

Desjardins Group results for 2016**Desjardins Group records surplus earnings of \$1,772 million**

*A \$100 million regional development fund created and
close to \$260 million returned to members and communities*

Highlights

- *Surplus earnings of \$509 million for the fourth quarter of 2016, up \$47 million or 10.2% over 2015*
- *Tier 1A capital ratio of 17.3% as at December 31, 2016*
- *Outstanding residential mortgages increased by \$4.4 billion in 2016*
- *Outstanding business loans increased by \$1.0 billion during the year*
- *Assets under administration grew \$16.8 billion over the year, to \$420.2 billion*
- *[Merger of Caisse centrale Desjardins with the Federation](#), helping make Desjardins a more integrated and simpler organization for its members and clients, investors and partners*
- *Announcement of the [sale of Western Financial Group and Western Life Assurance Company](#) to Trimont Financial Ltd., a subsidiary of the Wawanesa Mutual Insurance Company*

A socially minded and innovative cooperative group

- *Launch of a \$100 million development fund to support key projects in the community and reinforce the socioeconomic commitment of Desjardins*
- *Close to \$260 million returned to members and the community in the form of member dividends, donations, sponsorships, scholarships and Member Advantages*
- *Youth advisory committee formed to support the Board of Directors and the management committee and raise their awareness of what young people expect from financial services*
- *Inauguration of [Desjardins 360^d – UQTR](#), a service centre for 18 to 30-year-olds at the Université du Québec à Trois-Rivières*
- *Recognized for the sixth consecutive year as a Best Employer in Canada according to Mediacorp*
- *[Named Best in Class](#) among Canadian credit card issuers for quality of customer experience, according to a Forrester Research survey*

Annual results

Lévis (QC), February 27, 2017 – At the end of the fiscal year ended December 31, 2016, [Desjardins Group](#), Canada's largest cooperative financial group, continued to report business growth and, despite the continuing low interest rate environment and volatility in the financial markets, posted a 1.5% increase in operating income⁽¹⁾, to \$14,131 million.

Surplus earnings before member dividends were \$1,772 million (2015: \$1,959 million). The difference was primarily due to additional investments in innovative IT platforms, the payment of severance benefits, and adjustments to the actuarial assumptions related to life and health insurance operations. In 2015, surplus earnings were enhanced by the gain realized on the acquisition of State Farm's Canadian operations.

¹ See "Basis of presentation of financial information".

“These results are very positive and compare favourably with those of fiscal 2015, which benefited from non-recurring items,” said Chair of the Board, President and CEO Guy Cormier. “Our caisse network demonstrated an ability to hold its own in the face of increasingly strong competition and, at the same time, our subsidiaries made a strong contribution to Desjardins as a whole. I am proud to see that we are able, once again this year, to return close to \$260 million to our members and to communities, and to fulfill our role as a socioeconomic leader. We will also continue to invest in technology in order to enhance our offer and meet the expectations of our 7 million members and clients.”

Return on equity⁽¹⁾ was 8.0% compared to 9.1% for fiscal 2015. This decline was largely due to the decrease in surplus earnings and the increase in equity.

Net interest income was relatively unchanged at \$4,245 million. A very competitive market continued to exert pressure on interest margins, although this was mitigated by the income generated by Desjardins treasury activities and expanding financing activities, which include mortgages, business loans and credit card loans.

Net premiums were \$7,168 million (2015: \$6,907 million) due to growth in premiums in both life and health insurance and property and casualty insurance.

Other operating income⁽¹⁾ reached \$2,718 million, down slightly compared to fiscal 2015. Lending fees and credit card service revenues, consisting mainly of income from the various payment solutions offered by Card and Payment Services, totalled \$651 million in 2016 (2015: \$620 million) and came from business growth. Income from brokerage and investment fund services stood at \$1,106 million (2015: \$1,037 million). This growth was primarily due to greater assets under management arising from the sale of various financial products. Income recorded in the Other category was down \$138 million as a result of an increase in the contingent consideration payable as part of the acquisition of State Farm’s Canadian operations and the gain realized on this acquisition.

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, was 0.32% as at December 31, 2016, down from 0.34% as at December 31, 2015. The provision for credit losses totalled \$319 million, down \$58 million or 15.4% from 2015.

Non-interest expense reached \$7,253 million (2015: \$7,003 million). This increase was due to additional investments in innovative information technology platforms, the payment of severance benefits and the costs associated with business growth, in particular credit card activities, point-of-sale financing and insurance. Despite these costs, rigorous management of expenses limited the increase.

Fourth quarter results

For the fourth quarter ended December 31, 2016, surplus earnings before member dividends were \$509 million (Q4 2015: \$462 million). This increase was primarily due to favourable developments in automobile insurance claims from previous years.

¹ See “Basis of presentation of financial information”.

Total assets of \$258.4 billion, an increase of \$10.2 billion

As at December 31, 2016, Desjardins Group had total assets of \$258.4 billion, up \$10.2 billion or 4.1% since December 31, 2015. This compares with an annual growth of \$18.7 billion or 8.2% recorded one year earlier. This sustained growth was largely due to growth in the net loans and acceptances portfolio and in segregated fund net assets.

