Desjardins

PRESS RELEASE

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PRDG38

Results for the second quarter of 2018

AN ACTIVE AND INVOLVED GROUP. Second-quarter achievements included the unveiling of a work of art by Daniel Iregui at our new Desjardins – Downtown Montreal service centre, our participation in the Grand Défi Pierre Lavoie, and our contribution to a fundraising campaign for the YMCAs of Québec.

Desjardins Group records surplus earnings of $677 million for the second quarter

$106 million returned to members and the community, an increase of $32 million

Lévis, August 13, 2018 – At the end of the second quarter ended June 30, 2018, Desjardins Group, Canada's leading financial cooperative group, recorded surplus earnings before member dividends of $677 million, up $96 million from the same quarter of 2017. This includes a $129 million gain, net of income taxes, realized on the creation of Aviso Wealth. Adjusted surplus earnings[1] were $548 million, down $34 million, or 5.8%. This decline was due to a higher claims experience in property and casualty insurance. Caisse network operations and income from assets under management continued to grow in the second quarter. These results allowed Desjardins Group to further its cooperative mission, to the benefit of its members and clients, and maintain its excellent financial stability.

The amount returned to members and the community was $106 million (Q2 2017: $74 million), including a $71 million provision for member dividends (Q2 2017: $40 million), $25 million in sponsorships, donations and scholarships (Q2 2017: $23 million) and $10 million in Desjardins Member Advantages (Q2 2017: $11 million).

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

"Our organization's performance means we can further our mission, innovate and fulfill our role as a socioeconomic leader," said Guy Cormier, President and Chief Executive Officer. "Innovation is at the heart of what we do. It allows us to improve services and simplify the lives of our members and clients. We were one of the first Canadian institutions to let consumers purchase home insurance and renew their mortgages entirely online."

Giving back to the community

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

- *Unveiling of a permanent work of art by Daniel Iregui at the new Desjardins – Downtown Montreal service centre. Desjardins is supporting Montreal media art by giving it a place of honour in its new centre.*
- *Contribution of more than $1.6 million to the major fundraising campaign of the Fondation Hôtel-Dieu de Lévis under the theme "On vous rapproche de la guérison" (we bring you closer to healing).*
- *New major partnership with the Bourse du carbone Scol'ERE in the amount of $300,000, taken from the $100 million fund, to teach young people about how to consume responsibly and encourage them, along with their families, to adopt new habits to reduce greenhouse gas emissions.*
- *Major support provided to help young people from diverse backgrounds succeed through a $1 million contribution to the YMCAs of Québec, in particular to help furnish the Saint Roch community and sports centre in Québec.*
- *Launch, with the Fédération québécoise des municipalités, of a pilot project on independent ATMs to provide ready access to cash in municipalities, in part as a way to develop tourism.*

Innovating and leading

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

- *Launch of online, completely unassisted purchasing of home insurance from a smartphone, tablet or computer.*
- *Partnership with a new fund, Luge Capital, which is focused on fintech companies and artificial intelligence applied to financial services.*
- *Launch, in partnership with Novus Santé, of a new health and wellness platform specifically designed for insured individuals and their loved ones, to help them make informed decisions about their health.*
- *Launch, with EDC, Groupe Siparex and Bpifrance, of the C$120 million Transatlantic Fund to finance the development of businesses in Europe and North America.*

It should also be mentioned that Guy Cormier tabled a report by the advisory committee on Montreal's commercial development plan. He agreed to head up the committee following a request from the Mayor. The report makes 23 recommendations on how to address the challenges faced by merchants, including high taxation, administrative burden, construction site management and e-commerce.

Q2 financial results

- *Surplus earnings of $677 million, up $96 million or 16.5% from 2017.*
- *Gain of $129 million, net of income taxes, realized on April 1, 2018, upon the creation of Aviso Wealth (see the press release dated December 12, 2017).*
- *Adjusted surplus earnings[1] of $548 million, down $34 million, or 5.8%, compared to 2017.*
- *Increase in operating income[1] of $109 million, or 2.8%, excluding the above-mentioned gain.*
- *Provision for member dividends of $71 million, up $31 million compared to the same period in 2017.*
- *Outstanding residential mortgages have increased by $4.2 billion since December 31, 2017.*
- *Total capital ratio of 17.8% as at June 30, 2018.*
- *Issue of €750 million in covered bonds on the European market.*

Net interest income was $1,160 million, up $73 million from the same period in 2017. This growth was due to expanded financing activities in mortgage lending, consumer lending and business loans over the last year and, to a lesser extent, due to higher interest rates.

