PRESS RELEASE
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Results for the first quarter of 2018

INNOVATING AND INVESTING IN PEOPLE. Some of the highlights of Desjardins's first quarter include the launch of a second mobile caisse and the unveiling of the new Montréal Tower offices. Also pictured are cyclists who attended the announcement of Desjardins's investment in the Parc linéaire Le P'tit Train du Nord.

Desjardins Group records surplus earnings of $501 million for the first quarter

$82 million returned to members and the community, an increase of $21 million

Lévis (Qc), May 15, 2018 – At the end of the first quarter ended March 31, 2018, Desjardins Group, Canada's largest financial cooperative group, recorded surplus earnings before member dividends of $501 million, up $118 million from the same quarter of 2017. Adjusted surplus earnings[1] increased by $110 million, or 28.1%. This performance was due in part to continued growth in caisse network operations, greater gains on investments and higher income related to growth in assets under management. This allowed Desjardins Group to further its cooperative mission, to the benefit of its members and clients, and maintain its excellent financial stability.

The amount returned to members and the community was $82 million (Q1 2017: $61 million), including a $50 million provision for member dividends (Q1 2017: $35 million), $20 million in sponsorships, donations and scholarships (Q1 2017: $17 million) and $12 million in Desjardins Member Advantages (Q1 2017: $9 million).

[1] See "Basis of presentation of financial information".

“2018 is off to a great start, with first quarter results up over where they stood in Q1 2017,” said Guy Cormier, President and Chief Executive Officer. “In terms of performance, we’re finding ways to improve our services, expand our socioeconomic leadership role and execute our digital shift to the benefit of our members and clients.”

Giving back to the community

In addition to the sustained commitment of the caisses in the communities they serve, here are some of the other ways Desjardins is making a positive difference in people's lives.

- *Launch of the* Fondation Forces AVENIR *fundraising campaign, to which Desjardins made a $1.5 million contribution. Guy Cormier is co-chair of this fundraising campaign that will help young people receive training, achieve personal goals and fulfil their dreams.*
- *As a major partner in the* Parc linéaire Le P’tit Train du Nord*, Desjardins made a $600,000 contribution to the park over three years to help fund general safety improvements across its entire network of trails.*
- *Desjardins invested over $1.7 million supporting promising projects in Kamouraska Chaudière-Appalaches. These entrepreneurship projects emerged following consultations with the 17 caisses and some of the region’s main community stakeholders.*
- *Renewal of a partnership with* Place aux jeunes en région (PAJR) *for the seventh edition of* Semaine des regions, *which promotes job opportunities in rural communities to recent graduates in Quebec’s urban centres.*

Innovating and leading

Desjardins is constantly innovating to meet the needs of its members and clients. Here are just a few examples of the financial group’s recent initiatives.

- *Announcement of the installation of* 200 charging stations *for electric vehicles across Quebec and Eastern Ontario, in partnership with Hydro-Québec.*
- *Launch of a second mobile branch which will be deployed throughout the province of Quebec.*
- *Alongside other investment leaders, Desjardins joined with the* United Nations *in promoting climate disclosure.*
- New innovative insurance products *that allow consumers to purchase insurance policies online, without going through an insurance agent, and submit auto claims online*.

Guy Cormier, President and Chief Executive Officer of Desjardins, was also appointed chair of the City of Montreal’s Comité consultatif for its future *Plan commerce*.

Lastly, Desjardins unveiled the interior design for its offices in the Montréal Tower (at the Olympic Stadium). The arrival of more than 1,000 Desjardins employees will contribute to the vitality of the neighbourhood and the local economy of the Mercier-Hochelaga-Maisonneuve borough.

Q1 financial results

- *Surplus earnings of $501 million, up $118 million or 30.8% from 2017.*
- *Increase in operating income[(1)] of $263 million, or 7.0%.*
- *Provision for member dividends of $50 million, up 42.9% compared to the same period in 2017.*
- *Outstanding residential mortgages increased by $1.1 billion since December 31, 2017.*
- *Total capital ratio of 17.7% as at March 31, 2018.*
- *Creation of Aviso Wealth, a wealth management company, in partnership with provincial credit union centrals and the Cumis Group.*

The increase in operating income[(1)] in the first quarter was due in part to the contribution of the caisse network, which continued to grow, and those of the Wealth Management and Life and Health Insurance segment and the Property and Casualty Insurance segment, which both benefited from increased premium income.

Net interest income was $1,135 million, up $78 million from the same period in 2017. This growth was due to expanded financing activities in mortgage lending, consumer lending and business loans over the last year, as well as higher interest rates.

