



PRESS RELEASE

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Desjardins Group Announces Surplus Earnings of \$117 Million for the First Quarter of 2009

Financial highlights

Surplus earnings before member dividends of \$117 million for the first three months of 2009 compared to \$67 million in the same period of 2008.

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

Rigorous management of operating expenses.

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

Assets grew 6.7% to \$159.7 billion.

Strong growth in financing activities, which expanded over 8%.

Issuance of \$500 million of subordinated debt through Capital Desjardins and €500 million of medium-term notes on European markets of Caisse centrale Desjardins.

Confirmation of credit ratings by the three rating agencies (Moody's, DBRS and Standard & Poor's).

Main financial data:

	For the three months ended March 31		
	2009	2008	Change
Surplus earnings before member dividends	\$117 million	\$67 million	74.6%
Return on equity	4.8%	2.9%	----
Assets	\$159.7 billion	\$149.8 billion	6.7%
Equity	\$10.1 billion	\$9.4 billion	6.9%
Tier 1 capital ratio (*)	13.67%	14.04%	----
Growth in total loans	8.7%	8.5%	----
Growth in total deposits	5.5%	8.5%	----

(*): 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 first quarter results

Lévis (Québec), May 15, 2009 -- For the first three months of 2009, Desjardins Group, the largest cooperative financial group in Canada, announced surplus earnings before member dividends of \$117 million, up \$50 million compared to the first quarter of 2008. Return on equity was 4.8%, compared to 2.9% on a year-over-year basis.

Despite strong business volume growth – particularly in the Group's financing activities – and tight control over operating expenses, results for the first quarter of 2009 were affected by a decline in the fair value of the ABCP restructured notes portfolio and the write-off of an ABCP security (excluded from the moratorium of the Montreal Accord) totalling \$88 million, while a \$220 million write-down was recorded in the first quarter of 2008.

“Even though the effects of the current economic environment have led us to adopt an even more rigorous approach to managing our activities and costs,” says Monique F. Leroux, Chair of the Board, President and Chief Executive Officer of Desjardins Group, “the Group posts good balance sheet growth, has a quality loan portfolio, and can count on capitalization of over \$10 billion. This allows us to face the situation with confidence.”

In terms of income and due to lower interest rates, net interest income for the first quarter of 2009 was \$795 million, down \$14 million or 1.7% year-over-year. Net premiums grew \$10 million or 1.0% as a result of good growth in insurance premiums, particularly in the life and health insurance subsidiary.

Other income was affected by a decline in the fair value of the ABCP restructured notes portfolio and the write-off of an ABCP security excluded from the moratorium of the Montreal Accord. As for income from brokerage, investment fund and trust services, they were also affected by uncertainty in the markets and fell \$43 million or 25.7%.

Overall, Desjardins Group's total income stands at \$2,245 million for the first quarter of 2009, up \$63 million or 2.9% on a year-over-year basis.

Provisions for credit losses for the first quarter of 2009 stood at \$60 million, up \$16 million or 36.4% from the same quarter of 2008. The quality of Desjardins' loan portfolio remains excellent, with a ratio of gross impaired loans to gross loans of 0.44%.

At \$1,221 million, non-interest expense for the first quarter of 2009 was relatively unchanged on a year-over-year basis, evidence of the rigorous control exercised over operating expenses. It is worth noting that the non-interest expense posted last year included a \$25 million write-off of deferred expenses for technological development.

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 83.9% at the end of the first three months of 2009, compared to 89.9% one year ago. The ratio was nevertheless affected by the decline in the fair value of the ABCP restructured notes portfolio and the write-off of an ABCP security that was excluded from the moratorium of the Montreal Accord.

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 Group therefore recorded a \$65 million provision for member dividends for the first quarter of 2009, compared to \$122 million a year earlier. The provision for 2009 includes a \$26 million upward adjustment for 2008 dividends.

Lastly, Desjardins Group's total assets stood at \$159.7 billion as at March 31, 2009, compared to \$149.8 billion a year ago, i.e., an increase of \$9.9 billion or 6.7%. Despite a deteriorating economic climate, the Group continued to grow at a sustained pace. These good results are clearly tied to the Group's strong presence in residential financing in Québec and its solid performance recruiting personal savings.

Specific items

On January 21, 2009, following the implementation of a restructuring plan approved by investors, non bank-sponsored ABCP was replaced by new variable-rate long-term notes with maturities similar to those of the underlying assets.

However, without an active market for this type of financial product and taking into account requirements under Canadian accounting standards, Desjardins had to make an assessment of the fair value of these new notes as at March 31, 2009. For the first quarter of 2009, the change in the fair value of notes between December 31, 2008 and March 31, 2009, combined with the write-off of an ABCP security excluded from the moratorium of the Montreal Accord, came to \$88 million before taxes. This compares to the \$220 million write-down recorded for the first quarter of 2008.

Furthermore, in the first quarter of 2009 and following an amendment to the provincial tax law, Desjardins Group recorded an income tax expense of \$16 million for 2007 and 2008.

