PRESS RELEASE
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PUTTING PEOPLE FIRST. *In the last quarter, the Desjardins Foundation teamed up with Alloprof Parents, a new educational support service, and provided support to 30 Auberges du coeur youth centres. Desjardins was also recognized by Mediacorp as one of Canada's Top 100 employers for a seventh consecutive year.*

Desjardins Group results for 2017

2017 was a banner year for Desjardins Group, which recorded $2,151 million in surplus earnings

With a 40% rise in member dividends, $320 million was returned to members and the community

Lévis (Qc), February 26, 2018 – For the fiscal year ended December 31, 2017, Desjardins Group, Canada's leading cooperative financial group, continued to deliver solid business growth, recording $2,151 million in surplus earnings before member dividends, up $379 million from fiscal 2016. This result includes a $249 million gain, net of expenses and after income taxes, realized on the sale of its subsidiaries Western Financial Group Inc. and Western Life Assurance Company. Adjusted surplus earnings[1] were $1,934 million, up $129 million or 7.1%. Operating income grew $1,053 million, or 7.5%, excluding the above-mentioned gain. This strong performance allows Desjardins to support its growth, fulfill its cooperative mission for the benefit of its members and clients, and maintain its excellent capitalization.

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

The amount returned to members and the community was $320 million (2016: $259 million), including a $202 million provision for member dividends (2016: $144 million); $82 million in sponsorships, donations and scholarships (2016: $82 million); and $36 million in Desjardins Member Advantages (2016: $33 million).

"These results confirm that we're getting closer than ever to our members and clients," said Guy Cormier, President and Chief Executive Officer. "That's primarily due to our important digital shift, which is helping us meet their needs more effectively. It's also given us more leverage to pursue our social and economic mission, and that has a direct impact on people—this year we saw member dividends grow by 40% and we were able to give back $320 million to our members and communities."

Desjardins also created a $100 million fund to support socioeconomic initiatives in communities across Quebec and Ontario. Since the fund was created at the end of 2016, some $19 million in funding has been approved for more than 70 initiatives.

Cooperation in action

In addition to the many caisse initiatives at the local level, here are some of the ways that Desjardins made a positive difference in people's lives:

- *The Desjardins Foundation made a $350,000 contribution to a new educational support service, Alloprof Parents*
- *During Co-op week, Desjardins lent its support to* Auberges du cœur *youth centres. With 30 locations in Quebec, these centres provide shelter and support to more than 3,500 young people every year. The Desjardins Foundation made a $90,000 donation*

Investing in innovation

Desjardins is constantly innovating to meet the needs of its members and clients. Here are just a few examples of Desjardins's expertise and its focus on innovation:

- The Desjardins Capital SME fund was created to support the growth of SMEs in all of Quebec's regions ($500 million over 5 years)
- The second Desjardins Lab was launched in Lévis
- A partnership was announced between Desjardins Capital and French private equity firm Siparex to pool their development capital expertise to support companies looking to expand their business internationally
- A partnership was announced between provincial credit union centrals, Desjardins and the CUMIS Group to create one of Canada's largest independent wealth management firms, Aviso Wealth
- Desjardins announced it would be implementing new practices to combat climate change

According to the latest edition of the *World Co-operative Monitor*, Desjardins rose from 6th to 5th place in the global ranking of cooperatives in the banking and financial services sector.

Furthermore, Desjardins was recognized for the seventh consecutive year as one of Canada's Top 100 employers according to Mediacorp.

Financial results for 2017

- Surplus earnings of $2.151 million, up $379 million or 21.4% from 2016
- Adjusted surplus earnings[(1)] of $1,934 million, up $129 million, or 7.1% from 2016
- Gain of $249 million, net of expenses and after income taxes, following the completion of the sale of Western Financial Group and Western Life Assurance Company to Trimont Financial Ltd., a subsidiary of the Wawanesa Mutual Life Insurance Company, on July 1, 2017
- Excluding the above-mentioned gain, a $1,053 million or 7.5% increase in operating income[(1)]
- Increase of $11.5 billion in outstanding loans and acceptances, of which $6.5 billion has come from residential mortgage loans since December 31, 2016
- Tier 1A capital ratio of 18.0% as at December 31, 2017
- The closing of a US$1.5 billion issue of medium-term notes on October 31, 2017, a record issue for Desjardins on the U.S. market

The increase in adjusted surplus earnings[(1)] in 2017 was largely due to the contribution made by the caisse network, which continued to grow, and by the Wealth Management and Life and Health Insurance segment, whose investments performed well in 2017 and whose assets under management grew. In contrast, the Property and Casualty Insurance segment was affected by a higher claims experience in 2017 compared to 2016, when the claims experience was very favourable.