Net premiums were $2,139 million (Q1 2017: $1,982 million), up 7.9%. This increase was due to growth in the activities of both life and health insurance and property and casualty insurance, combined with the impact of the reinsurance treaty signed as part of the acquisition of State Farm's Canadian operations.

Other operating income[(1)] was $744 million, up $28 million from the corresponding period of 2017. This increase was essentially due to growth in income from assets under management and income from fees related to card payment operations and resulted from business growth. The increase was partly offset by lower deposit fees, following a pricing change, and lower volumes.

The provision for credit losses was up $23 million compared to the same period of 2017 and totalled $115 million. This increase was mainly due to the impact of adopting IFRS 9 on January 1, 2018. The gross credit-impaired loans ratio, expressed as a percentage of the total gross loans and acceptances portfolio, was 0.52% on March 31, 2018, up from the figure recorded in 2017, mainly due to the adoption of IFRS 9. Despite this increase, Desjardins Group has continued to present a high-quality loan portfolio in 2018.

Non-interest expense was $1,913 million (Q1 2017: $1,847 million) mainly due to business growth, including card payment, financing and assets under management activities as well as the impact of the reinsurance treaty signed as part of the acquisition of the Canadian operations of State Farm. The increase was partly offset by a decline in expenses attributable to the sale of Western Financial Group Inc. and Western Life Assurance Company on July 1, 2017.

[1] See "Basis of presentation of financial information".

Assets of $282.1 billion, an increase of $7.0 billion

As at March 31, 2018, Desjardins Group had total assets of $282.1 billion, up $7.0 billion or 2.5% since December 31, 2017. This growth was largely due to the $3.2 billion increase in amounts receivable from clients, brokers and financial institutions included in other assets, as well as in the securities portfolio and the net loans and acceptances portfolio.

Strong capital base

Desjardins Group maintains very good capitalization levels in compliance with Basel III rules. Its Tier 1A and total capital ratios were 17.4% and 17.7%, respectively, as at March 31, 2018, compared to 18.0% and 18.4%, as at December 31, 2017.

Segment results for the first quarter of 2018

Personal and Business Services

For the first quarter of fiscal 2018, the Personal and Business Services segment reported surplus earnings before member dividends of $275 million (Q1 2017: $246 million), largely due to the reorganization of Interac Corp. and the performance of the caisses.

Wealth Management and Life and Health Insurance

Net surplus earnings generated by the Wealth Management and Life and Health Insurance segment were $206 million at the end of the quarter (Q1 2017: $143 million). This 44.1% increase was mainly due to higher gains on the disposal of securities and real estate investments in 2018 and increased income related to the growth of assets under management. The increase was partly offset by a less favourable claims experience in the three-month period ended March 31, 2018.

Property and Casualty Insurance

The Property and Casualty Insurance segment recorded $26 million in net surplus earnings in the first quarter of 2018 (Q1 2017: -$18 million), an increase of $44 million. Adjusted net surplus earnings(1) were up $31 million. This increase in surplus earnings was, in particular, due to higher investment income and a smaller increase in the consideration payable as part of the acquisition of the Canadian operations of State Farm as compared to the first quarter of 2017. The increase was partly offset by a less favourable claims experience in 2018 compared to the same period of 2017.

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[1] See “Basis of presentation of financial information”.

Key financial data

FINANCIAL POSITION AND KEY RATIOS

(in millions of dollars and as a percentage)	As at March 31, 2018[1]	As at December 31, 2017
Assets	**$ 282,065**	$ 275,095
Residential mortgage loans	**$ 114,211**	$ 113,146
Consumer, credit card and other personal loans	**$ 24,504**	$ 24,044
Business and government loans[2]	**$ 40,897**	$ 40,769
Total gross loans[2]	**$ 179,612**	$ 177,959
Equity	**$ 24,603**	$ 24,773
Tier 1A capital ratio	**17.4%**	18.0%
Tier 1 capital ratio	**17.4%**	18.0%
Total capital ratio	**17.7%**	18.4%
Leverage ratio	**8.2%**	8.5%
Gross credit-impaired loans[3]/gross loans and acceptances ratio[4]	**0.52%**	0.25%

[1] The information presented for the three-month period ended March 31, 2018 takes into account the standards and amendments adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies", to the Interim Combined Financial Statements.

[2] Includes acceptances.