Net premiums were $2,200 million (Q2 2017: $2,076 million), up 6.0%. This increase was due to growth in the activities of both life and health insurance and property and casualty insurance, combined with the impact of the reinsurance treaty signed as part of the acquisition of State Farm's Canadian operations.

Excluding the gross gain realized on the creation of Aviso Wealth, other operating income[1] was $649 million, down $88 million from the corresponding period of 2017. This decrease was essentially due to lower commission income following the sale of Western Financial Group Inc. and the decrease in income from deposit service charges due to pricing changes and lower volumes. This decline was partly offset by growth in income from assets under management and income from fees related to card payment operations, and resulting from business growth.

The provision for credit losses was stable compared to the same period of 2017 and totalled $80 million. The gross credit-impaired loans ratio, expressed as a percentage of the total gross loans and acceptances portfolio, was 0.51% on June 30, 2018, up from the figure recorded in 2017, mainly due to the adoption of IFRS 9. Despite this increase, Desjardins Group has continued to present a high-quality loan portfolio in 2018.

Non-interest expense was $1,838 million (Q2 2017: $1,878 million). This decrease was mainly due to the sale of Western Financial Group Inc. and Western Life Assurance Company, completed on July 1, 2017, as well as the transaction involving Qtrade Canada Inc., and it was offset by the increase in expenses related to business growth, including card payment, financing and assets under management activities, as well as the impact of the reinsurance treaty signed as part of the acquisition of the Canadian operations of State Farm.

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

Assets of $290.1 billion, an increase of $15.0 billion

As at June 30, 2018, Desjardins Group had total assets of $290.1 billion, up $15.0 billion or 5.4% since December 31, 2017. This growth was largely due to the increase in net loans and acceptances as well as securities, including securities borrowed or purchased under reverse purchase agreements.

Strong capital base

Desjardins Group maintains very good capitalization levels in compliance with Basel III rules. Its Tier 1A and total capital ratios were 17.5% and 17.8%, respectively, as at June 30, 2018, compared to 18.0% and 18.4% as at December 31, 2017.

Results for the first six months of 2018

At the end of the first six months of the year, surplus earnings before member dividends was $1,178 million (2017: $964 million), up 22.2%. Adjusted surplus earnings[1] before member dividends totalled $1,049 million, an increase of $76 million or 7.8%. In addition to the reasons given for the second-quarter results, this increase was mainly due to gains on the disposal of investments and the profit realized on the reorganization of Interac Corp.

Segment results for the second quarter of 2018

Personal and Business Services

For the second quarter of fiscal 2018, the Personal and Business Services segment reported surplus earnings before member dividends of $299 million (Q2 2017: $272 million). The increase was largely due to good performance by the caisses, offset by the increase in expenses related to the acquisition and set-up of new Canada-wide credit card portfolios.

Surplus earnings for the first six months of 2018 were $574 million (2017: $518 million).

Wealth Management and Life and Health Insurance

Net surplus earnings generated by the Wealth Management and Life and Health Insurance segment were $331 million at the end of the quarter (Q2 2017: $189 million) and adjusted net surplus earnings[1] for 2018 were $202 million. This 6.9% increase in adjusted net surplus earnings was due to increased income related to the growth of assets under management and a more favourable claims experience. The increase was partly offset by smaller gains on disposals of securities and less favourable interest margins.

Adjusted net surplus earnings for the first six months of 2018 were $408 million (2017: $332 million).

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

Property and Casualty Insurance

The Property and Casualty Insurance segment recorded $52 million in net surplus earnings in the second quarter of 2018 (Q2 2017: $98 million), down $46 million. This decrease in surplus earnings was in part due to a higher claims experience compared to the same quarter of 2017, in particular as a result of two catastrophes, related to wind damage in May and water and wind damage in April, and the impact of the sale of Western Financial Group Inc. and Western Life Assurance Company, completed on July 1, 2017.

Adjusted net surplus earnings for the first six months of 2018 were $78 million (2017: $94 million).

Key financial data

FINANCIAL POSITION AND KEY RATIOS

(in millions of dollars and as a percentage)	**As at June 30, 2018[1]**	As at December 31, 2017
Assets	**$ 290,073**	$ 275,095
Residential mortgage loans	**$ 117,381**	$ 113,146
Consumer, credit card and other personal loans	**$ 25,285**	$ 24,044
Business and government loans[2]	**$ 42,673**	$ 40,769
Total gross loans[2]	**$ 185,339**	$ 177,959
Equity	**$ 25,522**	$ 24,773
Tier 1A capital ratio	**17.5%**	18.0%
Tier 1 capital ratio	**17.5%**	18.0%
Total capital ratio	**17.8%**	18.4%
Leverage ratio	**8.2%**	8.5%
Gross credit-impaired loans[3]/gross loans and acceptances ratio[4]	**0.51%**	0.25%

[1] The information presented as at June 30, 2018 takes into account the standards and amendments adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies", to the Interim Combined Financial Statements.

