Desjardins

PRESS RELEASE

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Results for the second quarter of 2016

Desjardins Group records surplus earnings of $427 million

Assets increase 5% reaching the $260 billion mark

Q2 highlights

- *Surplus earnings of $427 million*
- *Increase in operating income of $85 million or 2.5%*
- *Assets of $260.7 billion, up $12.6 billion since December 31, 2015*
- *Tier 1A capital ratio of 15.9%*
- *Increase of $7.1 billion or 4.5% in deposits since December 31, 2015*
- *Loans and acceptances up $2.9 billion or 1.8% since December 31, 2015*
- *Assets under management and under administration up $6.5 billion since December 31, 2015, to $409.9 billion*

A socially minded and innovative cooperative group

- *Desjardins General Insurance Group partnered with two caisses (Caisse Desjardins de la Région de Mégantic and Caisse Desjardins du Granit) to create a development fund to help rebuild Lac Mégantic.*
- *Desjardins launched a mobile branch pilot project that will provide members and clients with a one-of-a-kind experience.*
- *Desjardins partnered with the City of Montreal to support the La Ruche crowdfunding platform.*
- *A new management structure was announced to support the President and Chief Executive Officer in fulfilling his strategic objectives.*

Results for the quarter

Lévis, Quebec, August 12, 2016 – At the end of the second quarter ended June 30, 2016, Desjardins Group, Canada's leading cooperative financial group, recorded a $85 million increase in operating income,[1] which stood at $3,513 million. Surplus earnings before member dividends were $427 million, down $202 million from the same quarter of 2015. In 2015, surplus earnings benefited from a particularly favourable claims experience in property and casualty insurance, with the loss ratio reaching a historic low of 43.0% in the second quarter of 2015 compared to 67.4% in the same quarter of this year. Other specific items, such as changes in actuarial assumptions related to life and health insurance activities and gains realized on disposals of real estate investments, made positive contributions to surplus earnings in the second quarter of 2015.

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

"We're satisfied with these results, particularly given that the results from the same period last year benefited from specific items and were much higher than previous quarters," said Guy Cormier, President and Chief Executive Officer. "With the new management team now in place, we've committed to ensuring that Desjardins is always simple to do business with, people-focused, modern and high-performing for our members and clients. Lastly, I am thrilled to see that Desjardins is one of the 20 most influential brands in Canada, compelling evidence of our growth and rising profile across the country."

Despite the growth in the overall loans and acceptances portfolio, strong market competition continued to exert pressure on interest margins. Net interest income stood at $1,053 million, comparable to the amount posted for the same period in 2015.

Higher premiums in life and health insurance and in property and casualty insurance generated a $42 million or 2.5% increase in net premiums, which stood at $1,740 million as at June 30, 2016.

The provision for credit losses totalled $75 million (Q2 2015: $103 million). This decrease was essentially the result of favourable changes in the parameters used in the provision assessment model as well as an improved risk profile in the business loan portfolio. Furthermore, the loss rate for the Card and Payment Services loan portfolio was lower than the rate for the same quarter of 2015.

Non-interest expense ended the quarter at $1,865 million (Q2 2015: $1,781 million). This was primarily due to business growth, particularly in credit card and point-of-sale financing activities, as well as in insurance activities.

Results for the first six months of 2016

At the end of the first six months of 2016, operating income[1] was $6,998 million (2015: $7,028 million) and surplus earnings before member dividends were $809 million (2015: $1,093 million). This difference is due to the same reasons given for the quarter as well as a gain realized on January 1, 2015 when Desjardins Group acquired the Canadian operations of State Farm.

Total assets of $260.7 billion, an increase of $12.6 billion

As at June 30, 2016, Desjardins Group had total assets of $260.7 billion, up $12.6 billion or 5.1% since December 31, 2015. This increase was due in part to $6.7 billion more in securities and a $2.9 billion expansion of the loans and acceptances portfolio.

Strong capital base

Desjardins Group maintains strong capitalization in compliance with Basel III rules. Its Tier 1A and total capital ratios were 15.9% and 16.6% respectively, as at June 30, 2016 compared to 16.0% and 17.2% respectively, as at December 31, 2015.

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

Segment results for the second quarter of 2016

Personal Services and Business and Institutional Services

For the second quarter of 2016, surplus earnings before member dividends from the Personal Services and Business and Institutional Services segment were $226 million (Q2 2015: $239 million). This result was chiefly due to a decrease in net interest income, the impact of which was mitigated by that of the provision for credit losses.

For the first six months of 2016, the segment posted $437 million in surplus earnings (2015: $435 million).

Wealth Management and Life and Health Insurance

In the second quarter of 2016, the Wealth Management and Life and Health Insurance segment generated net surplus earnings of $124 million (Q2 2015: $195 million). This decrease mainly arose from adjustments made in 2015 to actuarial assumptions related to State Farm's life and health insurance activities in Canada. Gains on disposals of real estate investments also made a positive contribution to results in the second quarter of 2015.

