

Results for fiscal 2020

AN ACTIVE AND INVOLVED GROUP. One of the highlights of the fourth quarter of 2020 for Desjardins Group was being ranked among [Canada's 100 best employers](#) in 2021 by *Forbes*. It also distinguished itself within the Banking and Financial Services industry, placing second in that category just behind the Bank of Canada.

**Desjardins Group posts strong performance for 2020
and continues to support members and clients**

Lévis (Qc), February 24, 2021 – For the fiscal year ended December 31, 2020, [Desjardins Group](#), North America's largest financial cooperative, recorded surplus earnings before member dividends of \$2,419 million, down \$179 million or 6.9% from fiscal 2019. When adjusted for the specific item consisting of the gain related to Monetico⁽¹⁾ recorded in 2019, adjusted surplus earnings⁽²⁾ were up \$130 million or 5.7%. This increase was mainly due to strong performance by the caisse network, the Property and Casualty Insurance segment and Desjardins Securities Inc. Furthermore, the COVID-19 pandemic largely explains the \$498 million increase in the provision for credit losses, primarily due to a significant deterioration in the economic outlook and the expected impacts on credit quality, and a \$43 million increase in costs related to travel insurance.

Desjardins Group continues to be a strong financial institution that can support its members and clients, despite the COVID-19 pandemic.

The amount returned to members and the community totalled \$445 million for fiscal 2020, the same as in fiscal 2019, including a \$330 million provision for member dividends, \$72 million in sponsorships, donations and scholarships (including \$35 million from Community Development Fund), and \$43 million in Desjardins Member Advantages. In 2020, \$42 million in commitments were also allocated to the Goodspark Fund to support the regions on social and economic plans.

¹ Disposal of the entire portfolio of merchants receiving Desjardins services under the Monetico brand.

² See the "Non-GAAP Measures" section.

At the end of the fourth quarter ended December 31, 2020, surplus earnings before member dividends stood at \$876 million, down \$59 million or 6.3% from the same period in 2019. When adjusted for the specific item consisting of the gain related to Monetico⁽¹⁾ recorded in the fourth quarter of 2019, adjusted surplus earnings⁽²⁾ were up \$250 million or 39.9%. This increase was mainly due to strong performance by the Property and Casualty Insurance segment, which reported higher premium income and a favourable claims experience compared to the fourth quarter of 2019, and by sustained growth in caisse network operations. It was offset by the rise in the provision for credit losses, primarily due to the economic outlook and the expected impacts on credit quality due to the COVID-19 pandemic.

“Desjardins Group posted strong financial performance for fiscal 2020, despite the negative impacts of the pandemic,” said President and CEO Guy Cormier. “Adjusted surplus earnings⁽¹⁾ were up, our membership continued to grow, and our capital base is once again very robust. Moreover, the prestigious publication *The Banker* named Desjardins as the financial institution best positioned to weather the economic consequences of the pandemic. I am proud of these results and the efforts made by the great Desjardins Group team to support our members and clients so that they can stay on solid financial footing.”

COVID-19: Desjardins supports members and clients

Desjardins has rolled out a number of measures to support its members and clients during the COVID-19 pandemic.

Several relief measures have been implemented since March 16, 2020. In addition to \$155 million in auto insurance premiums refunded to more than 2.1 million policyholders, Desjardins has offered payment relief on financing products, raised the contactless payment limit from \$100 to \$250, temporarily reduced the annual interest rate to 10.9% for credit card holders who were granted a payment deferral on a Desjardins financing product, offered personal members and clients a loan of last resort of up to \$3,000 at a special interest rate of 4.97%, and raised the insurance coverage limit for people working from home, among other things. Desjardins Group also introduced new measures for youth, seniors and community organizations. It has encouraged members and clients to sign up to receive their government benefits by direct deposit instead of by cheque, and thus promote the provision of remote services in order to slow down the spread of the COVID-19.

As at December 31, 2020, Desjardins Group had received 342,195 requests for payment deferrals on Desjardins financing products. Of these, 147,000 requests were for credit card loans and other personal loans. It had also received a total of 161,295 applications for residential mortgages and consumer loans, including close to 136,000 relating to mortgages. As for business loans, a total of 33,900 loan applications had been received.

For businesses, the measures deployed were also complementary to government programs. Desjardins has notably granted approximately 120,300 loans for a total amount of over \$4.1 billion, in connection with the Canada emergency business account (CEBA) federal program. Under this program, loans are offered with an interest holiday until December 31, 2022 and at a rate of 5% thereafter.

In January 2021, Desjardins Group announced that it would extend its main relief measures. Members and clients experiencing hardship will therefore continue to benefit from payment deferrals on their Desjardins financing products and a reduced interest rate on their Desjardins credit cards. They can also request personalized support as they regain their financial footing.