[2] Includes acceptances.

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

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

COMBINED INCOME

	For the three-month periods ended			**For the six-month periods ended**	
(in millions of dollars and as a percentage)	**June 30, 2018[1]**	March 31, 2018[1]	June 30, 2017	**June 30, 2018[1]**	June 30, 2017
Operating income[2]	**$ 4,141**	$ 4,018	$ 3,900	**$ 8,159**	$ 7,655
Surplus earnings before member dividends	**$ 677**	$ 501	$ 581	**$ 1,178**	$ 964
Adjusted surplus earnings before member dividends[2]	**$ 548**	$ 501	$ 582	**$ 1,049**	$ 973
Return on equity[2]	**11.0%**	8.3%	9.9%	**9.7%**	8.4%
Adjusted return on equity[2]	**9.0%**	8.4%	10.0%	**8.7%**	8.5%
Credit loss provisioning rate[2]	**0.18%**	0.26%	0.18%	**0.22%**	0.20%

[1] The information presented for the three-month and the six-month periods ended June 30, 2018 and the three-month period ended March 31, 2018 takes into account the standards and amendments adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies", to the Interim Combined Financial Statements.

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

CONTRIBUTION TO COMBINED SURPLUS EARNINGS BY BUSINESS SEGMENT

	For the three-month periods ended			For the six-month periods ended	
(in millions of dollars)	**June 30, 2018**[1]	March 31, 2018[1]	June 30, 2017	**June 30, 2018**[1]	June 30, 2017
Personal and Business Services	**$ 299**	$ 275	$ 272	**$ 574**	$ 518
Wealth Management and Life and Health Insurance[2]	**331**	206	189	**537**	332
Property and Casualty Insurance[2]	**52**	26	98	**78**	80
Other	**(5)**	(6)	22	**(11)**	34
Desjardins Group[2]	**$ 677**	$ 501	$ 581	**$ 1,178**	$ 964

[1] The information presented for the three-month and the six-month periods ended June 30, 2018 and the three-month period ended March 31, 2018 takes into account the standards and amendments adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies", to the Interim Combined Financial Statements.

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

CREDIT RATINGS OF SECURITIES ISSUED

	DBRS	STANDARD & POOR'S	MOODY'S	FITCH
Fédération des caisses Desjardins du Québec				
Short-term	**R-1 (high)**	**A-1**	**P-1**	**F1+**
Senior medium- and long-term	**AA**	**A+**	**Aa2**	**AA-**
Desjardins Capital Inc.				
Senior medium- and long-term	**AA (low)**	**A**	**A2**	**A+**

More detailed financial information can be found in Desjardins Group's interim Management's Discussion and Analysis (MD&A), which will be available on the SEDAR website, under the Desjardins Capital Inc. profile.

About Desjardins Group

Desjardins Group is the leading cooperative financial group in Canada and the fifth largest cooperative financial group in the world, with assets of $290.1 billion. It has been rated one of the Best Employers in Canada by Aon Hewitt. To meet the diverse needs of its members and clients, Desjardins offers a full range of products and services to individuals and businesses through its extensive distribution network, online platforms and subsidiaries across Canada. Counted among the world's strongest banks according to *The Banker* magazine, Desjardins has one of the highest capital ratios and credit ratings in the industry.

Caution concerning forward-looking statements

Certain statements made in this press release may be forward-looking. By their very nature, forward-looking statements involve assumptions, uncertainties and inherent risks, both general and specific. It is therefore possible that, due to many factors, these predictions, forecasts or other forward-looking statements as well as Desjardins Group's objectives and priorities may not materialize or may prove to be inaccurate and that actual results differ materially. Various factors that are beyond Desjardins Group's control, and therefore whose impacts on Desjardins are difficult to predict, could influence the accuracy of the forward-looking statements in this press release. Additional information on these and other factors are available under the risk management section of Desjardins Group's 2017 MD&A. Although Desjardins Group believes that the expectations expressed in these forward-looking statements are reasonable, it cannot guarantee that these expectations will prove to be correct. Desjardins Group cautions readers against placing undue reliance on these forward-looking statements when making decisions. Desjardins Group does not undertake to update any verbal or written forward-looking statements that may be made from time to time by or on behalf of Desjardins Group, except as required under applicable securities legislation.

