



# Desjardins

## Fixed Income Investor Presentation Q3 2019 Results

*All figures are in Canadian dollars and as at September 30,  
2019, unless otherwise specified*



This presentation contains forward-looking statements regarding, among other things, Desjardins Group's business objectives and priorities, financial targets and maturity profile. Such statements are typically identified by words or phrases such as "believe", "expect", "anticipate", "intend", "estimate", "plan" and "may", words and expressions of similar import, and future and conditional verbs.

By their very nature, such statements involve assumptions, uncertainties and inherent risks, both general and specific. It is therefore possible that, due to many factors, the assumptions formulated may be incorrect, or the predictions, forecasts or 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. Desjardins Group cautions readers against placing undue reliance on these forward-looking statements since actual results, conditions, actions or future events could differ significantly from those anticipated.

A number of factors, many of which are beyond Desjardins Group's control and the effects of which can be difficult to predict, could influence the accuracy of the forward-looking statements in this presentation. These factors include: credit, market, liquidity, operational, insurance, strategic, and reputation risks; pension plan risks; environmental or social risks; legal and regulatory risks; cyberthreats; household indebtedness and changes in the housing market; technological developments; regulatory developments; interest rate developments; geopolitical uncertainties; general economic and business conditions in regions in which Desjardins Group operates; monetary policies; accuracy and completeness of information concerning clients and counterparties; critical accounting estimates and accounting standards; new products and services to maintain or increase market share; geographic concentration; acquisitions and joint arrangements; credit ratings; climate change; amendments to tax laws; unexpected changes in consumer spending and saving habits; talent recruitment and retention of key positions; the ability to implement Desjardins Group's disaster recovery plan within a reasonable time; the potential impact of international conflicts on operations; and Desjardins Group's ability to anticipate and properly manage the risks associated with these factors.

It is important to note that the above list of factors that could influence future results is not exhaustive. Other factors could have an adverse effect on Desjardins Group's results. Additional information about these and other factors is found in the "Risk management" sections of Desjardins Group's most recently published annual and any subsequent quarterly MD&As.

Any forward-looking statements contained in this presentation represent the views of management only as at the date hereof, and are presented for the purpose of assisting readers in understanding and interpreting Desjardins Group's balance sheet as at the dates indicated or its results for the periods then ended, as well as its business objectives and priorities. These statements may not be appropriate for other purposes. Desjardins Group does not undertake to update any oral or written forward-looking statements that could be made from time to time by or on behalf of Desjardins Group, except as required under applicable securities legislation.

**6<sup>th</sup> Largest in Canada<sup>(1)</sup>**  
Leader in the province of Quebec


**> 7 Million members  
and clients**


**> 46,000 employees**

**\$1,663 Million** (9 months)  
Surplus earnings, down 4.8%  
compared to 9M 2018.

**\$313 Billion**  
Total assets, up 5.8% compared to  
December 2018

**17.9% Tier 1A**  
(CET1 ratio for banks)

 **\$389 Million in 2018**  
Redistributed to members  
and the community

 **A Strong, Shared  
Commitment to Action**  
On climate change

 **Carbon Neutral**  
Starting 2017

## Our Goal

To become everyone's #1 choice



6<sup>th</sup> largest financial cooperative  
group in the world by total  
income



6<sup>th</sup> safest financial institution in  
North America and 40<sup>th</sup> in the  
world

## The Banker

97<sup>th</sup> most important financial  
institution by Tier 1 capital

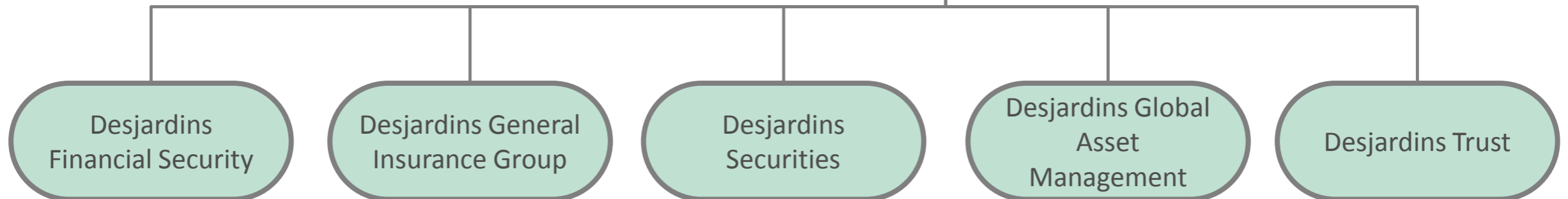


238 caisses

Capital Desjardins Inc.