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² See the "Non-GAAP Measures" section.

Members aged 30 years and under will also continue to have access to a psychological and legal hotline. The Desjardins Foundation will offer scholarships for career changes and for returning to school, a new category of scholarships that reward staying in school and helping communities, bringing the total amount of scholarships to \$2 million.

Support for economic and social recovery

At the end of April 2020, Desjardins announced its initial strategies to help get the economy back on track and support regional development. They consisted of five initiatives to promote innovation and entrepreneurship that help businesses and community organizations get back to work:

- \$150 million was added to the Goodspark Fund's budget to stimulate social and economic activity in communities, bringing the total to \$250 million.
- The \$10 million Momentum Fund for businesses.
- A partnership with La Ruche Québec to encourage consumers to buy local and support holiday charity drives.
- A partnership with École d'Entrepreneurship de Beauce and SPB/Skillable to launch a learning path aimed at helping businesses bounce back.
- The < post > COVID challenge, a social innovation competition.

For fiscal 2020, the Goodspark Fund committed \$42 million to 124 projects. Since 2017, Desjardins Group has committed a total amount of \$123 million to 530 projects through this fund. The Momentum Fund has also supported 570 businesses for a total outlay of close to \$3.5 million.

Desjardins has also partnered with the Fédération des chambres de commerce du Québec (FCCQ) to launch the En Mouvement pour la relance socioéconomique tour. In the fall, around 10 online meetings brought together close to 130 chambers of commerce from across Québec to engage local stakeholders in discussions on regional realities in a context of economic recovery.

Giving back to the community

During this pandemic, Desjardins has been more involved than ever in people's lives and continues to support initiatives related to diversity, inclusion and cooperation. Here are some of the other ways that Desjardins has made a positive difference in people's lives since the fourth quarter.

- Partnership with [La Ruche and holiday charity drive organizers](#) to establish a digital system to make up for the loss of donations that were usually made on the street. Desjardins boosted its initial commitment of \$1 million by 20% to match the exceptional generosity of donors.
- Launch of a [\\$1 million program](#) to support small businesses across Canada. The businesses can also benefit from advertising and consulting services provided by MBA students at York University.
- Partnership between [Desjardins Foundation and Youth Fusion](#) for entrepreneurship at school, with a \$390,000 contribution over 3 years for an entrepreneurship program that allows students to develop skills such as creativity, organization, problem-solving, collaboration and teamwork.

Desjardins Group ranks among [Canada's 100 best employers](#) in 2021 according to *Forbes*. It has also distinguished itself within the Banking and Financial Services industry, placing second in that category just behind the Bank of Canada.

Innovation

Desjardins is constantly innovating to meet the needs of its members and clients in an environment where the pandemic continues. Here are just a few examples since the fourth quarter.

- The [Power Sustainable](#) Energy Infrastructure Partnership, a \$1 billion investment platform dedicated to the North American renewable energy sector. As principal investors, Desjardins and the Desjardins Group Pension Plan have contributed a total amount of \$330 million to this partnership.
- Desjardins won [16 FundGrade A+ Awards for 2020](#) from Fundata. Seven Desjardins mutual funds and one Desjardins exchange-traded fund (ETF) won awards for sustained performance in 2020.

Desjardins also had the strongest performance out of all Canadian financial institutions in 2019 according to [The Banker](#) magazine. The magazine recognized Desjardins's financial strength and named it as the financial institution best positioned to weather the economic consequences of the pandemic.

Financial highlights

Comparison of fiscal 2020 with fiscal 2019:

- Surplus earnings before member dividends of \$2,419 million, down \$179 million or 6.9%. Note that results for fiscal 2019 benefited from the gain related to Monetico⁽¹⁾.
- Adjusted surplus earnings⁽²⁾ before member dividends rose by \$130 million or 5.7%.
- Operating income⁽²⁾ of \$18,399 million, an increase of \$537 million or 3.0%. Note that results for fiscal 2019 benefited from the \$349 million gain before income taxes related to Monetico⁽¹⁾.
- Adjusted operating income⁽²⁾ up \$886 million or 5.1%.
- Financial consequences largely related to the COVID-19 pandemic, including:
 - \$498 million increase in the provision for credit losses, primarily due to the significant deterioration in the economic outlook and the expected impacts on credit quality;
 - Decrease in business volumes from payment and financing activities at Desjardins Card Services;
 - A \$43 million increase in costs related to travel insurance, due to the rise in the current and expected volume of claims related to trip cancellations;
 - Lower insurance claims for the current year, mainly in automobile insurance, because of changes in driving habits; and
 - Auto insurance premium refunds of \$155 million granted to members and clients as a relief measure.
- \$445 million returned to members and the community, the same amount as in fiscal 2019, despite the financial consequences of the COVID-19 pandemic on Desjardins Group's financial results.

