

Results for the first quarter of 2017

Desjardins Group records surplus earnings of \$383 million

Q1 highlights

- *Surplus earnings of \$383 million, relatively unchanged from 2016*
- *Increase in operating income⁽¹⁾ of \$284 million, or 8.2%*
- *Provision for member dividends up 16.7% compared to the same period in 2016*
- *Outstanding residential mortgages increased by \$551 million since December 31, 2016*
- *Outstanding business loans increased by close to \$1 billion during the quarter*
- *Total capital ratio of 17.6% as at March 31, 2017*
- *Announcement of an agreement to sell [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 [Alert](#), a new home insurance program to prevent water damage, available nationwide*
- *Testing of a [credit card payment system](#) onboard Laval buses, a first in Canada*
- *Announcement of a [second mobile branch](#) to serve Eastern Quebec and a second Desjardins Lab, to open in 2017 in Lévis*
- *On Earth Day, named one of [Canada's Greenest Employers](#) for a third consecutive year*
- *Launch of the initial suite of [seven Exchange Traded Funds](#), representing the next step in Desjardins's overall investment solution offering*

Results for the first quarter

Lévis (QC), May 12, 2017 – At the end of the first quarter ended March 31, 2017, [Desjardins Group](#), Canada's largest cooperative financial group, continued to report business growth and posted an 8.2% increase in operating income,⁽¹⁾ to \$3,755 million.

Surplus earnings before member dividends stood at \$383 million (Q1 2016: \$382 million), primarily due to the Personal and Business Services segment as well as life and health insurance activities, which posted strong growth, combined with a favourable claims experience. The Property and Casualty Insurance segment faced a more difficult environment, recording a higher loss ratio for the current year as a result of unfavourable weather conditions this past winter.

The amount returned to members and the community was \$61 million (Q1 2016: \$53 million), including a \$35 million provision for dividends (Q1 2016: \$30 million); \$17 million in sponsorships, donations and scholarships (Q1 2016: \$16 million); and \$9 million in Member Advantages (Q1 2016: \$7 million).

¹ See "Basis of presentation of financial information."

“We owe much of these good results to strong growth in our business volumes, not only in the caisse network but also in life and health insurance,” said Guy Cormier, Chair of the Board, President and Chief Executive Officer. “I should also mention the significant increase in our wealth management operations, where our teams are providing sound advice to members and clients. Ultimately, this allows us to increase member dividends and live up to our many community commitments, while continuing to invest in the development of our cooperative financial group, to the benefit of our members and clients.”

Net interest income was stable at \$1,057 million. A very competitive market continued to exert pressure on interest margins, although this was mitigated by expanding financing activities in mortgages, business loans and point-of-sale financing.

Net premiums were \$1,982 million (Q1 2016: \$1,721 million), up 15.2%, due to growth in premiums in both life and health insurance and property and casualty insurance.

Other operating income ⁽¹⁾ was \$716 million, up \$20 million from the corresponding period of 2016. Lending fees and credit card service revenues, consisting mainly of income from the various payment solutions offered by Card and Payment Services, totalled \$172 million (Q1 2016: \$149 million) and came from business growth. Income from brokerage and investment fund services stood at \$278 million (Q1 2016: \$260 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 \$39 million as a result of an increase in the contingent consideration payable as part of the acquisition of State Farm’s Canadian operations, completed on January 1, 2015.

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 March 31, 2017, unchanged from December 31, 2016. The provision for credit losses totalled \$92 million, relatively unchanged from the same period in 2016.

Non-interest expense increased to \$1,847 million (Q1 2016: \$1,773 million) due to the impact of the reinsurance treaty signed as part of the acquisition of the Canadian operations of State Farm and the costs associated with business growth, in particular credit card and point-of-sale financing activities. Rigorous management of expenses nevertheless limited the increase in non-interest expense.

Total assets of \$267.9 billion, an increase of \$9.6 billion

As at March 31, 2017, Desjardins Group had total assets of \$267.9 billion, up \$9.6 billion or 3.7% since December 31, 2016. This sustained growth was largely due to growth in the securities portfolio and the net loans and acceptances portfolio.

¹ See “Basis of presentation of financial information.”

Strong capital base

Desjardins Group maintains very good capitalization levels in compliance with Basel III rules. Its Tier 1A and total capital ratios were 17.2% and 17.6%, respectively, as at March 31, 2017, compared to 17.3% and 17.9%, as at December 31, 2016.

Segment results for the first quarter of 2017

Personal and Business Services

For the first quarter of fiscal 2017, the Personal and Business Services segment reported surplus earnings before member dividends of \$246 million (Q1 2016: \$232 million), mainly due to higher trading income on capital markets.

Wealth Management and Life and Health Insurance

Net surplus earnings generated by the Wealth Management and Life and Health Insurance segment were \$143 million at the end of the quarter (Q1 2016: \$97 million). This 47.4% increase was mainly due to a more favourable claims experience in individual and group insurance.