Strong capital base

Desjardins Group maintains very good capitalization levels in compliance with Basel III rules. Its Tier 1A and total capital ratios were 17.3% and 17.9%, respectively, as at December 31, 2016, compared to 16.0% and 17.2%, as at December 31, 2015.

Segment results for fiscal 2016

Personal and Business Services

For 2016, the Personal and Business Services segment reported surplus earnings before member dividends of \$944 million (2015: \$1,000 million), primarily due to the decline in net interest income.

For the fourth quarter of 2016, surplus earnings were \$237 million (Q4 2015: \$297 million).

Wealth Management and Life and Health Insurance

Net surplus earnings generated by the Wealth Management and Life and Health Insurance segment were \$461 million at the end of fiscal 2016 (2015: \$503 million). This decline was primarily due to adjustments made to actuarial assumptions in the normal course of business and to higher gains realized on the disposal of investments in 2015. The change was due to good performance of investments in 2016 and efficient management of expenditures in a context of business growth, partially offset by a less favourable claims experience.

For the fourth quarter of 2016, surplus earnings were \$114 million (Q4 2015: \$127 million).

Property and Casualty Insurance

For fiscal 2016, net surplus earnings from the Property and Casualty Insurance segment were \$296 million (2015: \$360 million). The difference was due to the gain realized on the acquisition of State Farm's Canadian operations in the first quarter of 2015.

For the fourth quarter of 2016, surplus earnings were \$182 million (Q4 2015: \$113 million). This increase was mainly caused by favourable developments in automobile insurance claims from previous years.

Key Financial Data

FINANCIAL POSITION AND KEY RATIOS

<i>(in millions of dollars and as a percentage)</i>	As at December 31, 2016	As at December 31, 2015
Assets	\$ 258,367	\$ 248,128
Residential mortgage loans	\$ 106,695	\$ 102,323
Consumer, credit card and other personal loans	\$ 22,150	\$ 21,204
Business and government loans ⁽¹⁾	\$ 37,637	\$ 36,809
Total gross loans ⁽¹⁾	\$ 166,482	\$ 160,336
Equity	\$ 23,293	\$ 21,725
Tier 1A capital ratio	17.3%	16.0%
Tier 1 capital ratio	17.3%	16.0%
Total capital ratio	17.9%	17.2%
Leverage ratio	8.1%	7.8%
Gross impaired loans/gross loans and acceptances ⁽²⁾	0.32%	0.34%

COMBINED INCOME

<i>(in millions of dollars and as a percentage)</i>	For the three-month periods ended		For the years ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Operating income ⁽²⁾	\$ 3,560	\$ 3,464	\$ 14,131	\$ 13,924
Surplus earnings before member dividends	\$ 509	\$ 462	\$ 1,772	\$ 1,959
Return on equity ⁽²⁾	8.8%	7.9%	8.0%	9.1%

CONTRIBUTION TO COMBINED SURPLUS EARNINGS BY BUSINESS SEGMENT

<i>(in millions of dollars)</i>	For the three-month periods ended		For the years ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Personal and Business Services	\$ 237	\$ 297	\$ 944	\$ 1,000
Wealth Management and Life and Health Insurance	114	127	461	503
Property and Casualty Insurance	182	113	296	360
Other	(24)	(75)	71	96
	\$ 509	\$ 462	\$ 1,772	\$ 1,959

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

¹ Includes acceptances.

² See "Basis of presentation of financial information".

More detailed financial information can be found in Desjardins Group's 2016 Management's Discussion and Analysis, which will be available on the [SEDAR](#) site on March 3, 2017 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 \$258.4 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 one of the highest capital ratios and [credit ratings](#) in the industry.

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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 Management's Discussion and Analysis, which will be issued on March 3, 2017. 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 2016 Annual Combined 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 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, among others, may find these non-IFRS measures useful in analyzing financial performance. The measures used are defined as follows:

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 investment income. The analysis therefore breaks down Desjardins Group's income into two parts: 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.

<i>(in millions of dollars)</i>	2016	2015
Presentation of income in the Combined Financial Statements		
Net interest income	\$ 4,245	\$ 4,253
Net premiums	7,168	6,907
Other income		
Deposit and payment service charges	488	489
Lending fees and credit card service revenues	651	620
Brokerage and investment fund services	1,106	1,037
Management and custodial service fees	376	365
Net income on securities at fair value through profit or loss	533	809
Net income on available-for-sale securities	388	318
Net other investment income	198	235
Foreign exchange income	70	88
Other	27	165
Total income	\$ 15,250	\$ 15,286
Presentation of income in the Management's Discussion and Analysis		
Net interest income	\$ 4,245	\$ 4,253
Net premiums	7,168	6,907
Other operating income		
Deposit and payment service charges	488	489
Lending fees and credit card service revenues	651	620
Brokerage and investment fund services	1,106	1,037
Management and custodial service fees	376	365
Foreign exchange income	70	88
Other	27	165
Operating income	14,131	13,924
Investment income		
Net income on securities at fair value through profit or loss	533	809
Net income on available-for-sale securities	388	318
Net other investment income	198	235
	1,119	1,362
Total income	\$ 15,250	\$ 15,286

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