Other highlights of fiscal 2020:

- Total capital ratio of 22.6%, compared to 21.6% as at December 31, 2019.
- 15.7% growth in total assets in 2020 to \$362.0 billion as at December 31, 2020.
- 14.7% growth in assets under management in 2020 to \$77.5 billion as at December 31, 2020.
- Issuance, on January 21, 2021, of Canadian medium-term notes for a total amount of \$1,0 billion.
- Desjardins Fund assets crossed the \$40 billion threshold while assets held in market-linked guaranteed investments crossed the \$30 billion threshold.
- During the COVID-19 pandemic, the Canadian government rolled out a number of financing initiatives to support the Canadian financial system. Desjardins Group made use of these programs.

¹ Disposal of the entire portfolio of merchants receiving Desjardins services under the Monetico brand.

² See the "Non-GAAP Measures" section.

Comparison of the fourth quarters of 2020 and 2019:

- Surplus earnings before member dividends totalled \$876 million, down \$59 million or 6.3%. Note that results for the fourth quarter of fiscal 2019 benefited from the gain related to Monetico⁽¹⁾.
- Adjusted surplus earnings⁽²⁾ before member dividends rose by \$250 million or 39.9%.
- Operating income⁽²⁾ of \$4,830 million, a decrease of \$108 million or 2.2%. Note that results for the fourth quarter of 2019 benefited from the \$349 million gain before income taxes related to Monetico⁽¹⁾.
- Adjusted operating income⁽²⁾ up \$241 million or 5.3%.
- Financial consequences largely related to the COVID-19 pandemic, including:
 - \$56 million increase in the provision for credit losses compared to the same period of 2019, primarily due to the economic outlook and the expected impacts on credit quality; and
 - Lower insurance claims, mainly in automobile insurance, because of changes in driving habits.
- \$131 million returned to members and the community, up \$9 million from the same period of 2019.

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² See the "Non-GAAP Measures" section.

FINANCIAL HIGHLIGHTS

	As at and for the three-month periods ended			For the years ended December 31	
	December 31, 2020	September 30, 2020	December 31, 2019 ⁽¹⁾	2020	2019 ⁽¹⁾
<i>(in millions of dollars and as a percentage)</i>					
Results					
Net interest income	\$ 1,455	\$ 1,464	\$ 1,383	\$ 5,640	\$ 5,296
Net premiums	2,626	2,534	2,527	9,920	9,412
Other operating income ⁽²⁾	749	645	1,028	2,839	3,154
Operating income⁽²⁾	4,830	4,643	4,938	18,399	17,862
Investment income (loss) ⁽²⁾	534	161	(115)	3,074	2,895
Total income	5,364	4,804	4,823	21,473	20,757
Provision for credit losses	169	99	113	863	365
Claims, benefits, annuities and changes in insurance contract liabilities	1,781	1,775	1,411	9,233	9,111
Non-interest expense	2,332	1,954	2,172	8,297	8,032
Income taxes on surplus earnings	206	247	192	661	651
Surplus earnings before member dividends	\$ 876	\$ 729	\$ 935	\$ 2,419	\$ 2,598
Adjusted surplus earnings before member dividends⁽²⁾	\$ 876	\$ 729	\$ 626	\$ 2,419	\$ 2,289
Contribution to combined surplus earnings by business segment⁽³⁾					
Personal and Business Services	\$ 364	\$ 445	\$ 686	\$ 1,314	\$ 1,913
Wealth Management and Life and Health Insurance	249	140	285	609	697
Property and Casualty Insurance	378	155	111	622	187
Other	(115)	(11)	(147)	(126)	(199)
	\$ 876	\$ 729	\$ 935	\$ 2,419	\$ 2,598
Amount returned to members and the community					
Member dividends	\$ 93	\$ 80	\$ 80	\$ 330	\$ 317
Sponsorships, donations and scholarships ⁽⁴⁾	28	14	32	72	87
Desjardins Member Advantages	10	10	10	43	41
	\$ 131	\$ 104	\$ 122	\$ 445	\$ 445
Indicators					
Net interest margin ⁽²⁾⁽⁵⁾	2.31%	2.42%	2.51%	2.38%	2.47%
Return on equity ⁽²⁾	11.4	9.9	13.7	8.3	9.9
Adjusted return on equity ⁽²⁾	11.6	9.9	9.2	8.4	8.8
Productivity index ⁽²⁾	65.1	64.5	63.7	67.8	69.0
Adjusted productivity index ⁽²⁾	65.1	64.5	70.9	67.8	71.1
Credit loss provisioning rate ⁽²⁾	0.32	0.19	0.22	0.41	0.18
Gross credit-impaired loans ⁽⁴⁾ / gross loans and acceptances ratio ⁽²⁾	0.62	0.64	0.56	0.62	0.56
Liquidity coverage ratio ⁽⁶⁾	157.5	157.1	130.2	157.5	130.2
On-balance sheet and off-balance sheet					
Assets	\$ 362,035	\$ 359,887	\$ 312,996	\$ 362,035	\$ 312,996
Net loans and acceptances	211,749	209,931	203,462	211,749	203,462
Deposits	225,236	225,820	193,918	225,236	193,918
Equity	30,263	29,418	27,429	30,263	27,429
Assets under administration	458,177	446,812	437,000	458,177	437,000
Assets under management ⁽⁷⁾	77,474	73,118	67,553	77,474	67,553
Capital ratio and leverage ratio					
Tier 1A capital ratio	21.9%	21.4%	21.6%	21.9%	21.6%
Tier 1 capital ratio	21.9	21.4	21.6	21.9	21.6
Total capital ratio	22.6	22.1	21.6	22.6	21.6
Leverage ratio	8.5	8.3	8.8	8.5	8.8
Other information					
Number of employees	48,930	48,791	47,849	48,930	47,849