Net interest income was $4,405 million, up $132 million from 2016. This growth was due to expanding financing activities in mortgages, business loans and point-of-sale financing, despite highly competitive market conditions that placed pressure on interest margins.

The growth in life and health insurance and in property and casualty insurance operations, combined with the impact of the reinsurance treaty signed as part of the acquisition of the Canadian operations of State Farm, led to a 12.3% increase in net premiums, to $8,049 million (2016: $7,168 million).

Excluding the gross gain on the sale of subsidiaries, other operating income[(1)] stood at $2,681 million, up $40 million from 2016. This increase was essentially the result of higher income from assets under management as well as from lending fees and credit card service revenues. The higher income from credit card service revenues consisted mainly of income from the various payment solutions offered by Desjardins's Card and Payment Services, totalling $660 million (2016: $574 million) and came from increased business volumes.

Desjardins Group's loan portfolio continued to be of high quality as evidenced by the gross impaired loans ratio, which, expressed as a percentage of the total gross loans and acceptances portfolio, was 0.25% as at December 31, 2017 (2016: 0.32%). This decrease was primarily due to an improved economic environment. The provision for credit losses was $349 million, up $30 million from 2016. Refinements made to the methodology used to build the models that calculate the collective allowance generated a recovery of this provision in 2016.

Non-interest expense increased 2.0% to stand at $7,348 million (2016: $7,204 million). This increase was mainly due to the impact of the reinsurance treaty signed as part of the acquisition of the Canadian operations of State Farm and to business growth, including credit card activities, point-of-sale financing and assets under management. The increase was, however, limited by efficiency initiatives, especially regarding salaries, and also by the decrease in expenses related to the sale of subsidiaries in 2017.

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

Results for the fourth quarter of 2017

For the fourth quarter ended December 31, 2017, surplus earnings before member dividends stood at $429 million (Q4 2016: $509 million). This decrease was primarily due to favourable developments in prior-year claims that were lower than in the same quarter of 2016, and a claims experience in 2017 that was less favourable than in the same period of 2016.

Total assets of $275.1 billion, up $16.7 billion

As at December 31, 2017, Desjardins Group had total assets of $275.1 billion, up $16.7 billion or 6.5% since December 31, 2016. This compares with growth of $10.2 billion or 4.1% recorded one year earlier. This increase was largely due to growth in the net loans and acceptances portfolio and in the securities 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 18.0% and 18.4%, respectively, as at December 31, 2017, compared to 17.3% and 17.9%, as at December 31, 2016.

Segment results for 2017

Personal and Business Services

For fiscal 2017, the Personal and Business Services segment reported surplus earnings before member dividends of $1,108 million (2016: $1,025 million). Much of this increase was due to good performance in the caisse network and growth in credit card and point-of-sale financing activities.

For the fourth quarter of 2017, surplus earnings were $286 million (Q4 2016: $258 million).

Wealth Management and Life and Health Insurance

At the end of fiscal 2017, net surplus earnings generated by the Wealth Management and Life and Health Insurance segment were $612 million (2016: $461 million). This 32.8% increase was due to good investment performance, to improved interest rates, which led to a release of the actuarial provision, and to growth in assets under management.

For the fourth quarter of 2017, surplus earnings were $159 million (Q4 2016: $114 million). This increase was mainly due to favourable adjustments made to actuarial assumptions in the normal course of business.

Property and Casualty Insurance

The Property and Casualty Insurance segment recorded net surplus earnings of $446 million in 2017 (2016: $296 million). Adjusted net surplus earnings[1] stood at $237 million, down $92 million. This decrease in surplus earnings was, in particular, due to a higher claims experience than in 2016, as well as favourable developments in prior-year claims that were lower than in 2016.

For the fourth quarter of 2017, net surplus earnings were $48 million (Q4 2016: $182 million). This decrease was primarily due to favourable developments in prior-year claims that were lower than in the same quarter of 2016, and a claims experience in 2017 that was less favourable than in the same period of 2016. This decline in surplus earnings was also due to growth in non-interest expense, which was largely the result of the impact of the reinsurance treaty signed as part of the acquisition of the Canadian operations of State Farm.