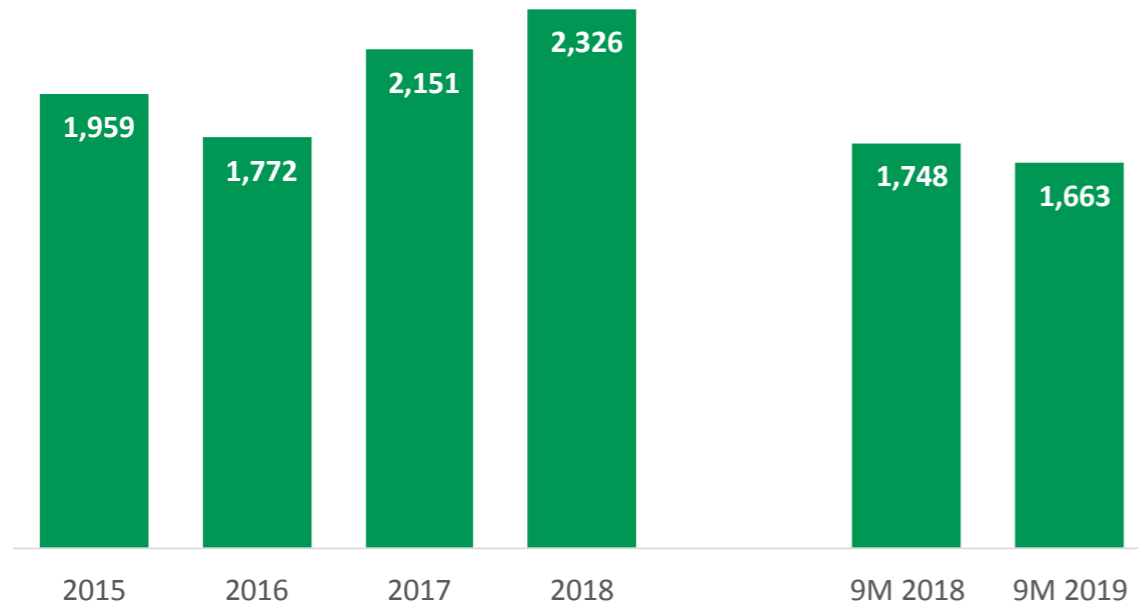
Desjardins Security Fund

Fédération des caisses Desjardins du Québec

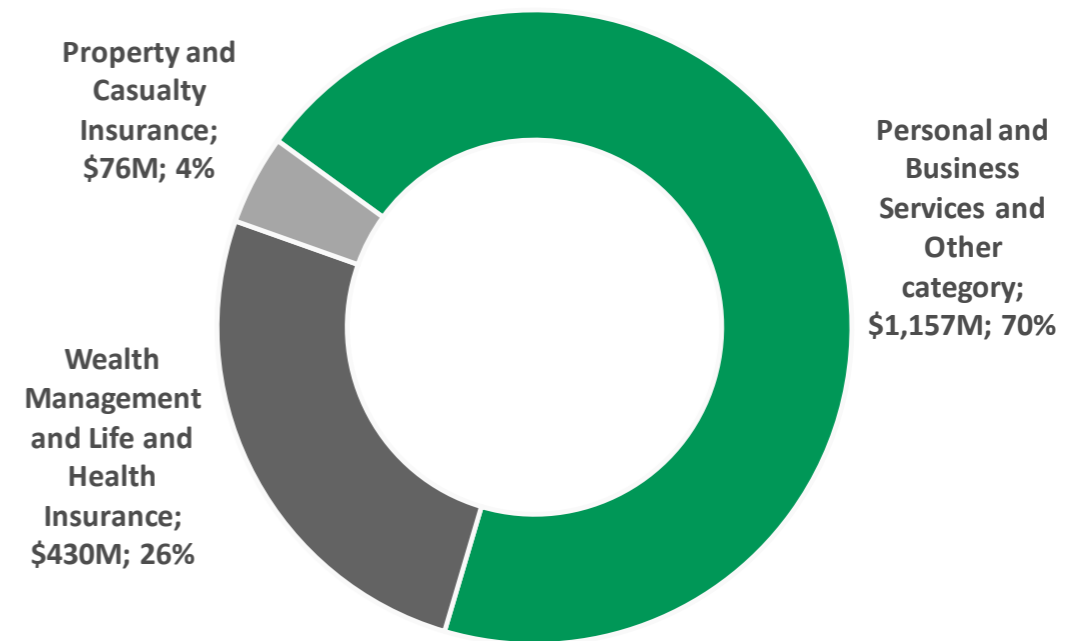


# FINANCIAL RESULTS

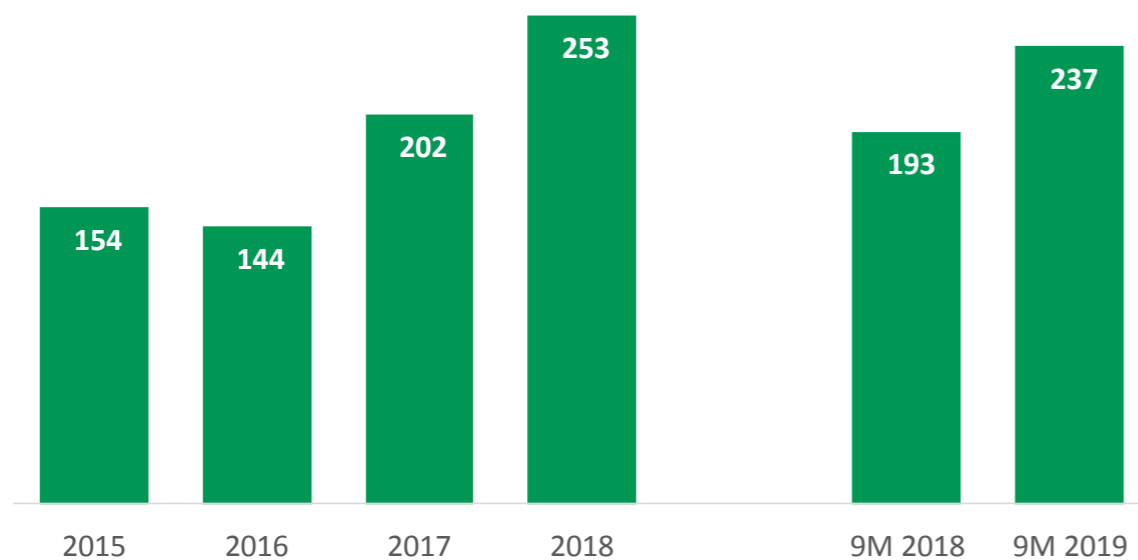
### SURPLUS EARNINGS (IN \$M)



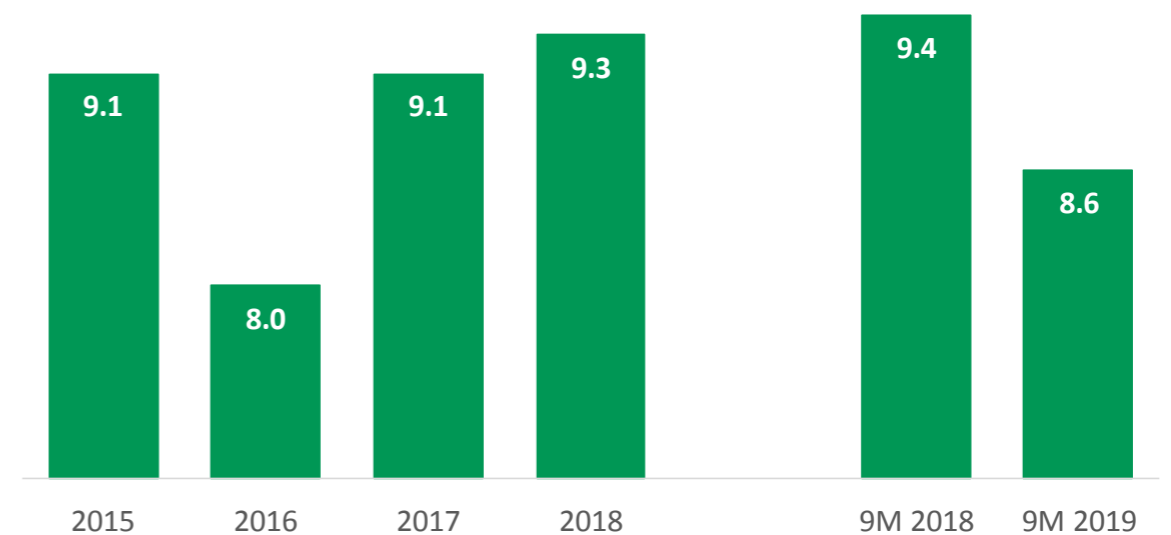
### SURPLUS EARNINGS DISTRIBUTION (9 months)