(1) Data for 2019 have been reclassified to conform to the current period's presentation.

(2) See the "Non-GAAP Measures" section.

(3) The breakdown by line item is presented in Note 31, "Segmented information," to the Combined Financial Statements.

(4) Of which \$35 million from Caisse Community Development Funds.

(5) Data for 2019 have been restated to conform to the current period's presentation due to a change in methodology.

(6) Average for the quarters ended December 31 of each year indicated.

(7) Assets under management may also be administered by Desjardins Group. When this is the case, they are included in assets under administration.

Assets of \$362.0 billion, up \$49.0 billion

As at December 31, 2020, Desjardins Group had total assets of \$362.0 billion, up \$49.0 billion or 15.7% since December 31, 2019. This growth was due to the \$27.6 billion increase in securities, including securities borrowed or purchased under reverse repurchase agreements. In addition, cash and deposits with financial institutions as well as net loans and acceptances grew \$8.4 billion and \$8.3 billion, respectively. This increase was primarily due to liquidity obtained after the Government of Canada rolled out funding initiatives through the Bank of Canada and CMHC to support the Canadian financial system during the COVID-19 pandemic. Securities, including securities borrowed or purchased under reverse repurchase agreements, increased because of growth in market activities and totalled \$97.3 billion.

Desjardins Group's outstanding loan portfolio, including acceptances, net of the allowance for credit losses, increased by \$8.3 billion, or 4.1%. This growth in 2020 was due to residential mortgages, which are significant in Desjardins Group's financing activities and accounted for 64.0% of its portfolio as at December 31, 2020.

Strong capital base

Desjardins Group maintains excellent capitalization levels in compliance with Basel III rules. Its Tier 1A and total capital ratios were 21.9% and 22.6%, respectively, as at December 31, 2020, compared to 21.6% each as at December 31, 2019.

Analysis of business segment results

PERSONAL AND BUSINESS SERVICES SEGMENT

	For the three-month periods ended			For the years ended December 31	
	December 31, 2020	September 30, 2020	December 31, 2019 ⁽¹⁾	2020	2019 ⁽¹⁾
<i>(in millions of dollars and as a percentage)</i>					
Net interest income	\$ 1,277	\$ 1,254	\$ 1,259	\$ 4,970	\$ 4,859
Other operating income ⁽²⁾	625	555	985	2,366	2,829
Operating income⁽²⁾	1,902	1,809	2,244	7,336	7,688
Investment income ⁽²⁾	76	93	11	276	59
Total income	1,978	1,902	2,255	7,612	7,747
Provision for credit losses	196	90	117	867	368
Non-interest expense	1,300	1,204	1,285	4,987	4,869
Income taxes on surplus earnings	118	163	167	444	597
Surplus earnings before member dividends	364	445	686	1,314	1,913
Member dividends net of income tax recovery	70	60	57	245	232
Net surplus earnings for the year after member dividends	\$ 294	\$ 385	\$ 629	\$ 1,069	\$ 1,681
Surplus earnings before member dividends	364	445	686	1,314	1,913
Specific item, net of income taxes					
Gain related to the sale of the entire portfolio of merchants receiving Desjardins Group services under the Monetico brand	-	-	(309)	-	(309)
Adjusted surplus earnings before member dividends⁽²⁾	\$ 364	\$ 445	\$ 377	\$ 1,314	\$ 1,604

⁽¹⁾ Data for 2019 have been reclassified to conform to the current period's presentation.

