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## Desjardins Group's business keeps growing as it achieves its best second quarter results ever

### Highlights for the quarter

- *Operating income up 7.4%.*
- *Surplus earnings of \$446 million, up 15.2%.*
- *Return on equity of 9.9%.*
- *Total assets of \$221.5 billion, up \$9.5 billion from December 31, 2013.*
- *Tier 1a capital ratio of 15.5%.*
- *Successful sale of Federation capital shares, worth \$2 billion over two years.*
- *Ranked the second strongest bank in the world and the strongest in North America according to the Bloomberg News 2014 listing of the World's Strongest Banks.*

Desjardins, a cooperative group active in the community and close to its members and clients:

- *Desjardins Foundation hosts first highly successful [fundraiser event](#); the Foundation distributes the highest number of university scholarships in Quebec.*
- *Développement international Desjardins awarded [two mandates](#) by Foreign Affairs, Trade and Development Canada to improve food security and promote economic development in several African and Latin American countries.*
- *[Investments of \\$100 million planned](#) over the next three years in the Greater Montreal Area, including the opening of new service outlets.*
- *[New call centre](#) opened in Trois-Rivières, creating close to 400 jobs and an annual economic investment of \$20 million to the region.*
- *The [Ajusto program](#) proves successful with over 50,000 people now enrolled. Ajusto provides savings of up to 25% on insurance premiums based on driving habits.*
- *Credit cards product offering improved with the launch of two new products and additional benefits for members and clients.*

**Lévis (Québec), August 12, 2014** – For the second quarter, Desjardins Group, the leading cooperative financial group in Canada, posted strong growth in all its business segments, reporting \$3,157 million in operating income, up 7.4% from the same period of 2013. Business growth related to insurance activities generated a \$159 million or 11.9% increase in net premiums, which reached \$1,499 million.

This performance allowed the Group to register \$446 million in surplus earnings before member dividends, compared to \$387 million for the same quarter of 2013.

“These results—the best in our history—underscore the relevance of our business strategies and our service offer, which are tailored to meet the needs of members and clients,” said Monique F. Leroux, Chair of the Board, President and CEO. “Every day, our members are discovering the exclusive [benefits](#) of belonging to a cooperative. Our efforts to improve service delivery have also paid off, allowing us to continue to grow in a rapidly changing industry.”

Return on equity climbed to 9.9% from 9.4% in 2013, which is a positive step considering the successful issue of the Federation’s capital shares worth \$2 billion.

Net interest income stood at \$981 million, up \$23 million or 2.4% compared to \$958 million for the same period of 2013. This increase was due to \$9.5 billion or 6.9% growth in the total loan portfolio over the last year. However, the increase in net interest income was limited by strong market competition and the low interest rate environment.

Other operating income totalled \$677 million, up \$36 million or 5.6%, from the same period of 2013. This increase resulted partly from greater assets under management as a result of strong sales; increased fee income, mainly due to acquisitions made by Western Financial Group Inc.; and growth in credit card activities and point-of-sale financing.

The provision for credit losses totalled \$80 million, up \$12 million, compared to the same period of 2013. This change was mainly due to growth in the loan portfolio, including the credit card portfolio, and led to increased collective and individual allowances. Despite this increase, the quality of Desjardins Group’s loan portfolio remains excellent. The ratio of gross impaired loans to the total gross loan portfolio was 0.33% as at June 30, 2014, relatively unchanged from the same quarter of 2013.

Non-interest expense stood at \$1,619 million, up \$86 million or 5.6%, compared to the second quarter of 2013. This increase was primarily due to business growth, which led to an increase in the average number of resources and greater commission expenses. Non-interest expense also increased due to the annual indexing of salaries, expenses incurred in order to acquire the Canadian activities of the State Farm mutual insurance company and the other Group-wide strategic projects.

#### **Results for the first six months of 2014**

The growth trend in surplus earnings established in the first quarter continued over the following three months. Desjardins Group recorded \$830 million in surplus earnings before member dividends for the first six months compared to \$765 million for the same period of 2013, an increase of \$65 million or 8.5%.

#### ***Assets of \$221.5 billion, up \$9.5 billion***

As at June 30, 2014, Desjardins Group had total assets of \$221.5 billion, up \$9.5 billion or 4.5%, from December 31, 2013. This was in large part due to the Group’s financing activities, which grew by \$5.7 billion or 4.0% and its securities, which increased \$1.7 billion or 3.3%, over the same period.

#### ***A strong capital base***

Desjardins Group maintains a strong capitalization in compliance with Basel III rules. Tier 1a and total capital ratios were 15.5% and 17.8%, respectively, as at June 30, 2014. The ratios as at December 31, 2013 were 15.7% and 18.4%, respectively.

## **Segment results**

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

Business growth in the second quarter allowed the Personal Services and Institutional Services segment to post \$211 million in surplus earnings before member dividends, up \$13 million or 6.6%, compared to the same period of 2013.

For the first six months of 2014, the segment's surplus earnings before member dividends were \$405 million, up \$38 million or 10.4 %.