It should also be noted that in the first quarter of 2008, Desjardins repositioned some of its Canada-wide development initiatives, in particular its offer of IT services to Canadian credit unions and the development of Desjardins Credit Union. This resulted in a \$25 million write-off of deferred expenses relating to technological developments (\$19 million after taxes).

Excluding the specific items described above and taking into account the net cost of the financing associated with ABCP securities, surplus earnings before member dividends for the quarter stood at \$201 million, compared to \$263 million for the first quarter of 2008.

Important events

Funding and capital supply

During the first quarter of 2009, Desjardins Group successfully completed a \$500 million offering of subordinated debt, 5.756% Series E maturing in 2019, through Capital Desjardins. This was the first 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.

It should also be recalled that in the month of January 2009, Caisse centrale Desjardins successfully issued five-year fixed-rate notes on European markets in an amount of €500 million.

Confirmation of credit ratings

In reports published in April 2009, the rating agencies DBRS and Standard & Poor's confirmed the credit ratings of Caisse centrale Desjardins and Capital Desjardins. These ratings reflect the financial strength of Desjardins Group. In March 2009, the rating agency Moody's also announced that it would maintain the credit rating of Caisse centrale Desjardins at Aa1, but nevertheless changed the outlook associated with this rating from "stable" to "negative."

Basel Accord

Under the guideline on adequacy of capital, the Autorité des marchés financiers recently allowed Desjardins Group to use the Advanced Internal Ratings Based approach for credit risk related to Personal retail loan portfolios. Other credit exposures and market risk are assessed according to a standardized approach, while operational risk is calculated based on the “basic indicator” approach. This requirement is used to calculate the Group’s capital ratios, which are still one of the highest among the best capitalized financial institutions in Canada. Under this approach, the Tier 1 capital ratio stood at 13.67% as at March 31, 2009, compared to 14.04% a year earlier (as assessed under the former regulatory framework based on the Basel I Accord). The Tier 1 ratio therefore exceeds the Group’s capitalization target. The total capital ratio is also 13.67% under the new approach, compared to 13.25% as at March 31, 2008 (as assessed under the former regulatory framework based on the Basel I Accord).

Review of the organizational structure

With a view towards consolidating its position in the Canadian financial services market, Desjardins Group has adopted a new, simpler organizational structure designed to optimize overall performance, ensure continued growth and reinforce risk management.

The reorganization is part of a development plan for Desjardins Group announced last fall by the President and CEO. In addition to the attainment of previously announced objectives, management expects the plan to produce greater cohesion and efficiency among the different teams running its components and, ultimately, generate recurring productivity gains of over \$150 million per year.

The reorganization was announced by Desjardins Group in a separate press release on May 14.

Results by business segment

Personal and Commercial

This segment primarily encompasses the caisse network, the Fédération des caisses Desjardins du Québec, Caisse centrale Desjardins (CCD), the Fonds de sécurité Desjardins, Capital Desjardins inc., Desjardins Trust and the Ontario Federation and caisses. 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 first quarter of 2009, surplus earnings before member dividends in the Personal and Commercial segment stood at \$126 million, down \$55 million or 30.4% from the first quarter of 2008.

Financial results for this segment were affected by lower profitability in the caisse network in the first quarter of 2009, which reports surplus earnings of \$78 million as compared to \$179 million for the first quarter of 2008. CCD nevertheless posts improved profitability, with net income up \$21 million from the first quarter of 2008 as a result of good cash management.

For the first three months of 2009, total income for the Personal and Commercial segment was \$1,200 million, down \$22 million or 1.8% compared to a year earlier. Net interest income stood at \$802 million, down \$24 million or 2.9% as a result of lower interest rates.

Other income totalled \$398 million for the first quarter of 2009, similar to the figure posted one year earlier. Other income was enhanced by a \$5 million or 16.2% increase in income from securitization activities and a \$6 million or 6.4% increase in income from credit card activities. Growth in other

income was nevertheless negatively affected by a \$24 million or 26.4% drop in income from securities brokerage, investment fund and trust services.

The provisions for credit losses for the first quarter of 2009 totalled \$60 million, a \$16 million increase from the first quarter of 2008.

Non-interest expense for the first quarter of 2009 totalled \$945 million, up \$13 million compared to the same period of 2008. Excluding the write-off of \$25 million in deferred expenses relating to technological developments recorded in the first quarter of 2008, the increase in non-interest expense would have been \$38 million or 4.2% in the first quarter of 2009 as compared to the first quarter of 2008.

In addition, CCD's net income stood at \$39.5 million in the first quarter of 2009, a \$21.3 million increase over 2008. A very large part of this growth was due to Desjardins Group Treasury, which generated 86% more income in the first quarter of 2009 as compared to the same period in 2008. CCD's contribution to the Personal and Commercial segment was \$36 million, versus \$18 million in the first quarter of 2008.

In financing activities, the Personal and Commercial segment posted excellent results. Loans outstanding, net of the allowance for credit losses, grew 8.4% or \$8.0 billion over the year, to \$103.7 billion as at March 31, 2009.