⁽²⁾ See the "Non-GAAP Measures" section.

Results for the year

For fiscal 2020, the Personal and Business Services segment reported surplus earnings before member dividends of \$1,314 million, down \$599 million from fiscal 2019. Adjusted net surplus earnings⁽¹⁾ were down \$290 million or 18.1%. This decrease was due to the financial impacts of the COVID-19 pandemic, which led to a \$499 million increase in the provision for credit losses, primarily due to the significant deterioration in the economic outlook and the expected impacts on credit quality as well as lower business volumes from payment and financing activities at Desjardins Card Services. The decline in surplus earnings is also related to an increase in investments, especially in the digital shift and information security. On the other hand, solid performance from the caisse network and Desjardins Securities Inc. helped offset the decrease in surplus earnings.

Operating income was \$7,336 million, down \$352 million or 4.6% from fiscal 2019. The decrease was mainly due to the gain of \$349 million before income taxes on Monetico⁽²⁾ and the drop in income following the disposal of the entire portfolio of Monetico⁽²⁾ recognized in 2019. The decrease was also due to lower business volumes from payment and financing activities at Desjardins Card Services as a result of the COVID-19 pandemic and the drop in income from deposit and payment service charges related to relief measures granted to members. This decline was offset by higher net interest income arising mainly as a result of a decrease in the average cost of funding and growth in the average outstanding loan portfolio. Furthermore, growth in income at Desjardins Securities Inc. had a favourable impact on operating income.

Investment income for the year was \$276 million, up \$217 million from fiscal 2019, essentially because of higher trading income from Desjardins Securities Inc. The increase was also the result of higher gains on the disposal of securities and a favourable fluctuation in the fair value of derivative financial instruments, in part due to lower interest rates.

The provision for credit losses was \$867 million, up \$499 million from fiscal 2019, primarily due to the significant deterioration in the economic outlook as a result of the COVID-19 pandemic and the expected impacts on credit quality, as well as the increase in the allowance for impaired loans in the business loan portfolios.

Non-interest expenses were \$4,987 million, up \$118 million or 2.4% compared to fiscal 2019, mainly due to business growth, particularly in activities aimed at enhancing the services offered to caisse members and clients, as well as an increase in investments, especially in the digital shift and information security. This increase was offset by lower expenses following the disposal of the entire portfolio of Monetico⁽²⁾ and the contraction in certain costs related to the COVID-19 pandemic.

Results for the fourth quarter

For the fourth quarter of 2020, surplus earnings before member dividends were \$364 million, down \$332 million from the same period of 2019. This decline stemmed from the \$309 million gain net of income taxes on the disposal of Monetico⁽¹⁾ recognized in the fourth quarter of 2019 and the increase in the provision for credit losses, primarily due to the economic outlook and the expected effects on credit quality as a result of the COVID-19 pandemic. Moreover, the decline in surplus earnings was related to the increase in investments in the digital shift and information security. This decrease was partially offset by good performance from the caisse network, especially related to the increase in net interest income, as a result of the decrease in the average cost of funding arising primarily from deposits and growth in business volume.

¹ See the "Non-GAAP Measures" section.

² Disposal of the entire portfolio of merchants receiving Desjardins services under the Monetico brand.

WEALTH MANAGEMENT AND LIFE AND HEALTH INSURANCE SEGMENT

<i>(in millions of dollars)</i>	For the three-month periods ended			For the years ended December 31	
	December 31, 2020	September 30, 2020	December 31, 2019 ⁽¹⁾	2020	2019 ⁽¹⁾
Net interest income	\$ 1	\$ 1	\$ 1	\$ 8	\$ 9
Net premiums	1,240	1,167	1,292	4,711	4,689
Other operating income ⁽²⁾	324	324	313	1,286	1,256
Operating income⁽²⁾	1,565	1,492	1,606	6,005	5,954
Investment income (loss) ⁽²⁾	317	89	(159)	2,404	2,434
Total income	1,882	1,581	1,447	8,409	8,388
Provision for (recovery of) credit losses	(2)	(1)	-	-	1
Claims, benefits, annuities and changes in insurance contract liabilities	1,048	885	588	5,564	5,497
Non-interest expense	539	518	528	2,100	2,052
Income taxes on surplus earnings	48	39	46	136	141
Net surplus earnings for the year	\$ 249	\$ 140	\$ 285	\$ 609	\$ 697

⁽¹⁾ Data for 2019 have been reclassified to conform to the current period's presentation.

⁽²⁾ See the "Non-GAAP Measures" section.