Basis of presentation of financial information

The financial information in this document comes primarily from the 2018 quarterly financial statements. Those statements have been prepared by Desjardins Group's management in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, and the accounting requirements of the Autorité des marchés financiers (AMF) in Quebec, which do not differ from IFRS. The Group's Interim Combined Financial Statements are prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". The accounting policies were applied as described in Note 2, "Basis of presentation and significant accounting policies", to the Annual Combined Financial Statements, except for the amendments described in Note 2, "Basis of presentation and significant accounting policies", to the Interim Combined Financial Statements as a result of the adoption of IFRS 9, "Financial Instruments", IFRS 15, "Revenue from Contracts with Customers", and amendments to IFRS 4, "Insurance Contracts", on January 1, 2018. For more information about the accounting policies applied, see the Annual and Interim Combined Financial Statements. Unless otherwise indicated, all amounts are in Canadian dollars ($) and come mainly from the Combined Financial Statements of Desjardins Group.

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

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 items: the expenses, net of income taxes, related to the sale of the subsidiaries Western Financial Group Inc. and Western Life Assurance Company, completed on July 1, 2017, as well as the gain, net of income taxes, related to the transaction involving Qtrade Canada Inc. and the interest in the associate Northwest & Ethical Investments L.P., completed on April 1, 2018, as part of the creation of Aviso Wealth.

(in millions of dollars)	**For the three-month periods ended**			**For the six-month periods ended**	
	June 30, 2018[1]	March 31, 2018[1]	June 30, 2017	**June 30, 2018[1]**	June 30, 2017
Presentation of the surplus earnings before member dividends in the Combined Financial Statements	**$ 677**	$ 501	$ 581	**$ 1,178**	$ 964
Specific items, net of income taxes					
Expenses related to the sale of Western Financial Group Inc. and Western Life Assurance Company	**-**	-	1	**-**	9
Gain related to the transaction involving Qtrade Canada Inc. and the interest in Northwest & Ethical Investments L.P.	**(129)**	-	-	**(129)**	-
Presentation of the adjusted surplus earnings before member dividends	**$ 548**	$ 501	$ 582	**$ 1,049**	$ 973

[1] The information presented for the three-month and the six-month periods ended June 30, 2018 and the three-month period ended March 31, 2018 takes into account the standards and amendments adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies", to the Interim Combined Financial Statements.

Adjusted net surplus earnings for the Wealth Management and Life and Health Insurance segment

The net surplus earnings of the Wealth Management and Life and Health Insurance segment have been adjusted to exclude the following specific item: the gain, net of income taxes, related to the transaction involving Qtrade Canada Inc. and the interest in the associate Northwest & Ethical Investments L.P., completed on April 1, 2018, as part of the creation of Aviso Wealth.

(in millions of dollars)	**For the three-month periods ended**			**For the six-month periods ended**	
	June 30, 2018[1]	March 31, 2018[1]	June 30, 2017	**June 30, 2018[1]**	June 30, 2017
Presentation of the net surplus earnings of the Wealth Management and Life Insurance segment in the Combined Financial Statements	**$ 331**	$ 206	$ 189	**$ 537**	$ 332
Specific item, net of income taxes					
Gain related to the transaction involving Qtrade Canada Inc. and the interest in Northwest & Ethical Investments L.P.	**(129)**	-	-	**(129)**	-
Presentation of the adjusted net surplus earnings of the Wealth Management and Life Insurance segment	**$ 202**	$ 206	$ 189	**$ 408**	$ 332

[1] The information presented for the three-month and the six-month periods ended June 30, 2018 and the three-month period ended March 31, 2018 takes into account the standards and amendments adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies", to the Interim Combined Financial Statements.

Adjusted net surplus earnings for the Property and Casualty Insurance segment

The net surplus earnings of the Property and Casualty Insurance segment are adjusted to exclude the following specific item: the expenses, net of income taxes, related to the sale of the subsidiaries Western Financial Group Inc. and Western Life Assurance Company, completed on July 1, 2017.

	For the three-month periods ended			For the six-month periods ended	
(in millions of dollars)	**June 30, 2018[(1)]**	March 31, 2018[(1)]	June 30, 2017	**June 30, 2018[(1)]**	June 30, 2017
Presentation of the net surplus earnings of the Property and Casualty Insurance segment in the Combined Financial Statements	**$ 52**	$ 26	$ 98	**$ 78**	$ 80
Specific item, net of income taxes					
Expenses related to the sale of Western Financial Group Inc. and Western Life Assurance Company	**-**	-	1	**-**	14
Presentation of the adjusted net surplus earnings of the Property and Casualty Insurance segment	**$ 52**	$ 26	$ 99	**$ 78**	$ 94

(1) The information presented for the three-month and the six-month periods ended June 30, 2018 and the three-month period ended March 31, 2018 takes into account the standards and amendments adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies", to the Interim Combined Financial Statements.