### MEMBER DIVIDENDS (IN \$M)



### RETURN ON EQUITY (%)



- Important financial institution:
  - **#1** in savings, farm loans and residential mortgages in Quebec.
  - **#1** issuer of credit and debit card in Quebec and **#5** in Canada.
- Continued digital transformation, notably through:
  - New mobile app
  - Electronic signature
  - Online mortgage renewal

## HIGHLIGHTS (first nine months of 2019<sup>(1)</sup>)

- Growth of 28.2% in surplus earnings, attributable to the good performance of the caisse network and growth in net interest income.
- Growth of \$12.3B, or 6.9%, in all segments of the loan book.
- Total operating income increased 10.2%.

## ABOUT US

Caisses	238
Points of sale	989
ATMs	1,957
Market Shares in Quebec:	
• Personal savings	42%
• Residential mortgages	38%
• Farm loans	41%
• Consumer credit	23%
• Commercial & industrial	21%

## AWARDS AND RECOGNITION

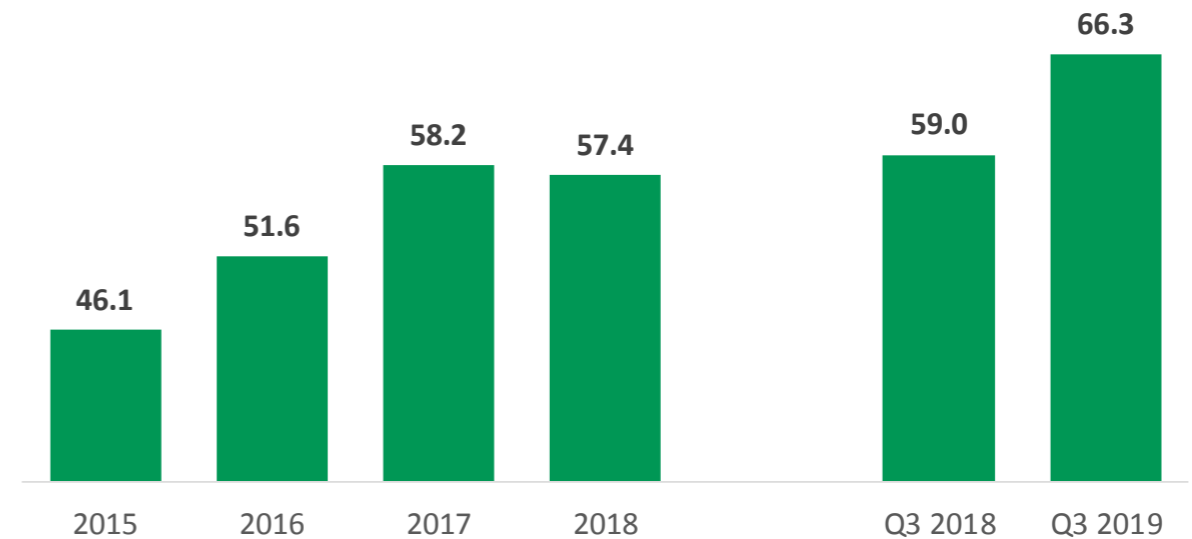
- Voted the “coolest” financial institution according to Quebec millennials.
- Named one of Canada’s top 100 employers.
- Named one of Canada’s top Family-Friendly employers.
- Named one of Canada’s top employers for Young People.

(1) Including Other Category Segment

(2) Results are compared to the results of the same period of the prior year

- Wealth Management:
  - **#1** in Quebec and **#11** in Canada in terms of total assets.
  - Three awards for our Market-linked guaranteed investments.
  - Three new SocieTerra funds and eight new Responsible ETF's.
- Life Insurance:
  - **#2** in Quebec and **#5** in Canada.
  - Launch of Telemedicine pilot project.

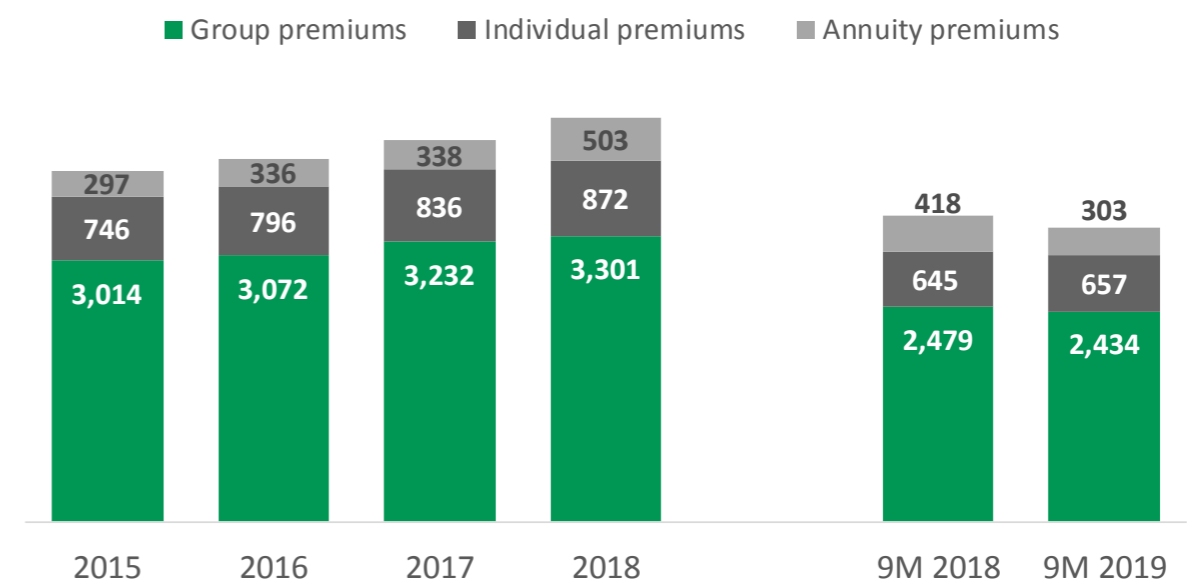
## ASSETS UNDER MANAGEMENT (IN \$B)



## HIGHLIGHTS (first nine months of 2019<sup>(1)</sup>)

- Decrease in adjusted surplus earnings mainly attributable to:
  - Gains on disposition of securities and real estate investments that were lower than in 2018.
  - Overall less favorable experience.
- Total revenues increased 42.4%.
- Non-interest expenses decrease by 1.9%.