Results for the year

Net surplus earnings generated by the Wealth Management and Life and Health Insurance segment were \$609 million at the end of fiscal 2020, down \$88 million or 12.6% compared to fiscal 2019. The decrease was due to the \$43 million increase in costs related to travel insurance and the rise in expenses from 2019, especially administrative costs to improve services to caisse members and clients. The decline in surplus earnings was also due to the unfavourable impact of markets on guaranteed investment funds and the impacts of changes in actuarial assumptions made in the normal course of business, which were less favourable than in 2019. On the other hand, higher gains on the sale of securities and real estate investments compared to 2019 offset the decrease in surplus earnings.

Operating income was \$6,005 million, up \$51 million or 0.9% compared to fiscal 2019. The increase was mainly due to growth in income from assets under management and higher net premiums.

Investment income was \$2,404 million, down \$30 million or 1.2% compared to fiscal 2019, primarily due to the decrease in the fair value of assets backing liabilities related to life and health insurance operations, offset by higher gains on the sale of securities and real estate investments compared to fiscal 2019.

Expenses related to claims, benefits, annuities and changes in insurance contract liabilities were \$5,564 million, up \$67 million or 1.2% compared to fiscal 2019. This increase is mainly due to the financial impacts of the COVID-19 pandemic. The impacts include the increase in provisions for dividends and experience refunds, mainly related to the favourable claims experience in group insurance arising from a drop in claims. They also include an increase in benefits essentially related to the increase in travel insurance claims. This increase was partially offset by the decline in actuarial liabilities recognized under "Insurance contract liabilities".

Non-interest expenses totalled \$2,100 million, up \$48 million or 2.3% compared to fiscal 2019, mainly due to higher administrative costs to improve services to caisse members and clients, expenses related to assets under management, and a decrease in provisions related to the investment portfolio in the first quarter of fiscal 2019.

Results for the fourth quarter

For the fourth quarter of 2020, net surplus earnings were \$249 million, down \$36 million or 12.6% from the same period of 2019. This decrease was mainly due to the impacts of changes in actuarial assumptions made in the normal course of business, which were less favourable than in 2019, and to higher administrative costs to improve services to caisse members and clients.

PROPERTY AND CASUALTY INSURANCE SEGMENT

	For the three-month periods ended			For the years ended December 31	
	December 31, 2020	September 30, 2020	December 31, 2019 ⁽¹⁾	2020	2019 ⁽¹⁾
<i>(in millions of dollars and as a percentage)</i>					
Net premiums	\$ 1,456	\$ 1,436	\$ 1,303	\$ 5,484	\$ 4,988
Other operating income (loss) ⁽²⁾	(35)	(82)	(60)	(160)	(172)
Operating income⁽²⁾	1,421	1,354	1,243	5,324	4,816
Investment income ⁽²⁾	162	57	68	497	341
Total income	1,583	1,411	1,311	5,821	5,157
Claims, benefits, annuities and changes in insurance contract liabilities	741	880	834	3,689	3,665
Non-interest expense	331	326	323	1,303	1,245
Income taxes on surplus earnings	133	50	43	207	60
Net surplus earnings for the year	\$ 378	\$ 155	\$ 111	\$ 622	\$ 187

⁽¹⁾ Data for 2019 have been reclassified to conform to the current period's presentation.

⁽²⁾ See the "Non-GAAP Measures" section.

Results for the year

The Property and Casualty Insurance segment recorded \$622 million in net surplus earnings for fiscal 2020, up \$435 million compared to fiscal 2019. This increase stems from higher net premiums and a lower claims experience in 2020 in automobile insurance as a result of changes in driving habits attributable to the COVID-19 pandemic. In addition, more favorable weather conditions contributed to the lower claims experience. It should be mentioned that \$155 million in auto insurance premiums was refunded to members and clients as a relief measure to support them during the pandemic.

Operating income was \$5,324 million, up \$508 million or 10.5% compared to fiscal 2019. This increase stemmed from higher net premiums, in particular related to the end of the cession of premiums under the reinsurance treaty signed as part of the acquisition of the Canadian operations of State Farm. This increase was offset by \$155 million in auto insurance premiums refunded to members and clients as a relief measure to support them during the COVID-19 pandemic.

Investment income was \$497 million, up \$156 million or 45.7% compared to fiscal 2019. This increase was essentially due to an increase in the fair value of matched bonds that was larger than that recorded in fiscal 2019, mainly as a result of a greater decline in market interest rates in fiscal 2020 compared to the previous year. Note that this increase in the value of bonds was partly offset by an increase in the cost of claims because of a matching strategy.

Expenses related to claims, benefits, annuities and changes in insurance contract liabilities totalled \$3,689 million, up \$24 million or 0.7% compared to fiscal 2019, mainly due to business growth, the unfavourable impact of the decrease in discount rates, offset by a lower claims experience in auto insurance, due to changes in driving habits attributable to the COVID-19 pandemic. In addition, more favorable weather conditions contributed to the lower claims experience.