Property and Casualty Insurance

The Property and Casualty Insurance segment recorded an \$18 million deficit in the first quarter of 2017 (Q1 2016: +\$39 million). However, excluding expenses related to the sale of Western Financial Group Inc. and Western Life Assurance Company and expenses incurred as part of the acquisition of the Canadian operations of State Farm, adjusted net surplus earnings were \$3 million, compared to \$46 million for the same period of 2016.

This difference was essentially due to unfavourable weather conditions—water damage, heavy snowfalls in Quebec, and a wind storm in Ontario—which increased the year-to-date claims experience.

Key Financial Data

FINANCIAL POSITION AND KEY RATIOS

<i>(in millions of dollars and as a percentage)</i>	As at March 31, 2017	As at December 31, 2016
Assets	\$ 267,935	\$ 258,367
Residential mortgage loans	\$ 107,246	\$ 106,695
Consumer, credit card and other personal loans	\$ 22,243	\$ 22,150
Business and government loans ⁽¹⁾	\$ 38,672	\$ 37,637
Total gross loans ⁽¹⁾	\$ 168,161	\$ 166,482
Equity	\$ 23,556	\$ 23,293
Tier 1A capital ratio	17.2%	17.3%
Tier 1 capital ratio	17.2%	17.3%
Total capital ratio	17.6%	17.9%
Leverage ratio	7.9%	8.1%
Gross impaired loans/gross loans and acceptances ratio ⁽²⁾	0.32%	0.32%

COMBINED INCOME

	For the three-month periods ended		
<i>(in millions of dollars and as a percentage)</i>	March 31, 2017	December 31, 2016	March 31, 2016
Operating income ⁽²⁾	\$ 3,755	\$ 3,548	\$ 3,471
Surplus earnings before member dividends	\$ 383	\$ 509	\$ 382
Return on equity ⁽²⁾	6.8%	8.8%	7.1%

CONTRIBUTION TO COMBINED SURPLUS EARNINGS BY BUSINESS SEGMENT

	For the three-month periods ended		
<i>(in millions of dollars)</i>	March 31, 2017	December 31, 2016	March 31, 2016
Personal and Business Services	\$ 246	\$ 258	\$ 232
Wealth Management and Life and Health Insurance	143	114	97
Property and Casualty Insurance	(18)	182	39
Other	12	(45)	14
	\$ 383	\$ 509	\$ 382

¹ Includes acceptances.

² See "Basis of presentation of financial information."

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+
Senior medium- and long-term	AA	A+	Aa2	AA-
Capital Desjardins inc.				
Senior medium- and long-term	AA (low)	A	A2	A+

More detailed financial information can be found in Desjardins Group's interim Management's Discussion and Analysis, which will be available on the [SEDAR](#) website, 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 close to \$268 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. 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 2017 quarterly 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 standardized definitions 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:

Adjusted net surplus earnings for the Property and Casualty Insurance segment

The net surplus earnings of the Property and Casualty Insurance segment are adjusted to exclude the expenses, net of income taxes, incurred as part of the sale of Western Financial Group Inc. and Western Life Assurance Company as well as those incurred as part of the acquisition of the Canadian businesses of State Farm Mutual Automobile Insurance Company (State Farm). The latter expenses include the costs related to the transaction and the integration of operations as well as processing expenses.

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.

	For the three-month periods ended		
(in millions of dollars)	March 31, 2017	December 31, 2016	March 31, 2016
Presentation of income in the Combined Financial Statements			
Net interest income	\$ 1,057	\$ 1,087	\$ 1,054
Net premiums	1,982	1,834	1,721
Other income			
Deposit and payment service charges	120	123	118
Lending fees and credit card service revenues	172	150	149
Brokerage and investment fund services	278	282	260
Management and custodial service fees	101	102	88
Net income (net loss) on securities at fair value through profit or loss	301	(1,242)	512
Net income on available-for-sale securities	80	111	79
Net other investment income	54	49	50
Foreign exchange income	19	12	16
Other	26	(42)	65
Total income	\$ 4,190	\$ 2,466	\$ 4,112
Presentation of income in Management's Discussion and Analysis			
Net interest income	\$ 1,057	\$ 1,087	\$ 1,054
Net premiums	1,982	1,834	1,721
Other operating income			
Deposit and payment service charges	120	123	118
Lending fees and credit card service revenues	172	150	149
Brokerage and investment fund services	278	282	260
Management and custodial service fees	101	102	88
Foreign exchange income	19	12	16
Other	26	(42)	65
Operating income	\$ 3,755	\$ 3,548	\$ 3,471
Investment income			
Net income (net loss) on securities at fair value through profit or loss	301	(1,242)	512
Net income on available-for-sale securities	80	111	79
Net other investment income	54	49	50
	435	(1,082)	641
Total income	\$ 4,190	\$ 2,466	\$ 4,112

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