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Desjardins Group results for 2015

Surplus earnings up 23% from all-segment growth

Highlights for the year

- *Surplus earnings of \$1,959 million, up \$366 million*
- *Operating income⁽¹⁾ of \$13,924 million, an increase of 10.0%*
- *Total assets of \$248.1 billion, an increase of \$18.7 billion*
- *Tier 1A capital ratio of 16.0%*
- *Outstanding residential mortgages increased by \$4.8 billion*
- *Outstanding business loans increased by \$3.4 billion*
- *Assets under management and under administration increased by \$32.6 billion, to \$403.4 billion*
- *Integration by Desjardins Group of the Canadian activities of State Farm*

A socially minded and innovative cooperative group

- *New business models developed to improve member/client relationships.*
- *[Launch of Desjardins Lab](#), an innovative space to improve the experience of members and clients.*
- *Launch of payment solutions [Monetico Mobile and Monetico Mobile +](#) for small businesses and self-employed workers.*
- *First insurer to offer [Ajusto](#) a fully mobile telematics insurance program.*
- *Recognized as a [Best Employer in Canada](#) and also as one of the best employers for young Canadians and as pro-family.*
- *Continued commitment to higher education through donations to universities.*
- *Monique F. Leroux, President and Chief Executive Officer, elected [President of the International Cooperative Alliance](#).*

Annual results

Lévis (QC), February 25, 2016 – At the end of the fiscal year ended December 31, 2015, [Desjardins Group](#), Canada's largest cooperative financial group, posted \$1,959 million in surplus earnings before member dividends, for growth of \$366 million or 23.0% compared to fiscal 2014.

“Our caisse network performed well in a context of low interest rates and fierce competition. What’s more, our insurance companies posted good results supported by the acquisition of State Farm’s Canadian activities, in turn allowing Desjardins to post a strong growth in its activities and its best results ever at the end of fiscal 2015,” said Desjardins Group Chair of the Board, President and CEO Monique F. Leroux. “Today Desjardins presents what is in many ways a very enviable record,” she continued. “We have a strong capitalization, we are one of the world’s strongest financial groups and we rigorously manage our liquidity. Through the years we have diversified our activities and innovated for the benefit of our members and clients. Given the current market volatility, these are all major factors that are reassuring for our members and clients. I’m proud to see that our strategic vision based on service, growth and financial strength has borne fruit. This is something of which I’m really proud and I want to share it with all our officers, managers and employees.”

¹ See the “Basis of presentation of financial information” section.

Operating income⁽¹⁾ was up 10.0% compared to fiscal 2014, standing at \$13,924 million, due in part to financing activities, including credit card activities, income from growth of assets under management, sale of various products and insurance activities, plus the contribution of State Farm's Canadian activities acquired on January 1st, 2015.

Return on equity⁽¹⁾ was 9.1% compared to 8.7% for fiscal 2014. This increase was primarily due to higher surplus earnings.

"2015 was a year of innovation for Desjardins," said Ms. Leroux. "New initiatives have helped us improve our relationship with our members and clients. We completely revamped our website, rolled out popular mobile services, designed new payment solutions like Monetico and opened our innovation lab. We also grew the number of members and clients served across Canada and, thanks to our high level of employee engagement, we are considered one of Canada's best employers."

Despite a very competitive market, which still exerts pressure on interest margins, growing financing activities, including mortgage, business loans and credit card lending, led to a \$277 million or 7.0% increase in net interest income, which stood at \$4,253 million.

Net premiums, comprising premiums on life and health insurance, property and casualty insurance and annuity premiums, increased \$991 million or 16.8% to \$6,907 million as at December 31, 2015. This growth was primarily due to \$803 million in premiums from the acquisition of State Farm's Canadian operations and business growth related to insurance activities.

Other operating income⁽¹⁾ was \$2,764 million, stable compared to fiscal 2014. Growing business volume in Card and Payment Services and greater assets under management arising from the sale of various products was mitigated by a \$146 million increase in the contingent consideration payable for the acquisition of State Farm's Canadian operations.

Desjardins Group's loan portfolio continued to be of high quality. The ratio of gross impaired loans⁽¹⁾, expressed as a percentage of the total gross loan portfolio, was 0.34% as at December 31, 2015, identical to the amount recorded at the end of fiscal 2014. The provision for credit losses totalled \$377 million, up \$26 million or 7.4% from 2014.

Non-interest expense reached \$7,003 million, up \$449 million or 6.9% compared to 2014. This increase was mainly a result of expenses from the acquired activities of State Farm's Canadian operations, representing \$216 million, and business growth.

Fourth quarter results

For the fourth quarter ended December 31, 2015, surplus earnings before member dividends were \$462 million, up \$108 million or 30.5%, compared to the same quarter of 2014. Contributing factors include the integration of the Canadian activities of State Farm and more favourable experience gains in group insurance compared to 2014.

¹ See the "Basis of presentation of financial information" section.

Assets of \$248.1 billion, up \$18.7 billion

As at December 31, 2015, Desjardins Group had total assets of \$248.1 billion, up \$18.7 billion or 8.2% since December 31, 2014. This compares with an annual growth of \$17.4 billion or 8.2% recorded one year earlier. This sustained growth was due in part to the acquisition of the Canadian assets of State Farm, which represented \$7.4 billion as at January 1, 2015, and the increase in the net loan portfolio.

A strong capital base

Desjardins Group maintains strong capitalization in compliance with Basel III rules. Its Tier 1A and total capital ratios were 16.0% and 17.2% respectively as at December 31, 2015, compared to 15.7% and 17.9% respectively as at December 31, 2014.

