Desjardins

PRESS RELEASE

FOR IMMEDIATE RELEASE

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Desjardins Group shows strong growth across business segments and posts a solid first quarter

Desjardins pursues its development strategy to best serve members and clients

Highlights for the quarter

- *Operating income up 7.5%.*
- *Surplus earnings of $384 million.*
- *Return on equity of 9.0%.*
- *Assets of $222.9 billion, up $10.9 billion.*
- *Tier 1a capital ratio of 15.7%, still among the best in the banking industry.*
- *Agreement signed on January 15, 2014 to acquire all of State Farm's Canadian activities.*

Desjardins, a cooperative group active in the community and close to its members and clients:

- *Launch of the Employer D Mobile application, allowing employees of client businesses across the country to consult their payroll information on their mobile devices.*
- *For the tenth consecutive year – a global first – AccèsD client contact centres received Customer Operations Performance Center certification.*
- *Launch of the Green Homes Program, providing a financing solution for green projects.*
- *Announcement of a $1.1 million contribution to the* École d'Entrepreneurship de Beauce *for a knowledge centre on entrepreneurship.*
- *Along with* Solidarité rurale*, the Desjardins Group handed out Ruralia-Desjardins awards, to recognize projects that mobilize entire rural communities.*
- *Partnership agreement signed with the* Banque Marocaine du Commerce Extérieur *to facilitate access to banking services for Moroccan newcomers to Canada.*

Lévis (Québec), May 13, 2014 – Desjardins Group, the leading financial cooperative group in Canada, today released its first-quarter results for the period ending March 31, 2014. The Group saw an increase in its operating income — up 7.5% or $213 million to $3,072 million — compared to the same period last year.

"We are very satisfied with these results, which provide compelling evidence of Desjardins Group's ability to stand out in a highly competitive industry," said Monique F. Leroux, Chair of the Board, President and Chief Executive Officer. "The efforts made by the caisses to improve productivity are paying off, and all our segments have posted strong business volume growth. Once again this shows that the Group can play an active role in strengthening the economy. Much of the Group's surplus earnings are reinvested in development and information technologies. This allows us to continue innovating and growing to best serve members and clients."

This performance allowed the Group to record $384 million in surplus earnings before dividends to members, compared to $378 million in the same quarter of 2013. The return on equity was 9.0%, compared to 9.8% in 2013. The slight decline in this ratio was due to measures taken to expand equity, including an issue of capital shares by the Federation.

Net interest income stood at $955 million, up $21 million or 2.2% as compared to $934 million for the same quarter of 2013. This increase was due to $8.6 billion or 6.4% growth of the total portfolio over the last year. However, the low interest rate environment limited the increase in net interest income.

Insurance activities generated a $118 million or 8.9% increase in net premiums, which reached $1,441 million mainly due to business growth. Other operating income totalled $676 million, up $74 million or 12.3% from the same period of 2013. This increase was mainly due to volume growth in brokerage activities, card services and point-of-sale financing. It is also due to an increase in assets under management and commission income on insurance sales.

The provision for credit losses totalled $94 million, up $34 million compared to the same period of 2013. This change was due to an increase in collective allowances and growth in the credit card portfolio. Despite this increase, the Group continues to have a high quality loan portfolio. The ratio of gross impaired loans to the total gross loan portfolio was 0.33% as at March 31, 2014, a slight improvement over a ratio of 0.35% reported one year earlier. The Group's ratio remains one of the best in Canadian banking industry.

Non-interest expense stood at $1,608 million, up $80 million or 5.2% compared to the first quarter of 2013. This increase was due to higher expenses incurred to support business growth, which partly offset the productivity gains in the caisse network.

Non-interest expense for the first quarter of 2014 was also impacted by expenses incurred in the acquisition projects and the integration of the non-interest expenses of Qtrade Canada Inc. following the Group's purchase of an interest in this business in the second quarter of 2013.

Assets of $222.9 billion, up $10.9 billion

As at March 31, 2014, Desjardins Group had total assets of $222.9 billion, up $10.9 billion or 5.1% from December 31, 2013. This increase was mainly attributable to securities, including those held for security lending activities. Liquid assets also increased, essentially due to Caisse centrale Desjardins' issues on the markets. Deposits increased $2.5 billion or 1.8%.

A strong capital base

Desjardins Group still has excellent capitalization in compliance with Basel III rules. Tier 1a and total capital ratios were 15.7% and 18.1%, respectively, as at March 31, 2014. The ratios as at December 31, 2013 were 15.7% and 18.4%, respectively.

Segment results for the first quarter

Personal Services and Business and Institutional Services

For the first quarter of 2014, the Personal Services and Business and Institutional Services segment recorded surplus earnings before member dividends of $194 million, up $25 million or 14.8% compared to the same period of 2013. This excellent performance was primarily due to business growth, which led to an increase in income and productivity improvements in the Desjardins caisse network.

Wealth Management and Life and Health Insurance

Net surplus earnings for the Wealth Management and Life and Health Insurance segment were $103 million, down $23 million or 18.3% from the same period in 2013. This decline was due to life and health insurance activities. In 2013, the segment’s net income was improved thanks to a $41 million favourable adjustment in actuarial assumptions. Comparatively, for the first quarter of 2014, provisions for interest rate risk were released thanks to an improved asset-liability matching position, which generated $24 million in gains.

Property and Casualty Insurance

The Property and Casualty Insurance segment posted net surplus earnings of $21 million, down $3 million or 12.5% compared to the same period of 2013. This decrease was due to an increase in non-interest expense, partially offset by business growth and investment income.

Other

Net surplus earnings for activities grouped in the *Other* category were $66 million. They were mainly attributable to treasury activities, surplus earnings from investments made by the Fonds de sécurité Desjardins, net favourable impacts of changes in the fair value of derivatives used in hedging activities, and a positive change in the fair value of the Asset-Backed Term Notes (ABTN) portfolio, net of hedging positions.

Key Financial Data

FINANCIAL POSITION AND KEY RATIOS

(in millions of dollars and as a percentage)	**As at March 31, 2014**	As at December 31, 2013
Assets	**$ 222,918**	$ 212,005
Equity	**$ 17,666**	$ 17,232
Tier 1a capital ratio	**15.7 %**	15.7 %
Total capital ratio	**18.1 %**	18.4 %
Gross impaired loans / gross loans ratio	**0.33 %**	0.33 %

COMBINED INCOME

	For the three-month periods ended March 31		
(in millions of dollars and as a percentage)	**2014**	2013	Change
Operating income	**$ 3,072**	$ 2,859	7.5 %
Surplus earnings before member dividends	**$ 384**	$ 378	1.6 %
Return on equity	**9.0 %**	9.8 %	—

CONTRIBUTION TO CONSOLIDATED SURPLUS EARNINGS BY BUSINESS SEGMENT

	For the three-month periods ended March 31		
(in millions of dollars and as a percentage)	**2014**	2013	Change
Personal Services and Business and Institutional Services	**$ 194**	$ 169	14.8 %
Wealth Management and Life and Health Insurance	**$ 103**	$ 126	(18.3)%
Property and Casualty Insurance	**$ 21**	$ 24	(12.5)%
Other	**$ 66**	$ 59	11.9 %
	$ 384	$ 378	1.6 %

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+
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 is available on the SEDAR site under the Capital Desjardins 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 $223 billion. It has been rated one of Canada's top 100 employers by Mediacorp Canada. 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. The group has one of the highest capital ratios and credit ratings in the industry. It is considered as the fourth safest and strongest bank in North America according to *Global Finance* magazine and *Bloomberg News* respectively.

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