## GROWTH IN PREMIUMS (IN \$M)

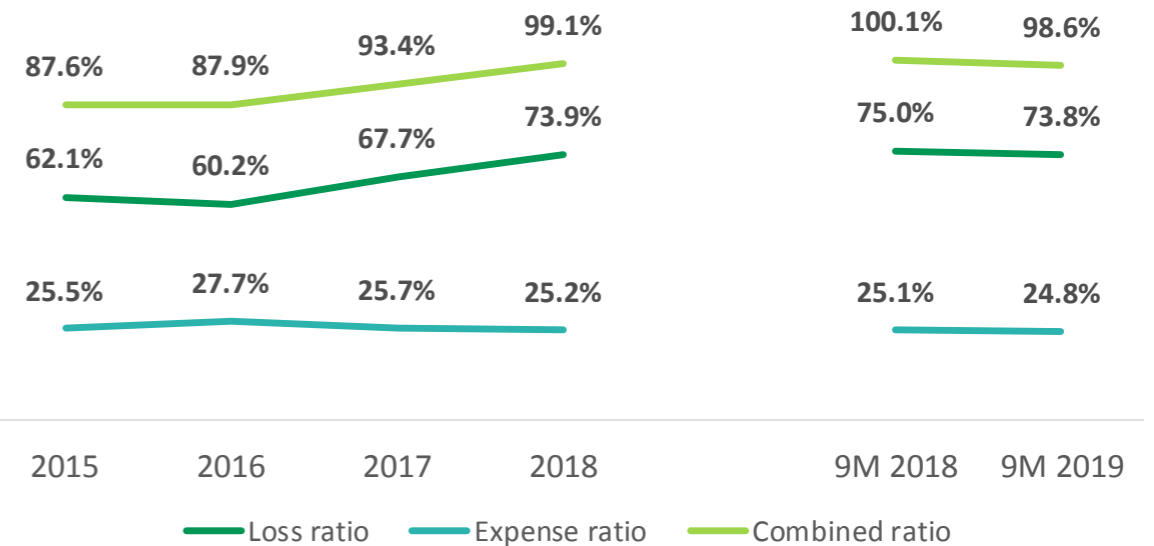


(1) Results are compared to the results of the same period of the prior year



- Important Property and Casualty insurer:
  - **#2** in Quebec
  - **#3** in Canada
- Continued digital transformation, notably through:
  - Online purchase of auto insurance in Quebec.
  - Online purchase of home insurance for tenants and condo insurance across Canada.

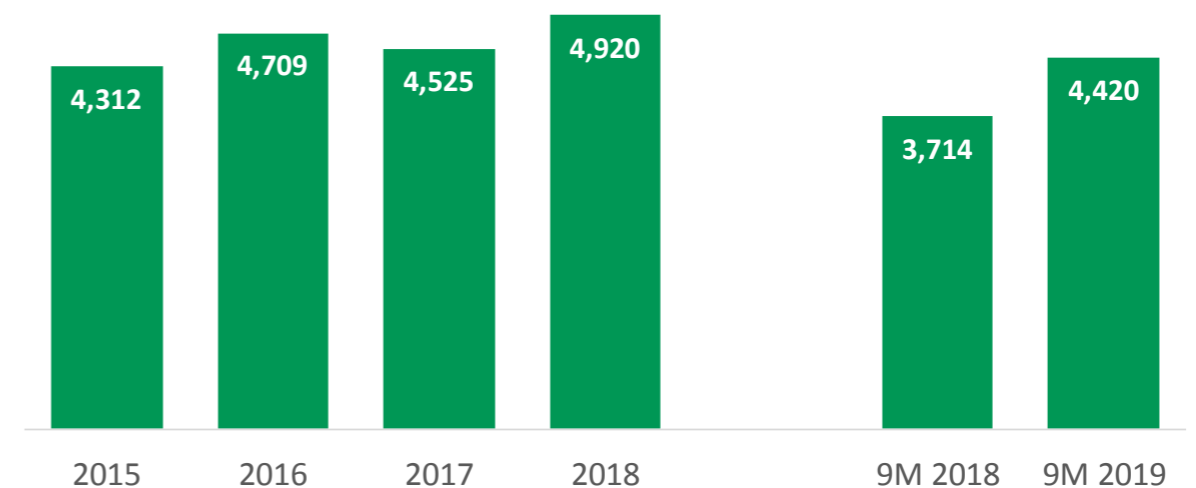
## RATIOS



## HIGHLIGHTS (first nine months of 2019<sup>(1)</sup>)

- Decreased in surplus earnings attributable to gains on disposition of funds and related shares that were lower than in 2018.
- Growth of 19.0% in gross written premiums, attributable to increase in average premiums and number of policies written in all market segments.
- Expense ratio improved to 24.8%.