Non-interest expense was \$1,303 million, up \$58 million or 4.7% compared to fiscal 2019 due mainly to the effect of the reinsurance treaty signed as part of the acquisition of State Farm's Canadian operations on the expenses covered by the treaty.

[Results for the fourth quarter](#)

For the fourth quarter, net surplus earnings were \$378 million, up \$267 million from the same period of 2019. Most of this increase was the result of a lower claims experience compared to same period of 2019 and higher net premiums, as explained above.

OTHER CATEGORY

[Results for the year](#)

The Other category posted a net deficit of \$126 million for fiscal 2020 compared to a net deficit of \$199 million for fiscal 2019.

This decline in the net deficit was mainly due to treasury activities and changes in market rates, which had a favourable overall impact on surplus earnings, partly offset by changes in hedging positions for matching activities that had a less unfavourable overall effect on surplus earnings. The Other category also includes investments related to the continued implementation of Desjardins-wide strategic projects, in particular to create innovative technology platforms, to improve information security and protection, and to enhance business processes.

[Results for the fourth quarter](#)

The net deficit for the fourth quarter was \$115 million compared to a net deficit of \$147 million for the same period of 2019. The decline in the net deficit was primarily due to treasury activities and changes in market rates, which had a favourable overall impact on surplus earnings, partly offset by changes in hedging positions for matching activities that had a less unfavourable overall effect on surplus earnings.

[More detailed financial information can be found in Desjardins Group's 2020 Management's Discussion and Analysis \(MD&A\), which will be available on the SEDAR website on March 3, 2021 under the Desjardins Capital Inc. profile.](#)

About Desjardins Group

[Desjardins Group](#) is the largest cooperative financial group in North America and the fifth largest cooperative financial group in the world, with assets of \$362.0 billion. In 2020 it was ranked as one of the world's Top 100 Employers by *Forbes* magazine. 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. Ranked 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.

Caution concerning forward-looking statements

Certain statements made in this press release may be forward-looking. Forward-looking statements include, but are not limited to, comments about the possible impact of the COVID-19 pandemic on its operations, results and financial position, as well as on economic conditions and financial markets. 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 assumptions, 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 may differ materially. Furthermore, the uncertainty created by the COVID-19 pandemic has greatly increased this risk by adding to the difficulty of making assumptions, predictions, forecasts or other forward-looking statements compared to previous periods. We caution readers against placing undue reliance on forward-looking statements since a number of factors, many of which are beyond Desjardins Group's control and whose impacts on Desjardins are therefore difficult to predict could influence, individually or collectively, the accuracy of the forward-looking statements in this press release. Additional information on these and other factors are available under Section 4.0 "Risk management" and under "COVID-19 pandemic" in Section 1.3, "Significant events", of Desjardins Group's 2020 MD&A. Although Desjardins Group believes that the expectations expressed in these forward-looking statements are reasonable and have a valid basis, it cannot guarantee that these expectations will materialize or prove to be correct. Desjardins Group cautions readers against placing undue reliance on these forward-looking statements when making decisions since actual results, conditions, actions and future events could differ significantly from targets, expectations, estimates or intents expressed in the forward-looking statements, either explicitly or implicitly. 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 2020 combined annual 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* in Québec, which do not differ from IFRS. IFRS represent Canadian generally accepted accounting principles (GAAP). The accounting policies used did not differ from those used in 2019. For more information about the accounting policies applied, see Note 2, "Basis of presentation and significant accounting policies", to the Annual Combined Financial Statements. Unless otherwise indicated, all amounts are in Canadian dollars (\$) and come mainly from the Combined Financial Statements of Desjardins Group.

Non-GAAP Measures

To assess its performance, Desjardins Group uses GAAP (IFRS) measures and various non-GAAP financial measures. Non-GAAP 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 GAAP measures. Investors, among others, may find these non-GAAP measures useful in analyzing financial performance.

These non-GAAP measures are defined as follows:

Adjusted surplus earnings of Desjardins Group before member dividends

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 item: the gain, net of income taxes, related to the sale to Global Payments of the entire portfolio of merchants receiving Desjardins Group services under the Monetico brand, finalized on December 31, 2019.

The following table presents a reconciliation of surplus earnings before member dividends as presented in the Combined Financial Statements and the adjusted surplus earnings as presented in the MD&A.