Segment results for 2015

Personal Services and Business and Institutional Services

For fiscal 2015, surplus earnings before member dividends from the Personal Services and Business and Institutional Services segment were \$1,000 million, up \$112 million or 12.6% compared to 2014. This was due in particular to business growth in financing and the sale of financial products such as Desjardins Funds.

For the fourth quarter of 2015, surplus earnings were \$297 million, up \$46 million.

Wealth Management and Life and Health Insurance

Net surplus earnings generated by the Wealth Management and Life and Health Insurance segment were \$503 million at the end of the year, up \$92 million or 22.4% from fiscal 2014. This increase was in large part due to experience gains in life and health insurance operations and higher gains on disposals of investments compared to 2014.

Surplus earnings for the fourth quarter were \$127 million, up \$33 million.

Property and Casualty Insurance

In 2015 the Property and Casualty Insurance segment posted net surplus earnings of \$360 million, up \$180 million or 100.0% compared to 2014. The main reason was the contribution made by State Farm's Canadian activities acquired on January 1st, 2015.

The segment's surplus earnings for the fourth quarter were \$113 million, up \$82 million.

Key Financial Data

FINANCIAL POSITION AND KEY RATIOS

<i>(in millions of dollars and as a percentage)</i>	As at December 31, 2015	As at December 31, 2014
Assets	\$ 248,128	\$ 229,387
Residential mortgage loans	\$ 102,323	\$ 97,512
Consumer, credit card and other personal loans	\$ 21,204	\$ 20,495
Business and government loans	\$ 36,433	\$ 32,903
Total gross loans	\$ 159,960	\$ 150,910
Equity	\$ 21,725	\$ 18,893
Tier 1A capital ratio	16.0 %	15.7 %
Tier 1 capital ratio	16.0 %	15.8 %
Total capital ratio	17.2 %	17.9 %
Gross impaired loans / gross loans ratio ⁽¹⁾	0.34 %	0.34 %

COMBINED INCOME

<i>(in millions of dollars and as a percentage)</i>	For the three-month periods ended December 31		For the years ended December 31	
	2015	2014	2015	2014
Operating income ⁽¹⁾	\$ 3,445	\$ 3,225	\$ 13,924	\$ 12,654
Surplus earnings before member dividends	\$ 462	\$ 354	\$ 1,959	\$ 1,593
Return on equity ⁽¹⁾	7.9 %	7.2 %	9.1 %	8.7 %

CONTRIBUTION TO COMBINED SURPLUS EARNINGS BY BUSINESS SEGMENT

<i>(in millions of dollars)</i>	For the three-month periods ended December 31		For the years ended December 31	
	2015	2014	2015	2014
Personal Services and Business and Institutional Services	\$ 297	\$ 251	\$ 1,000	\$ 888
Wealth Management and Life and Health Insurance	127	94	503	411
Property and Casualty Insurance	113	31	360	180
Other	(75)	(22)	96	114
	\$ 462	\$ 354	\$ 1,959	\$ 1,593

¹ See the "Basis of presentation of financial information" section.

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+
Medium and long-term, senior	AA	A+	Aa2	AA-
Capital Desjardins inc.				
Medium and long-term, senior	AA (low)	A	A2	A+

More detailed financial information can be found in Desjardins Group's 2015 Management's Discussion and Analysis, which will be available on the [SEDAR](#) site on March 11, 2016 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 \$248.1 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. Considered North America's strongest bank according to Bloomberg News, Desjardins has one of the highest capital ratios and [credit ratings](#) in the industry.

- 30 -

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 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 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 2015 Management's Discussion and Analysis. 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.

Basis of presentation of financial information

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 a standardized definition and are not directly comparable to similar measures used by other companies, and may not be directly comparable to any IFRS measures. Investors may find these non-IFRS measures useful in analyzing financial performance. The measures used are defined as follows:

Gross impaired loans / gross loans

The gross impaired loans/gross loans indicator is used to measure the quality of the loan portfolio. It is gross impaired loans expressed as a percentage of total gross loans.

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 investment income. 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, 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. Investment income also includes income from the insurance subsidiaries' matching activities and from derivative financial instruments not designated as part of a hedging relationship.

(in millions of dollars)	2015	2014
Presentation of income in the Combined Financial Statements		
Net interest income	\$ 4,253	\$ 3,976
Net premiums	6,907	5,916
Other income		
Deposit and payment service charges	489	498
Lending fees and credit card service revenues	620	597
Brokerage and investment fund services	1,037	970
Management and custodial service fees	365	348
Net income on securities at fair value through profit or loss	809	2,005
Net income on available-for-sale securities	318	343
Net other investment income	235	233
Foreign exchange income	88	84
Other	165	265
Total income	\$ 15,286	\$ 15,235
Presentation of income in Management's Discussion and Analysis		
Net interest income	\$ 4,253	\$ 3,976
Net premiums	6,907	5,916
Other operating income		
Deposit and payment service charges	489	498
Lending fees and credit card service revenues	620	597
Brokerage and investment fund services	1,037	970
Management and custodial service fees	365	348
Foreign exchange income	88	84
Other	165	265
Operating income	13,924	12,654
Investment income		
Net income on securities at fair value through profit or loss	809	2,005
Net income on available-for-sale securities	318	343
Net other investment income	235	233
	1,362	2,581
Total income	\$ 15,286	\$ 15,235

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