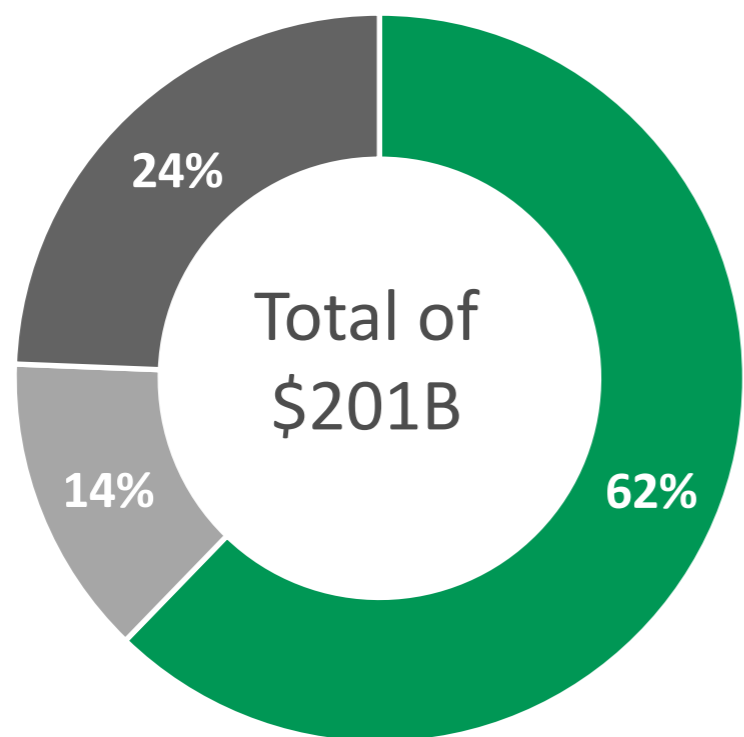
## GROWTH IN GROSS WRITTEN PREMIUMS (IN \$M)



(1) Results are compared to the results of the same period of the prior year

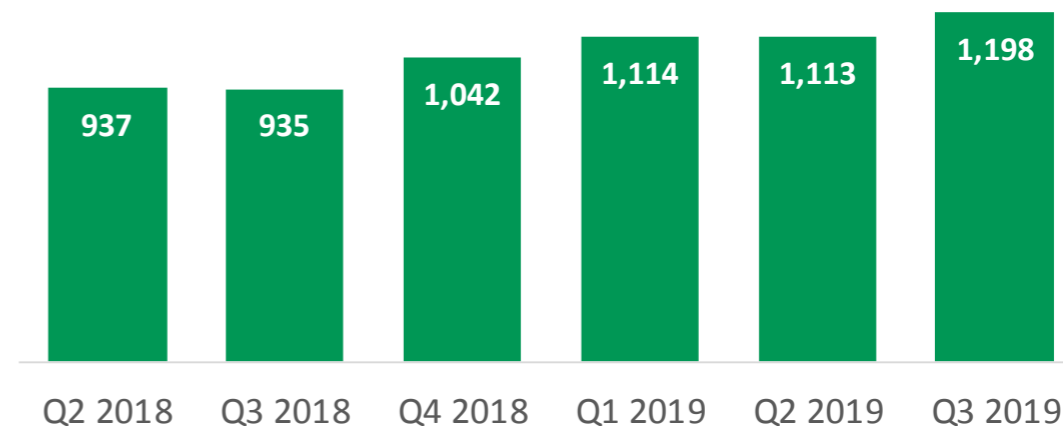
# **BALANCE SHEET QUALITY**

## LOAN BOOK AND ACCEPTANCES

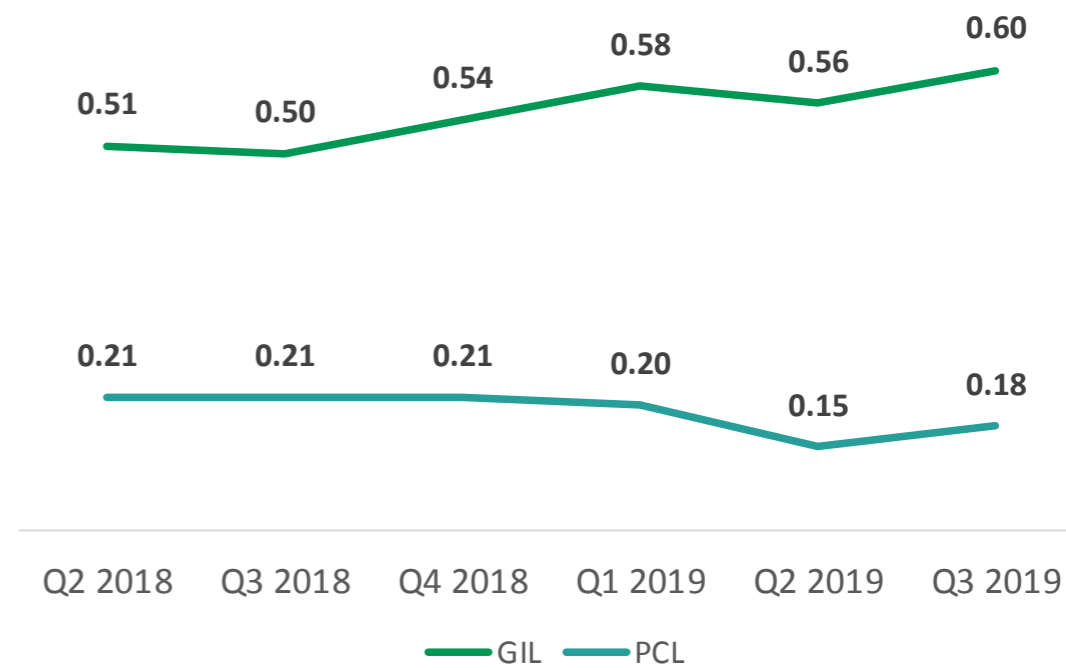


- Residential mortgages
- Consumer, credit cards and other personal loans
- Business and government