Key Financial Data

FINANCIAL POSITION AND KEY RATIOS

(in millions of dollars and as a percentage)	**As at December 31, 2017**	As at December 31, 2016
Assets	**$ 275,095**	$ 258,367
Residential mortgage loans	**$ 113,146**	$ 106,695
Consumer, credit card and other personal loans	**$ 24,044**	$ 22,150
Business and government loans[1]	**$ 40,769**	$ 37,637
Total gross loans[1]	**$ 177,959**	$ 166,482
Equity	**$ 24,773**	$ 23,293
Tier 1A capital ratio	**18.0%**	17.3%
Tier 1 capital ratio	**18.0%**	17.3%
Total capital ratio	**18.4%**	17.9%
Leverage ratio	**8.5%**	8.1%
Gross impaired loans/gross loans and acceptances ratio[2]	**0.25%**	0.32%

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

COMBINED INCOME

	For the three-month periods ended		**For the years ended**	
(in millions of dollars and as a percentage)	**December 31, 2017**	December 31, 2016	**December 31, 2017**	December 31, 2016
Operating income[1]	**$ 3,721**	$ 3,548	**$ 15,413**	$ 14,082
Surplus earnings before member dividends	**$ 429**	$ 509	**$ 2,151**	$ 1,772
Adjusted surplus earnings[1]before member dividends	**$ 437**	$ 518	**$ 1,934**	$ 1,805
Return on equity[1]	**7.0%**	8.8%	**9.1%**	8.0%
Adjusted return on equity[1]	**7.1%**	8.9%	**8.1%**	8.1%

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

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

CONTRIBUTION TO COMBINED SURPLUS EARNINGS BY BUSINESS SEGMENT

(in millions of dollars)	For the three-month periods ended		For the years ended	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Personal and Business Services	**$ 286**	$ 258	**$ 1,108**	$ 1,025
Wealth Management and Life and Health Insurance	**$ 159**	$ 114	**$ 612**	$ 461
Property and Casualty Insurance[(1)]	**$ 48**	$ 182	**$ 446**	$ 296
Other	**$ (64)**	$ (45)	**$ (15)**	$ (10)
Desjardins Group[(1)]	**$ 429**	$ 509	**$ 2,151**	$ 1,772

(1) Adjusted surplus earnings are presented in "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, which is 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 $275.1 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. Ranked among the world's strongest banks according to *The Banker* magazine, Desjardins has some 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. 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, the assumptions made may be incorrect or 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 in the risk management section of Desjardins Group's 2017 annual Management's Discussion and Analysis. Although Desjardins Group believes that the expectations expressed in these forward-looking statements are reasonable, it cannot guarantee that these expectations will prove to be correct. Desjardins Group cautions readers against placing undue reliance on these forward-looking statements when making decisions. Desjardins Group does not undertake to update any verbal or written forward-looking statements that may be made from time to time by or on behalf of Desjardins Group, except as required under applicable securities legislation.

Basis of presentation of financial information

The financial information in this document comes primarily from the 2017 Annual Combined Financial Statements. Those statements have been prepared by Desjardins Group's management in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and the accounting requirements of the Autorité des marchés financiers *(AMF) in Quebec, which do not differ from IFRS. Unless otherwise indicated, all amounts are in Canadian dollars and are primarily from Desjardins Group's Combined Financial Statements.*

To assess its performance, Desjardins Group uses IFRS measures and various non-IFRS financial measures. Non-IFRS financial measures, other than the regulatory ratios, do not have standardized definitions and are not directly comparable to similar measures used by other companies, and may not be directly comparable to any IFRS measures. Investors, among others, may find these non-IFRS measures useful in analyzing financial performance. The measures used are defined as follows:

Adjusted surplus earnings for Desjardins Group before member dividends

The concept of adjusted surplus earnings is used to exclude specific items in order to present financial performance derived from operating activities. Those specific items, such as acquisitions and disposals, are characterized as being unrelated to operations.

Desjardins Group's surplus earnings before member dividends have been adjusted to exclude the following specific items: the gain and the expenses, net of income taxes, related to the sale of its subsidiaries Western Financial Group Inc. and Western Life Assurance Company completed on July 1, 2017 as well as the gain on the acquisition date and expenses, net of income taxes, incurred as part of the acquisition of the Canadian operations of State Farm Mutual Automobile Insurance Company (State Farm), completed on January 1, 2015. The latter expenses include the costs related to the transaction and the integration of operations as well as processing expenses.