In residential mortgages, the Personal and Commercial segment also reports success, despite a 26.3% drop in construction starts and an 18.5% drop in resale homes in Québec during the first quarter of 2009. The segment's outstanding credit in residential mortgages grew \$3.9 billion or 7.2% year-over-year, to \$58.6 billion.

The Personal and Commercial segment also posted strong results in consumer financing, credit cards and other individual loans. Outstanding loans in this industry grew 10.6% or 1.7 billion annually, to \$18.0 billion as at March 31, 2009. This growth stemmed from the segment's highly popular Versatile Line of Credit and its financing programs provided through the VISA Desjardins card.

Finally, as at March 31, 2009 the Personal and Commercial segment's outstanding loans to businesses and governments had grown 9.6% or \$2.5 billion year-over-year, to \$27.9 billion.

As for savings recruitment, deposit liabilities outstanding stood at \$103.3 billion as at March 31, 2009, up 5.2% or \$5.1 billion over 2008. Personal savings, which represented 70.6% of the Personal and Commercial segment's deposits at the end of the quarter, grew 8.9% or \$6.0 billion, to \$72.9 billion as at March 31, 2009.

Deposits by businesses and governments grew 1.9% or \$394 million annually, to \$20.7 billion as at March 31, 2009. Other sources of financing available to the Personal and Commercial segment are primarily deposits related to securities issued on capital markets. These deposits fell 11.7% or \$1.3 billion over the year, to \$9.7 billion as at March 31, 2009.

Lastly, the Personal and Commercial segment is also active in the sale of off-balance sheet savings products, such as investment funds and other securities. However, since stock markets did not advance during the first quarter of 2009 (e.g.: at March 31, 2009 the S&P/TSX index was still down 3.0% from December 31, 2008), the environment was not very conducive to the sale of these products. Despite these difficult conditions, the Personal and Commercial segment fared reasonably well. Outstanding investment funds and assets under management in the securities brokerage segment fell 18.2% or \$4.9 billion on an annual basis, to \$22.0 billion as at March 31, 2009, while the industry had declined 17.8% in Québec and 19.4% in Ontario at the same date.

Life and Health Insurance

For the first quarter of 2009, the contribution of Desjardins Financial Security (DFS) to the Group's combined results was \$30.3 million, compared to \$35.0 million in 2008. Return on shareholder's equity was 17.5%, as compared to 21.5% in 2008. Assets under management and under administration stood at \$19.5 billion.

The current economic crisis is affecting profitability at DFS but has not tarnished its financial strength. DFS still enjoys excellent capitalization, despite the disturbances in international financial markets, and its fundamental insurance operations remain very profitable.

Despite a difficult economic environment, DFS has again posted higher insurance premium income, which was up 3.2% from the same period in 2008, to \$669.2 million. Insurance sales were \$65.1 million, up 10.5% from the volumes as at March 31, 2008.

In group insurance, premium volume stood at \$543.4 million, a \$15.3 million increase from the first quarter of 2008. Sales totalled \$54.3 million, up \$5.2 million from the quarter ended March 31, 2008.

In personal insurance, the volume of gross premiums rose \$5.6 million year-over-year to \$125.8 million as at March 31, 2009. Sales totalled \$10.8 million.

In Savings, aggregate sales of \$354.6 million were up \$41.7 million from one year earlier. In personal savings, total sales amounted to \$221.6 million, up \$127.5 million from the first three months of 2008. In group retirement savings, sales totalled \$44.4 million, compared to \$55.4 million in 2008.

General Insurance

Desjardins General Insurance Group (DGIG) contributed \$6.8 million to the Group's results for the first quarter of 2009. This compares with a negative contribution of \$2.2 million for the same period of 2008. The return on equity was 5.9%, as compared to -2.0% one year earlier.

This good performance was mainly due to an excellent claims experience in automobile insurance due to favourable climatic conditions in the first quarter. At \$349.3 million, gross premiums written were relatively unchanged from the \$348.1 million posted for the first three months of 2008. This was in a slow market environment in which the industry also reported little change in premiums written.

The investment portfolio performed well, posting \$23 million in income. This was nevertheless slightly down from the first quarter of 2008 and in the face of the global financial crisis.

The operating expense ratio, expressed as a percentage of premiums, compares favourably with that of the industry, although it increased slightly, in part because the volume of premiums was affected by lower rates in Québec.

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 sector posted net earnings of \$3 million in the first quarter of 2009 compared to a \$4 million net loss in the same quarter of 2008. This was good performance in an environment where financial markets were characterized by uncertainty. Profitability improved in the securities subsidiary due to the excellent performance of its Fixed Income group and Online Brokerage segment, while the venture capital subsidiary was affected by volatile financial markets and the fluctuations in the value of its investments in some public companies due to changes in listed prices.

Other

Since the first quarter of 2009, the “Other” segment has also included the deficit of companies that were specifically created to hold the ABCPs repurchased by Desjardins Group and previously included in the Personal and Commercial segment. This segment reports a net loss of \$49 million for the first quarter of 2009, compared to a net loss of \$143 million for the first quarter of 2008. These results were primarily affected by a decline in the 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 rose \$8 million after taxes compared to the same period 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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