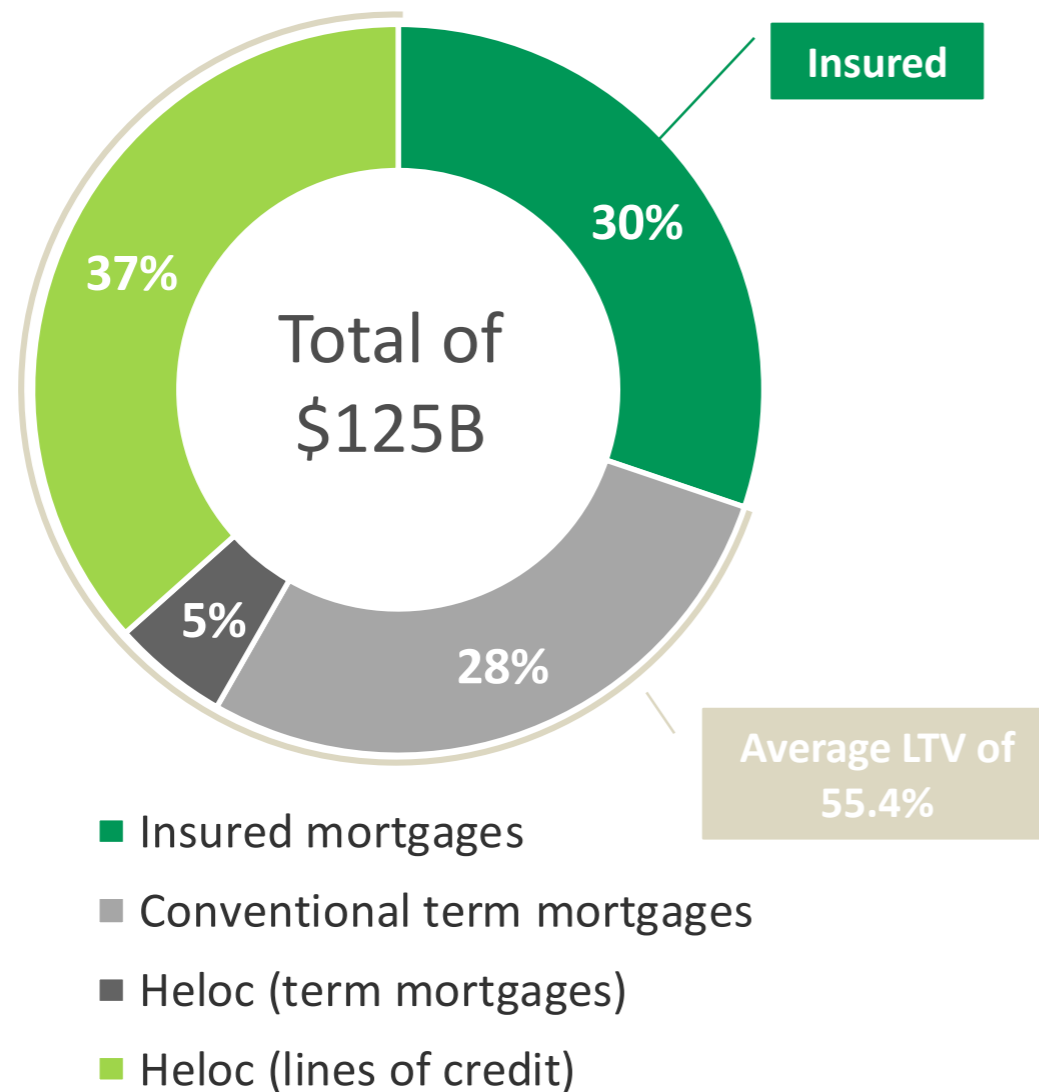
## GROSS IMPAIRED LOANS (IN \$M)



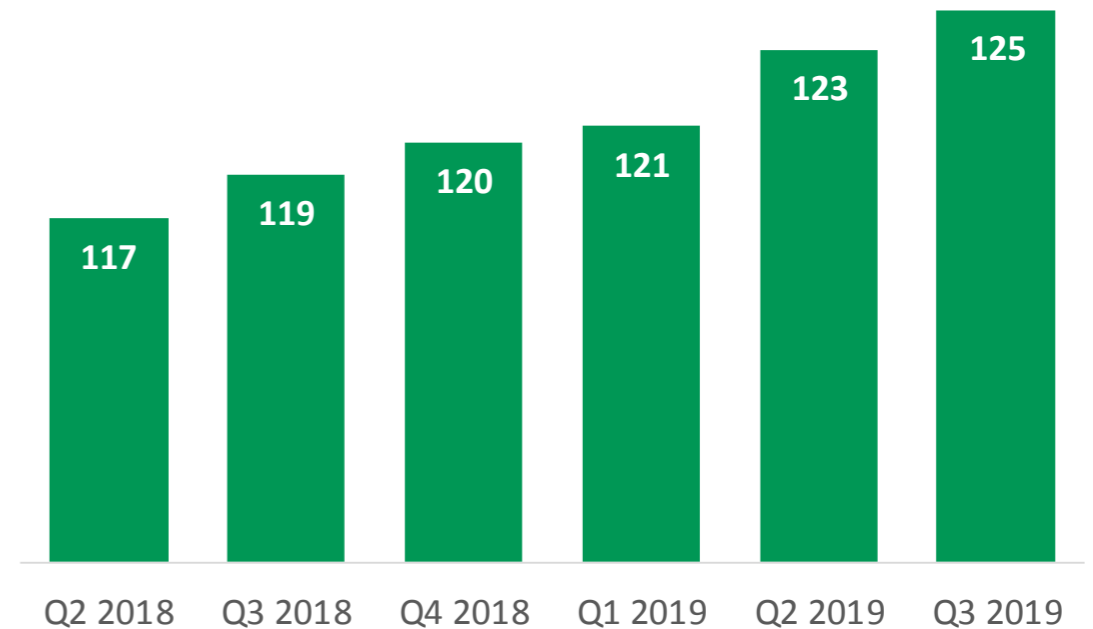
## GIL AND PCL RATIOS (%)