[3] Further to the adoption of IFRS 9 on January 1, 2018, all loans included in Stage 3 of the impairment model are considered to be credit-impaired. The criteria for considering a loan to be impaired were different under IAS 39. For more information, see Note 2, "Basis of presentation and significant accounting policies", to the Interim Combined Financial Statements, and the interim Management's Discussion and Analysis.

[4] See "Basis of presentation of financial information".

COMBINED INCOME

	For the three-month periods ended		
(in millions of dollars and as a percentage)	March 31, 2018[1]	December 31, 2017	March 31, 2017
Operating income[2]	**$ 4,018**	$ 3,721	$ 3,755
Surplus earnings before member dividends	**$ 501**	$ 429	$ 383
Return on equity[2]	**8.3%**	7.0%	6.8%
Credit loss provisioning rate[2]	**0.26%**	0.20%	0.22%

[1] The information presented for the three-month period ended March 31, 2018 takes into account the standards and amendments adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies", to the Interim Combined Financial Statements.

[2] See "Basis of presentation of financial information."

CONTRIBUTION TO COMBINED SURPLUS EARNINGS BY BUSINESS SEGMENT

	For the three-month periods ended		
(in millions of dollars)	March 31, 2018[1]	December 31, 2017	March 31, 2017
Personal and Business Services	**$ 275**	$ 286	$ 246
Wealth Management and Life and Health Insurance	**206**	159	143
Property and Casualty Insurance[2]	**26**	48	(18)
Other	**(6)**	(64)	12
Desjardins Group[2]	**$ 501**	$ 429	$ 383

[1] The information presented for the three-month period ended March 31, 2018 takes into account the standards and amendments adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies", to the Interim Combined Financial Statements.

[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-**
Desjardins Capital 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 (MD&A), which will be available on the SEDAR website, under the Desjardins Capital Inc. profile.

About Desjardins Group

Desjardins Group is the leading cooperative financial group in Canada and the fifth largest cooperative financial group in the world, with assets of $282.1 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. 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 2017 MD&A. 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 2018 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, and the accounting requirements of the Autorité des marchés financiers (AMF) in Quebec, which do not differ from IFRS. The Group's Interim Combined Financial Statements are prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". The accounting policies were applied as described in Note 2, "Basis of presentation and significant accounting policies", to the Annual Combined Financial Statements, except for the amendments described in Note 2, "Basis of presentation and significant accounting policies", to the Interim Combined Financial Statements as a result of the adoption of IFRS 9, "Financial Instruments", IFRS 15, "Revenue from Contracts with Customers", and amendments to IFRS 4, "Insurance Contracts", on January 1, 2018. For more information about the accounting policies applied, see the Annual and Interim Combined Financial Statements. Unless otherwise indicated, all amounts are in Canadian dollars ($) and come mainly from the Combined Financial Statements of Desjardins Group.

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:

<u>Adjusted surplus earnings of Desjardins Group before member dividends</u>

The concept of adjusted surplus earnings is used to exclude specific items in order to present financial performance based on operating activities. These specific items, such as acquisitions and disposals, are unrelated to operations.

Desjardins Group's surplus earnings before member dividends are adjusted to exclude the following specific items: the gain and expenses, net of income taxes, related to the sale of the subsidiaries Western Financial Group Inc. and Western Life Assurance Company, completed on July 1, 2017.

(in millions of dollars)	**For the three-month periods ended**		
	March 31, 2018[1]	December 31, 2017	March 31, 2017
Presentation of the surplus earnings before member dividends in the Combined Financial Statements	**$ 501**	$ 429	$ 383
Specific items, net of income taxes			
Expenses related to the sale of Western Financial Group Inc. and Western Life Assurance Company	**-**	-	8
Presentation of the adjusted surplus earnings before member dividends	**$ 501**	$ 429	$ 391

[1] The information presented for the three-month period ended March 31, 2018 takes into account the standards and amendments adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies", to the Interim Combined Financial Statements.

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 following specific items: the gain and expenses, net of income taxes, related to the sale of the subsidiaries Western Financial Group Inc. and Western Life Assurance Company, completed on July 1, 2017.

	For the three-month periods ended		
(in millions of dollars)	**March 31, 2018[(1)]**	December 31, 2017	March 31, 2017
Presentation of the net surplus earnings (deficit) of the Property and Casualty Insurance segment in the Combined Financial Statements	**$ 26**	$ 48	$ (18)
Specific items, net of income taxes			
Expenses related to the sale of Western Financial Group Inc. and Western Life Assurance Company	**-**	-	13
Presentation of the adjusted net surplus earnings of the Property and Casualty Insurance segment	**$ 26**	$ 48	$ (5)

(1) The information presented for the three-month period ended March 31, 2018 takes into account the standards and amendments adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies", to the Interim Combined Financial Statements.