	For the three-month periods ended			For the years ended December 31	
	December 31, 2020	September 30, 2020	December 31, 2019	2020	2019
<i>(in millions of dollars)</i>					
Presentation of surplus earnings before member dividends in the Combined Financial Statements	\$ 876	\$ 729	\$ 935	\$ 2,419	\$ 2,598
Specific item, net of income taxes					
Gain related to the sale of the entire portfolio of merchants receiving Desjardins Group services under the Monetico brand	-	-	(309)	-	(309)
Presentation of adjusted surplus earnings before member dividends	\$ 876	\$ 729	\$ 626	\$ 2,419	\$ 2,289

Adjusted surplus earnings of the Personal and Business Services segment before member dividends

The surplus earnings of the Personal and Business Services segment before member dividends are adjusted to exclude the following specific item: the gain, net of income taxes, related to the sale to Global Payments of the entire portfolio of merchants receiving Desjardins Group services under the Monetico brand, finalized on December 31, 2019.

The following table presents a reconciliation of the surplus earnings of the Personal and Business Services segment before member dividends as presented in the Combined Financial Statements and the adjusted surplus earnings before member dividends as presented in the MD&A.

	For the three-month periods ended			For the years ended December 31	
	December 31, 2020	September 30, 2020	December 31, 2019 ⁽¹⁾	2020	2019 ⁽¹⁾
<i>(in millions of dollars)</i>					
Presentation of surplus earnings of the Personal and Business Services segment before member dividends in the Combined Financial Statements	\$ 364	\$ 445	\$ 686	\$ 1,314	\$ 1,913
Specific item, net of income taxes					
Gain related to the sale of the entire portfolio of merchants receiving Desjardins Group services under the Monetico brand	-	-	(309)	-	(309)
Presentation of the adjusted surplus earnings of the Personal and Business Services segment before member dividends	\$ 364	\$ 445	\$ 377	\$ 1,314	\$ 1,604

⁽¹⁾ Data for 2019 have been reclassified to conform to the current period's presentation.

Gross credit-impaired loans/gross loans and acceptances

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.

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 at fair value through profit or loss, net investment income on securities classified 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 following table shows the correspondence of total income between the MD&A and the Combined Financial Statements.

	For the three-month periods ended			For the years ended December 31	
	December 31, 2020	September 30, 2020	December 31, 2019 ⁽¹⁾	2020	2019 ⁽¹⁾
<i>(in millions of dollars)</i>					
Presentation of income in the Combined Financial Statements					
Net interest income	\$ 1,455	\$ 1,464	\$ 1,383	\$ 5,640	\$ 5,296
Net premiums	2,626	2,534	2,527	9,920	9,412
Other income					
Deposit and payment service charges	104	96	109	388	431
Lending fees and credit card service revenues	165	126	185	628	774
Brokerage and investment fund services	243	235	226	954	886
Management and custodial service fees	168	152	155	617	582
Net investment income (loss) ⁽²⁾	646	304	(93)	3,116	3,087
Overlay approach adjustment for insurance operations financial assets	(112)	(143)	(22)	(42)	(192)
Foreign exchange income	21	22	12	103	64
Other	48	14	341	149	417
Total income	\$ 5,364	\$ 4,804	\$ 4,823	\$ 21,473	\$ 20,757
Presentation of income in the MD&A					
Net interest income	\$ 1,455	\$ 1,464	\$ 1,383	\$ 5,640	\$ 5,296
Net premiums	2,626	2,534	2,527	9,920	9,412
Other operating income					
Deposit and payment service charges	104	96	109	388	431
Lending fees and credit card service revenues	165	126	185	628	774
Brokerage and investment fund services	243	235	226	954	886
Management and custodial service fees	168	152	155	617	582
Foreign exchange income	21	22	12	103	64
Other	48	14	341	149	417
Operating income	4,830	4,643	4,938	18,399	17,862
Investment income (loss)					
Net investment income (loss) ⁽²⁾	646	304	(93)	3,116	3,087
Overlay approach adjustment for insurance operations financial assets	(112)	(143)	(22)	(42)	(192)
	534	161	(115)	3,074	2,895
Total income	\$ 5,364	\$ 4,804	\$ 4,823	\$ 21,473	\$ 20,757

⁽¹⁾ Data for 2019 have been reclassified to conform to the current period's presentation.

⁽²⁾ The breakdown of this line item is presented in Note 26, "Net interest income and net investment income," to the 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.

<i>(in millions of dollars and as a percentage)</i>	For the three-month periods ended			For the years ended December 31	
	December 31, 2020	September 30, 2020	December 31, 2019	2020	2019
Provision for credit losses	\$ 169	\$ 99	\$ 113	\$ 863	\$ 365
Average gross loans	211,756	209,494	202,126	208,482	197,109
Average gross acceptances	164	104	282	200	212
Average gross loans and acceptances	\$ 211,920	\$ 209,598	\$ 202,408	\$ 208,682	\$ 197,321
Credit loss provisioning rate	0.32%	0.19%	0.22%	0.41%	0.18%

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