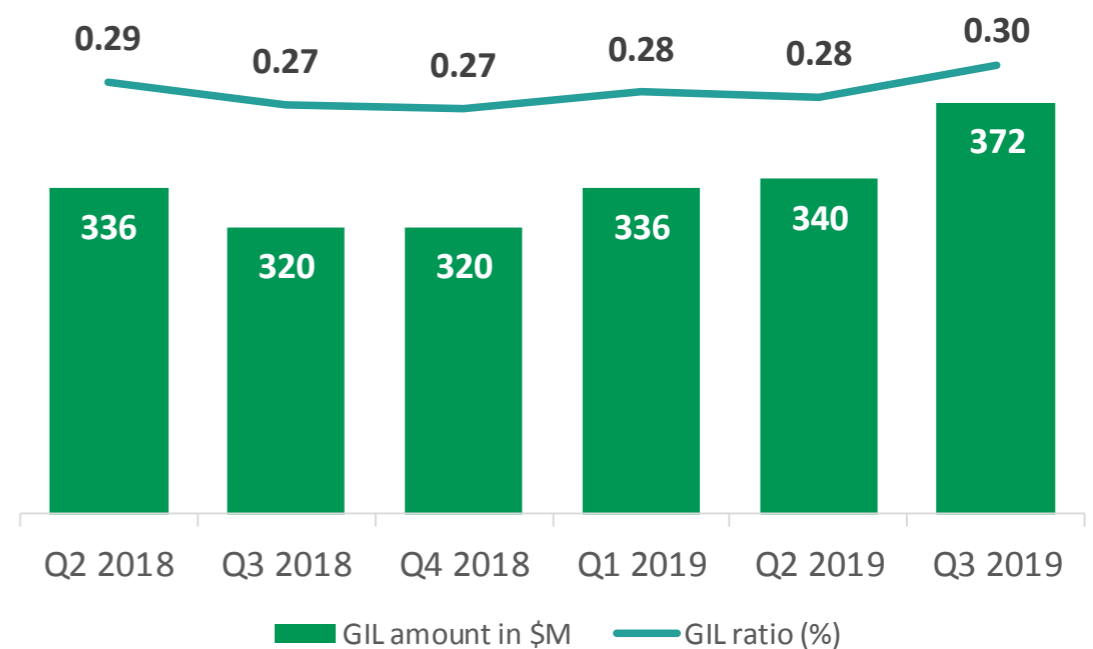
## RESIDENTIAL MORTGAGE BOOK



## GROWTH IN RESIDENTIAL BOOK (IN \$B)

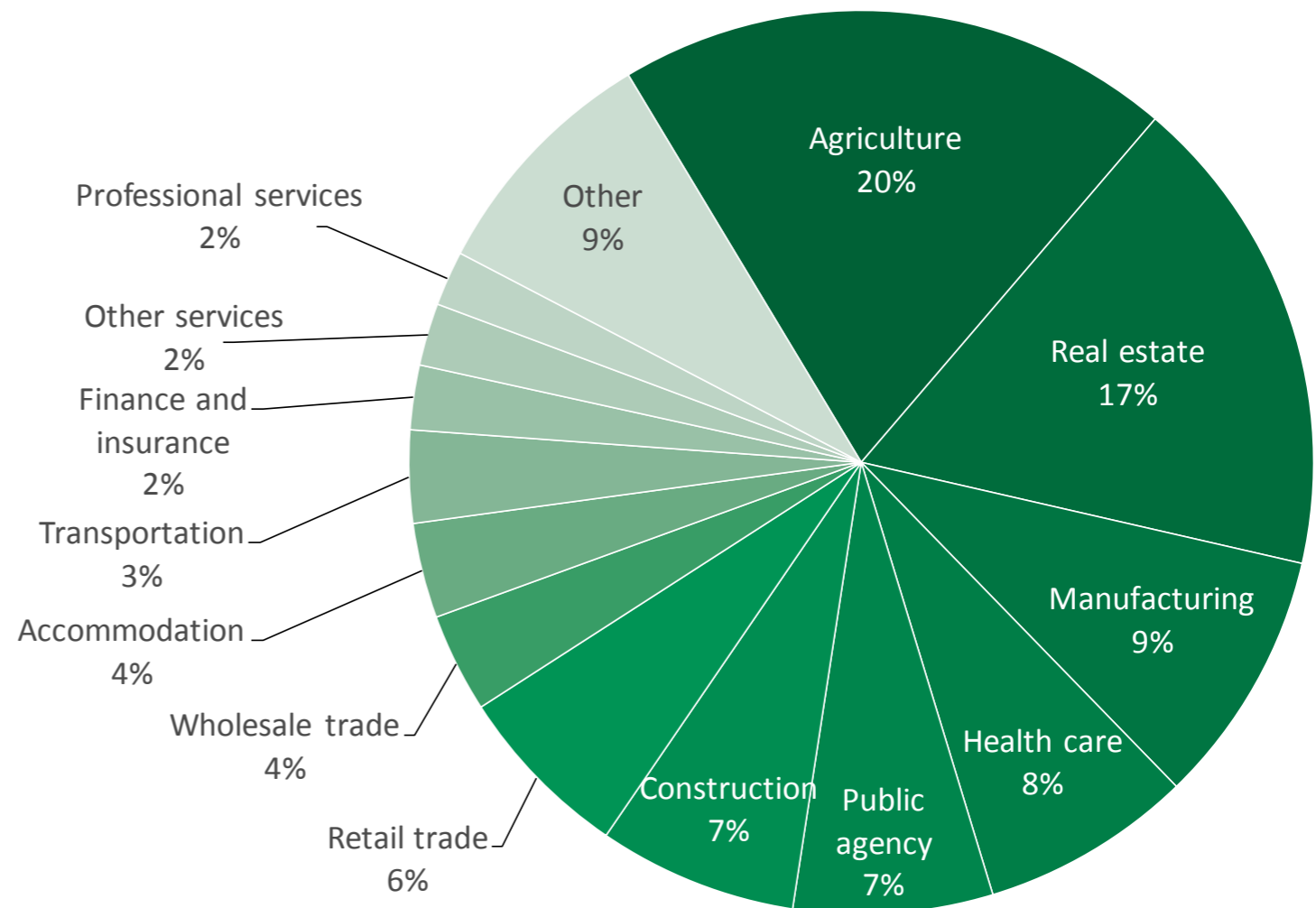


## GROSS IMPAIRED LOANS



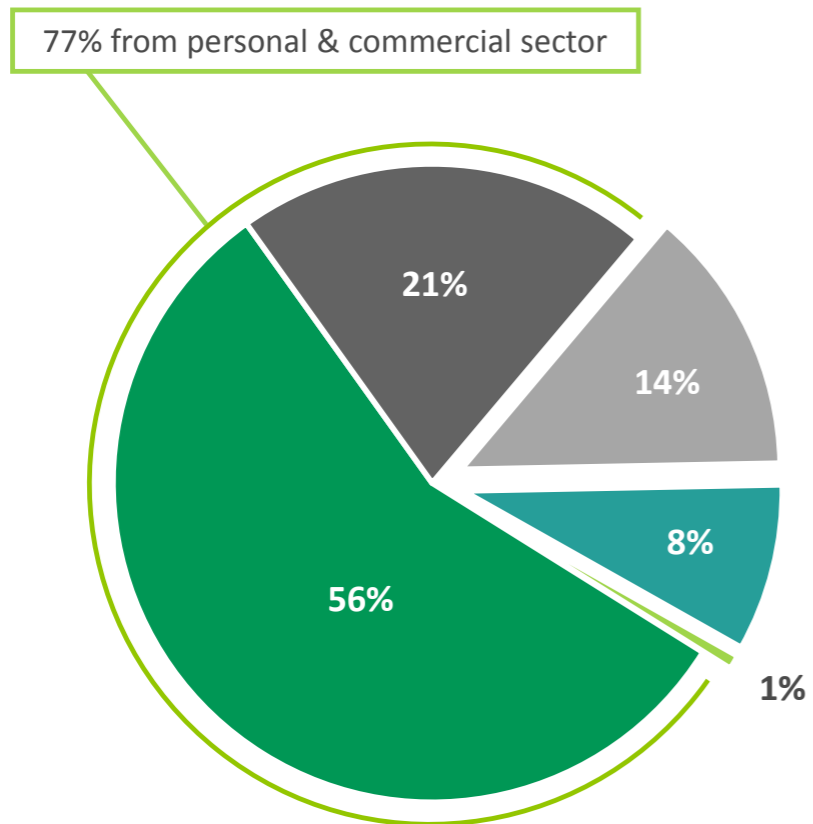
- **IMPAIRED LOANS RATIO STOOD AT 1.1% FOR THE BUSINESS AND GOVERNMENT LOAN PORTFOLIO**
- **HIGH QUALITY OF TOP SECTORS**
  - Agriculture: \$9.7B, most loans are guaranteed and covered by income protection programs
  - Real estate: \$8.4B
  - Manufacturing: \$4.5B
  - Health care: \$3.7B
  - Public agencies : \$3.5B
- **OTHER INDUSTRIES WELL-DIVERSIFIED**

## INDUSTRY DISTRIBUTION



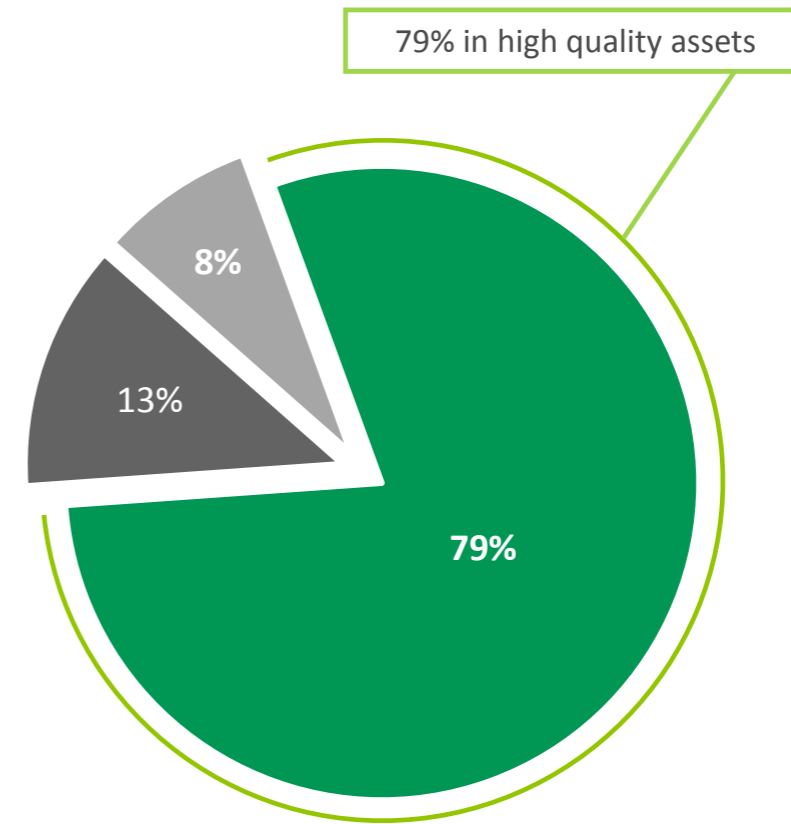