Gross credit-impaired loans/gross loans and acceptances ratio

The gross credit-impaired loans/gross loans and acceptances ratio is used to measure loan portfolio quality and is equal to gross credit-impaired loans expressed as a percentage of total gross loans and acceptances. Further to the adoption of IFRS 9 on January 1, 2018, all loans included in Stage 3 of the impairment model are considered to be credit-impaired. The criteria for considering a loan to be impaired were different under IAS 39.

Return on equity and adjusted return on equity

Return on equity is used to measure profitability resulting in value creation for members and clients. 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 the volatility of results specific to investments, particularly regarding the extent of life and health insurance and P&C insurance operations, for which a very large proportion of investments are recognized at fair value through profit or loss. 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, generated mainly by the Personal and Business Services segment and the Other category, 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 investment income on securities classified and designated as being at fair value through profit or loss, net investment income on securities classified as being at fair value through other comprehensive income, and net investment income on securities measured at amortized cost and other investment income included in the Combined Statement of Income under "Net investment income". It also includes the overlay approach adjustment for insurance operations financial assets. The life and health insurance and P&C insurance subsidiaries' matching activities, which include changes in fair value, gains and losses on disposals and interest and dividend income on securities, are presented with investment income, given that these assets back insurance liabilities, which are recognized under expenses related to claims, benefits, annuities and changes in insurance contract liabilities in the Combined Financial Statements. In addition, this investment income includes changes in the fair value of investments for the Personal and Business Services segment, recognized at fair value through profit or loss. The presentation of 2017 investment income does not take into account the standards and amendments adopted on January 1, 2018 and was therefore compliant with IAS 39.

(in millions of dollars)	**For the three-month periods ended**		
	March 31, 2018[1]	December 31, 2017	March 31, 2017
Presentation of income in the Combined Financial Statements			
Net interest income	**$ 1,135**	$ 1,125	$ 1,057
Net premiums	**2,139**	2,009	1,982
Other income			
Deposit and payment service charges	**103**	107	120
Lending fees and credit card service revenues	**186**	180	172
Brokerage and investment fund services	**271**	261	278
Management and custodial service fees	**120**	117	101
Investment income[2]	**111**	904	435
Overlay approach adjustment for insurance operations financial assets	**169**	N/A	N/A
Foreign exchange income	**27**	22	19
Other	**37**	(100)	26
Total income	**$ 4,298**	$ 4,625	$ 4,190
Presentation of income in the MD&A			
Net interest income	**$ 1,135**	$ 1,125	$ 1,057
Net premiums	**2,139**	2,009	1,982
Other operating income			
Deposit and payment service charges	**103**	107	120
Lending fees and credit card service revenues	**186**	180	172
Brokerage and investment fund services	**271**	261	278
Management and custodial service fees	**120**	117	101
Foreign exchange income	**27**	22	19
Other	**37**	(100)	26
Operating income	**4,018**	3,721	3,755
Investment income			
Net investment income[2]	**111**	904	435
Overlay approach adjustment for insurance operations financial assets	**169**	N/A	N/A
	280	904	435
Total income	**$ 4,298**	$ 4,625	$ 4,190

[1] The information presented for the three-month period ended March 31, 2018 takes into account the standards and amendments adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, “Basis of presentation and significant accounting policies”, to the Interim Combined Financial Statements.

[2] The breakdown of this line item is presented in Note 12, “Net interest income and net investment income”, to the Interim Combined Financial Statements.

Credit loss provisioning rate

The credit loss provisioning rate is used to measure loan portfolio quality, and is equal to the provision for credit losses divided by average gross loans and acceptances.

The following table presents the calculation of the credit loss provisioning rate as presented in the MD&A.

(in millions of dollars and as a percentage)	**For the three-month periods ended**		
	March 31, 2018[(1)]	December 31, 2017	March 31, 2017
Provision for credit losses	**$ 115**	$ 89	$ 92
Average gross loans	**178,749**	176,173	167,264
Average gross acceptances	**37**	86	58
Average gross loans and acceptances	**$ 178,786**	$ 176,259	$ 167,322
Credit loss provisioning rate[(2)]	**0.26%**	0.20%	0.22%

(1) The information presented for the three-month period ended March 31, 2018 takes into account the standards and amendments adopted on January 1, 2018. The comparative comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies", to the Interim Combined Financial Statements.

(2) Corresponds to an annualized calculation that takes into account the number of days in the period concerned.

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