(in millions of dollars)	**For the three-month periods ended**		**For the years ended**	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Presentation of the surplus earnings before member dividends in the Combined Financial Statements	**$ 429**	$ 509	**$ 2,151**	$ 1,772
Specific items, net of income taxes				
Net gain on expenses related to the sale of Western Financial Group Inc. and Western Life Assurance Company(1)	**$ -**	$ -	**$ (249)**	$ -
Gain and expenses related to the acquisition of the Canadian operations of State Farm	**$ 8**	$ 9	**$ 32**	$ 33
Presentation of adjusted surplus earnings before member dividends in the Management's Discussion and Analysis	**$ 437**	$ 518	**$ 1,934**	$ 1,805

(1) The amount before income taxes is $278 million for the year ended December 31, 2017, as presented in Note 20, "Significant disposals", in the Combined Financial Statements.

Adjusted net surplus earnings for the Property and Casualty Insurance segment

The Property and Casualty Insurance segment's net surplus earnings have been adjusted to exclude the following specific items: the gain and the expenses, net of income taxes, related to the sale of its subsidiaries Western Financial Group Inc. and Western Life Assurance Company, completed on July 1, 2017, as well as the gain on the acquisition date and expenses, net of income taxes, recorded as part of the acquisition of the Canadian operations of State Farm, completed on January 1, 2015. The latter expenses include the costs related to the transaction and the integration of operations as well as processing expenses.

(in millions of dollars)	**For the three-month periods ended**		**For the years ended**	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Presentation of the net surplus earnings of the Property and Casualty Insurance segment in the Combined Financial Statements	**$ 48**	$ 182	**$ 446**	$ 296
Specific items, net of income taxes				
Net gain on expenses related to the sale of Western Financial Group Inc. and Western Life Assurance Company(1)	**$ -**	$ -	**$ (241)**	$ -
Gain and expenses related to the acquisition of the Canadian operations of State Farm(2)	**$ 8**	$ 9	**$ 32**	$ 33
Presentation of the net surplus earnings of the Property and Casualty Insurance segment in the Management's Discussion and Analysis	**$ 56**	$ 191	**$ 237**	$ 329

(1) The difference between these data and those presented in the table for the adjusted surplus earnings of Desjardins Group before member dividends is related to intersegment transaction expenses.

(2) The difference between these data and those presented in the table for the adjusted surplus earnings of Desjardins Group before member dividends is related to an amount from the Wealth Management and Life and Health Insurance segment.

<u>Gross impaired loans/gross loans and acceptances ratio</u>

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.

<u>Return on equity and adjusted return on equity</u>

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.

<u>Income</u>

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 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. 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, for which the results 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.

(in millions of dollars)	For the years ended December 31, 2017	December 31, 2016
Presentation of income in the Combined Financial Statements		
Net interest income	**$ 4,405**	$ 4,273
Net premiums	**$ 8,049**	$ 7,168
Other income		
Deposit and payment service charges	**$ 458**	$ 488
Lending fees and credit card service revenues	**$ 660**	$ 574
Brokerage and investment fund services	**$ 1,087**	$ 1,106
Management and custodial service fees	**$ 428**	$ 376
Net income on securities at fair value through profit or loss	**$ 1,079**	$ 533
Net income on available-for-sale securities	**$ 408**	$ 388
Net other investment income	**$ 201**	$ 198
Foreign exchange income	**$ 77**	$ 70
Other	**$ 249**	$ 27
Total income	**$ 17,101**	$ 15,201
Presentation of income in Management's Discussion and Analysis		
Net interest income	**$ 4,405**	$ 4,273
Net premiums	**$ 8,049**	$ 7,168
Other operating income		
Deposit and payment service charges	**$ 458**	$ 488
Lending fees and credit card service revenues	**$ 660**	$ 574
Brokerage and investment fund services	**$ 1,087**	$ 1,106
Management and custodial service fees	**$ 428**	$ 376
Foreign exchange income	**$ 77**	$ 70
Other	**$ 249**	$ 27
Operating income	**$ 15,413**	$ 14,082
Investment income		
Net income on securities at fair value through profit or loss	**$ 1,079**	$ 533
Net income on available-for-sale securities	**$ 408**	$ 388
Net other investment income	**$ 201**	$ 198
	$ 1,688	$ 1,119
Total income	**$ 17,101**	$ 15,201

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