For the first six months of 2016, the segment posted $221 million in surplus earnings (2015: $293 million).

Property and Casualty Insurance

Net surplus earnings generated by the Property and Casualty Insurance segment were $49 million (Q2 2015: $194 million). This decrease reflects higher losses on automobile insurance claims in Ontario and costs related to the forest fires in Fort McMurray, estimated at $30 million (net of reinsurance and income taxes). Furthermore, surplus earnings were higher for the second quarter of 2015 due to a particularly low claims expense, attributable primarily to State Farm's Canadian activities.

For the first six months of 2016, the segment posted $88 million in surplus earnings (2015: $270 million).

Key Financial Data

FINANCIAL POSITION AND KEY RATIOS

(in millions of dollars and as a percentage)	**As at June 30, 2016**	As at December 31, 2015
Assets	**$ 260,711**	$ 248,128
Residential mortgage loans	**$ 104,977**	$ 102,323
Consumer, credit card and other personal loans	**$ 21,486**	$ 21,204
Business and government loans[1]	**$ 36,729**	$ 36,809
Total gross loans[1]	**$ 163,192**	$ 160,336
Equity	**$ 22,017**	$ 21,725
Tier 1A capital ratio	**15.9 %**	16.0 %
Tier 1 capital ratio	**15.9 %**	16.0 %
Leverage ratio	**7.5 %**	7.8 %
Total capital ratio	**16.6 %**	17.2 %
Gross impaired loans/gross loans and acceptances[2]	**0.35 %**	0.34 %

COMBINED INCOME

	For the three-month periods ended			**For the six-month periods ended**	
(in millions of dollars and as a percentage)	**June 30, 2016**	March 31, 2016	June 30, 2015	**June 30, 2016**	June 30, 2015
Operating income[2]	**$ 3,513**	$ 3,485	$ 3,428	**$ 6,998**	$ 7,028
Surplus earnings before member dividends	**$ 427**	$ 382	$ 629	**$ 809**	$ 1,093
Return on equity[2]	**7.8 %**	7.1 %	11.4 %	**7.4 %**	10.4 %

CONTRIBUTION TO COMBINED SURPLUS EARNINGS BY BUSINESS SEGMENT

	For the three-month periods ended			**For the six-month periods ended**	
(in millions of dollars)	**June 30, 2016**	March 31, 2016	June 30, 2015	**June 30, 2016**	June 30, 2015
Personal Services and Business and Institutional Services	**$ 226**	$ 211	$ 239	**$ 437**	$ 435
Wealth Management and Life and Health Insurance	**124**	97	195	**221**	293
Property and Casualty Insurance	**49**	39	194	**88**	270
Other	**28**	35	1	**63**	95
	$ 427	$ 382	$ 629	**$ 809**	$ 1,093

[1] Includes acceptances.
[2] 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 information can be found on Desjardins Group's interim Management's Discussion and Analysis, which is 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 of $260.7 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 one of the world's strongest financial institutions 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 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 these 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.

Basis of presentation of financial information

To assess its performance, Desjardins Group uses International Financial Reporting Standard (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 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, 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)	For the three-month periods ended			For the six-month periods ended	
	June 30, 2016	March 31, 2016	June 30, 2015	**June 30, 2016**	June 30, 2015
Presentation of income in the Combined Financial Statements					
Net interest income	**$ 1,053**	$ 1,049	$ 1,057	$ 2,102	$ 2,052
Net premiums	**1,740**	1,721	1,698	3,461	3,574
Other income					
Deposit and payment service charges	**119**	118	122	237	240
Lending fees and credit card service revenues	**155**	168	156	323	310
Brokerage and investment fund services	**286**	260	267	546	519
Management and custodial service fees	**92**	88	95	180	184
Net income (loss) on securities at fair value through profit or loss	**878**	512	(612)	1,390	562
Net income on available-for-sale securities	**99**	79	107	178	212
Net other investment income	**50**	50	92	100	136
Foreign exchange income	**22**	16	21	38	47
Other	**46**	65	12	111	102
Total income	**$ 4,540**	$ 4,126	$ 3,015	$ 8,666	$ 7,938
Presentation of income in Management's Discussion and Analysis					
Net interest income	**$ 1,053**	$ 1,049	$ 1,057	$ 2,102	$ 2,052
Net premiums	**1,740**	1,721	1,698	3,461	3,574
Other operating income					
Deposit and payment service charges	**119**	118	122	237	240
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Management and custodial service fees	**92**	88	95	180	184
Foreign exchange income	**22**	16	21	38	47
Other	**46**	65	12	111	102
Operating income	**3,513**	3,485	3,428	6,998	7,028
Investment income (loss)					
Net income (loss) on securities at fair value through profit or loss	**878**	512	(612)	1,390	562
Net income on available-for-sale securities	**99**	79	107	178	212
Net other investment income	**50**	50	92	100	136
	1,027	641	(413)	1,668	910
Total income	**$ 4,540**	$ 4,126	$ 3,015	$ 8,666	$ 7,938

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