposits at the end of the second quarter, grew 6.8% or \$4.7 billion from one year earlier. Deposits by businesses and governments grew 2.8% or \$642 million over 2008, to \$23.3 billion as at June 30, 2009. The other sources of financing available to the Personal and Commercial segment to fuel its growth are primarily deposits related to securities issued on capital markets. Such sources grew 2.4% or \$234 million over the year, to \$10.0 billion as at June 30, 2009.

Lastly, in the sale of off-balance sheet savings products such as investment funds and other securities, the results of the Personal and Commercial segment improved significantly in the second quarter of 2009 as a result of the modest gains in the stock markets, which created a rather favourable environment for these products. For example, as at June 30, 2009, the S&P/TSX index had risen 37.1% from the bottom of the trough on March 9. Despite this improvement, outstanding investment funds and assets under management in the securities brokerage segment fell, but much less than in the previous quarter: only 9.9% or \$2.7 billion on a year-over-year basis, to \$24.4 billion as at June 30, 2009.

Life and Health Insurance

For the second quarter of 2009, the contribution of Desjardins Financial Security (DFS) to the Group's combined results was \$52.0 million, compared to \$55.0 million in 2008. Net income for the quarter was \$52.8 million, compared to \$59.3 million for the same quarter of 2008. Insurance premium income stood at \$675.7 million, and insurance sales totalled \$51.2 million, compared to \$57.5 million posted for the same quarter in 2008 and \$65.1 million for the first quarter of 2009.

At the end of the first six months of 2009, DFS recorded \$83.3 million in net income and a return on shareholder's equity of 22.9%, one of the best in the financial services industry. Its contribution to Desjardins Group's combined results stood at \$82.1 million, compared to \$90.0 million in 2008. Insurance premium income for this period was \$1,344.9 million, up 3.3%, while insurance sales totalled \$116.3 million. Sales also grew in retirement savings, attaining \$799.5 million as compared to \$527.4 million for the same period of 2008.

DFS has an excellent capitalization that provides all the financial strength it needs to confront sometimes difficult financial and economic conditions. In addition, its fundamental insurance activities continue to be highly profitable.

In group insurance, the volume of gross premiums from groups and companies and those related to the plans provided through financial institutions, including caisses Desjardins, stood at \$1,095.7 million, up \$33.0 million from the results for the same period of 2008. Sales totalled \$94.3 million.

In personal insurance, the volume of gross premiums was \$249.2 million. Sales totalled \$22.0 million.

In savings, aggregate sales stood at \$799.5 million. In personal savings, sales totalled \$465.6 million, more than double the amount recorded for the same period of 2008, while sales of group retirement savings were \$175.8 million. Sales of mutual funds totalled \$158.1 million.

Lastly, DFS assets under management and under administration were \$20.4 billion.

General Insurance

Desjardins General Insurance Group (DGIG) contributed \$28.0 million to the Group's results for the second quarter of 2009 compared to \$15.3 million for the same period of 2008, bringing the cumulative contribution to \$35.4 million at the end of the first six months of 2009, compared to \$13.1 million in 2008.

This increase in the second quarter of 2009 was the result of an excellent loss experience in home insurance in the Québec subsidiaries, as claims were markedly down for the quarter. The relatively small number of major events and the good climatic conditions helped limit claims over the last three months. Premium income from all the subsidiaries operating across Canada grew 3.4% in the second quarter.

At the end of the first six months of 2009, DGIG's return on equity was 14.4% compared to 5.8% for the same period of 2008. The increase in profitability is primarily due to a good claims experience in both automobile and home insurance. Gross premiums written rose 2.0%, from \$754.5 million in 2008 to \$769.5 million in 2009. DGIG continues to maintain its Québec market share and is working to expand sales in the rest of Canada.

The investment portfolio continued to perform well since the beginning of the year, posting income of \$42.5 million, up \$6.1 million compared to 2008. Even though interest rates were down from last year, a reorganization of the portfolio in the first quarter allowed DGIG to maintain investment income at the intended level, despite a financial crisis that continues to ravage world markets.

Securities Brokerage, Asset Management and Venture Capital

The Securities Brokerage, Asset Management and Venture Capital segment primarily encompasses the operations of Desjardins Securities, Desjardins Asset Management and Desjardins Venture Capital.

This segment posted net earnings of \$7 million in the second quarter of 2009 compared to \$1 million in the same quarter of 2008, bringing cumulative net income to \$10 million for the first six months of 2009 compared to a net loss of \$3 million one year earlier. This represents good performance in an environment where financial markets were characterized by uncertainty, particularly in terms of the fixed income activities of the Desjardins Securities subsidiary. Despite this improvement to segment profitability, the venture capital component was affected by the volatile financial markets and by changes in the value of certain investments in public companies as a result of changes in share prices on exchanges.

Other

Since the first quarter of 2009, the “Other” segment has included the results of companies that were specifically created to hold the ABCPs repurchased by Desjardins Group and previously included in the Personal and Commercial segment. Since the second quarter of 2009, all ABCP securities held by Desjardins Group are reported by this segment following their sale into newly created entities.

This segment posted \$20 million in net income for the second quarter of 2009 compared to \$9 million for the same quarter of 2008. This increase was due in part to a positive change in the fair value of the portfolio of restructured ABCP notes.

The Other segment posted a net loss of \$29 million for the first six months of 2009 compared to a net loss of \$134 million for the same period one year earlier. These results were primarily the result of a change in the net fair value of the ABCP restructured notes portfolio and the write-off of an ABCP security excluded from the moratorium of the Montreal Accord.

In addition, the combined results of Desjardins Group take into account various consolidation adjustments not reflected in the results of the business segments, including the adjustment related to the Group’s employee future benefits expense, which increased \$19 million after taxes compared to the first six months of 2008. This adjustment results primarily from the updating of certain actuarial assumptions.

Relying on the strength of its cooperative difference, its network of subsidiaries and its financial equilibrium, Desjardins Group seeks to become the leading financial institution in terms of meeting the needs of members and clients and fostering business development through an accessible, effective and comprehensive service offering. Desjardins Group’s mission is to contribute to the economic and social well-being of both individuals and communities. Please visit Desjardins Group’s Web site at: www.desjardins.com.

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