Gross credit-impaired loans/gross loans and acceptances ratio

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

Return on equity and adjusted return on equity

Return on equity is used to measure profitability resulting in value creation for members and clients. Expressed as a percentage, it is equal to surplus earnings before member dividends, excluding the non-controlling interests' share, divided by average equity before non-controlling interests.

Income

Operating income

The concept of operating income is used to analyze financial results. This concept allows for better structuring of financial data and makes it easier to compare operating activities from one period to the next by excluding the volatility of results specific to investments, particularly regarding the extent of life and health insurance and P&C insurance operations, for which a very large proportion of investments are recognized at fair value through profit or loss. The analysis therefore breaks down Desjardins Group's income into two parts, namely operating income and investment income, which make up total income. This measure is not directly comparable to similar measures used by other companies.

Operating income includes net interest income, generated mainly by the Personal and Business Services segment and the Other category, net premiums and other operating income such as deposit and payment service charges, lending fees and credit card service revenues, income from brokerage and investment fund services, management and custodial service fees, foreign exchange income as well as other income. These items, taken individually, correspond to those presented in the Combined Financial Statements.

Investment income

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

(in millions of dollars)	For the three-month periods ended June 30, 2018[1]	March 31, 2018[1]	June 30, 2017	For the six-month periods ended June 30, 2018[1]	June 30, 2017
Presentation of income in the Combined Financial Statements					
Net interest income	**$ 1,160**	$ 1,135	$ 1,087	**$ 2,295**	$ 2,144
Net premiums	**2,200**	2,139	2,076	**4,339**	4,058
Other income					
Deposit and payment service charges	**106**	103	122	**209**	242
Lending fees and credit card service revenues	**163**	186	154	**349**	326
Brokerage and investment fund services	**239**	271	307	**510**	585
Management and custodial service fees	**122**	120	106	**242**	207
Investment income[2]	**308**	111	711	**419**	1,146
Overlay approach adjustment for insurance operations financial assets	**20**	169	N/A	**189**	N/A
Foreign exchange income	**21**	27	20	**48**	39
Other	**130**	37	28	**167**	54
Total income	**$ 4,469**	$ 4,298	$ 4,611	**$ 8,767**	$ 8,801
Presentation of income in the MD&A					
Net interest income	**$ 1,160**	$ 1,135	$ 1,087	**$ 2,295**	$ 2,144
Net premiums	**2,200**	2,139	2,076	**4,339**	4,058
Other operating income					
Deposit and payment service charges	**106**	103	122	**209**	242
Lending fees and credit card service revenues	**163**	186	154	**349**	326
Brokerage and investment fund services	**239**	271	307	**510**	585
Management and custodial service fees	**122**	120	106	**242**	207
Foreign exchange income	**21**	27	20	**48**	39
Other	**130**	37	28	**167**	54
Operating income	**4,141**	4,018	3,900	**8,159**	7,655
Investment income					
Net investment income[2]	**308**	111	711	**419**	1,146
Overlay approach adjustment for insurance operations financial assets	**20**	169	N/A	**189**	N/A
	328	280	711	**608**	1,146
Total income	**$ 4,469**	$ 4,298	$ 4,611	**$ 8,767**	$ 8,801

[1] The information presented for the three-month and the six-month periods ended June 30, 2018 and the three-month period ended March 31, 2018 takes into account the standards and amendments adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies", to the Interim Combined Financial Statements.

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

Credit loss provisioning rate

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

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

(in millions of dollars and as a percentage)	For the three-month periods ended			For the six-month periods ended	
	June 30, 2018[1]	March 31, 2018[1]	June 30, 2017	**June 30, 2018[1]**	June 30, 2017
Provision for credit losses	**$ 80**	$ 115	$ 76	**$ 195**	$ 168
Average gross loans	**182,433**	178,749	169,934	**180,931**	168,779
Average gross acceptances	**43**	37	82	**39**	58
Average gross loans and acceptances	**$182,476**	$178,786	$170,016	**$180,970**	$168,838
Credit loss provisioning rate[2]	**0.18%**	0.26%	0.18%	**0.22%**	0.20%

[1] The information presented for the three-month and the six-month periods ended June 30, 2018 and the three-month period ended March 31, 2018 takes into account the standards and amendments adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies", to the Interim Combined Financial Statements.

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

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