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

Net surplus earnings generated by the Wealth Management and Life and Health Insurance segment were \$134 million, up \$42 million or 45.7%, from the same quarter in 2013. This increase was largely due to life and health insurance activities.

The segment's net surplus earnings for the first six months of 2014 were \$237 million, up \$19 million or 8.7%.

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

Net surplus earnings from the Property and Casualty Insurance segment were \$61 million, up \$14 million or 29.8%, compared to the same quarter in 2013. These results were influenced by business growth and by expenses incurred in order to acquire the Canadian activities of the State Farm mutual insurance company.

The segment's net surplus earnings for the first six months of 2014 were \$82 million, up \$11 million or 15.5%.

### ***Other***

Surplus earnings before member dividends for the Other category stood at \$40 million at the end of the quarter and were in part due to treasury activities and surplus earnings from investments made by the *Fonds de sécurité Desjardins*. These results were impacted by expenses incurred for Group-wide strategic projects.

The segment's surplus earnings before member dividends for the first six months of 2014 were \$106 million.

## Key Financial Data

### FINANCIAL POSITION AND KEY RATIOS

(in millions of dollars and as a percentage)

|  | As at June 30, 2014 | As at December 31, 2013 |
|--|---------------------|-------------------------|
| Assets                                   | \$221,501           | \$212,005               |
| Equity                                   | \$18,185            | \$17,232                |
| Tier 1a capital ratio                    | 15.5 %              | 15.7 %                  |
| Total Capital ratio                      | 17.8 %              | 18.4 %                  |
| Gross impaired loans / gross loans ratio | 0.33 %              | 0.33 %                  |

### COMBINED INCOME

| (in millions of dollars and as a percentage) | For the three-month periods ended June 30 |         |        | For the six-month periods ended June 30 |         |        |
|--|---|---------|--------|---|---------|--------|
|  | 2014                                      | 2013    | Change | 2014                                    | 2013    | Change |
| Operating income                             | \$3,157                                   | \$2,939 | 7.4 %  | \$6,229                                 | \$5,798 | 7.4 %  |
| Surplus earnings before member dividend      | \$446                                     | \$387   | 15.2 % | \$830                                   | \$765   | 8.5 %  |
| Return on equity                             | 9.9%                                      | 9.4%    | —      | 9.4%                                    | 9.6%    | —      |

### CONTRIBUTION TO COMBINED SURPLUS EARNINGS BY BUSINESS SEGMENT

| (in millions of dollars and as a percentage)              | For the three-month periods ended June 30 |       |          | For the six-month periods ended June 30 |       |         |
|---|---|-------|----------|---|-------|---------|
|   | 2014                                      | 2013  | Change   | 2014                                    | 2013  | Change  |
| Personal Services and Business and Institutional Services | \$211                                     | \$198 | 6.6 %    | \$405                                   | \$367 | 10.4 %  |
| Wealth Management and Life and Health Insurance           | \$134                                     | \$92  | 45.7 %   | \$237                                   | \$218 | 8.7 %   |
| Property and Casualty Insurance                           | \$61                                      | \$47  | 29.8 %   | \$82                                    | \$71  | 15.5 %  |
| Other   | \$40                                      | \$50  | (20.0) % | \$106                                   | \$109 | (2.8) % |
|   | \$446                                     | \$387 | 15.2 %   | \$830                                   | \$765 | 8.5 %   |

### CREDIT RATINGS OF SECURITIES ISSUED

|                             | DBRS       | STANDARD & POOR'S | MOODY'S | FITCH |
|-----------------------------|------------|-------------------|---------|-------|
| Caisse centrale Desjardins  |            |                   |         |       |
| 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 information can be found in Desjardins Group's interim Management's Discussion and Analysis, which is available on the SEDAR site under the Capital Desjardins Inc. profile.*

## About Desjardins Group

[Desjardins Group](#) is the leading cooperative financial group in Canada and the fourth largest cooperative financial group in the world with assets of \$222 billion. It has been rated one of Canada's top 100 employers by Mediacorp Canada. 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. The group has one of the highest capital ratios and [credit ratings](#) in the industry. It is considered as the fourth safest and strongest bank in North America according to *Global Finance* magazine and the first according to *Bloomberg News*. Desjardins Group and the [International Co-operative Alliance](#) will co-host the [2014 International Summit of Cooperatives](#) (October 6 to 9) to be held in Québec City.

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Information (for journalists only):

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

Daniel Dupuis, CPA, CA  
Senior Vice-President – Finance and  
Chief Financial Officer,  
Desjardins Group

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*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 a number of factors, the predictions, projections 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 beyond Desjardins Group's control could influence the accuracy of the forward-looking statements in this press release. Although Desjardins Group believes that the expectations expressed in these forward-looking statements are reasonable, it can give no assurance or guarantee that these expectations will prove to be correct. Desjardins Group cautions readers against placing undue reliance on forward-looking statements when making decisions. Desjardins Group does not undertake to update any written or verbal forward-looking statements that could be made from time to time by or on behalf of Desjardins Group, except as required under applicable securities legislation.*