# **LIQUIDITY and FUNDING**

## TOTAL DEPOSITS



- Individual Deposits
- Business and Government
- Long Term Wholesale Funding
- Short Term Funding
- Subordinated Debt

## LIQUIDITY PORTFOLIO



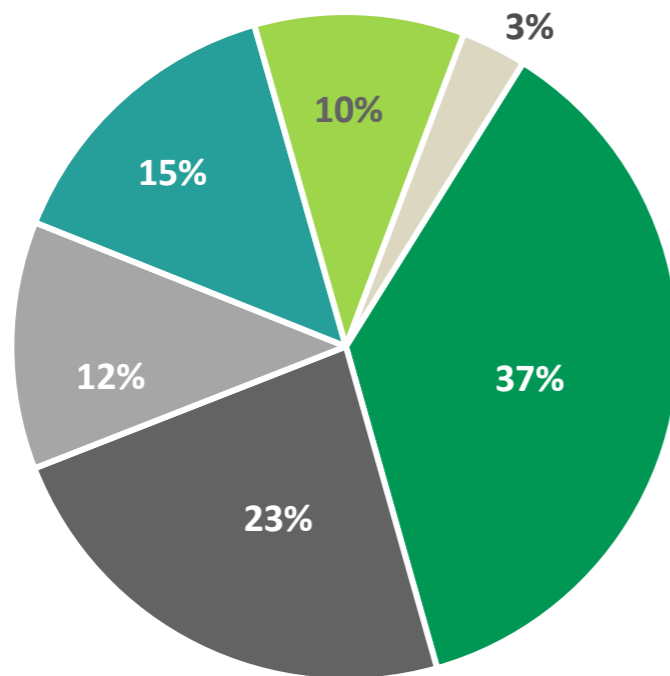
- Canadian and provincial governments
- Other governments
- Other issuers
- Equities

PROGRAMS	CURRENCY	LIMIT
<b><i>Short term</i></b>		
Commercial paper – Canada	Canadian	None
Commercial paper – United-States	United-States	US\$15B
Commercial paper – Europe	Euro	€3B
<b><i>Mid-Long term</i></b>		
Medium term notes – Canada	Canadian	C\$10B
Global medium term notes	Multi-currency	€7B
Covered bonds	Multi-currency	≈C\$14B
Securitization program (CMHC)	Canadian	Allocation



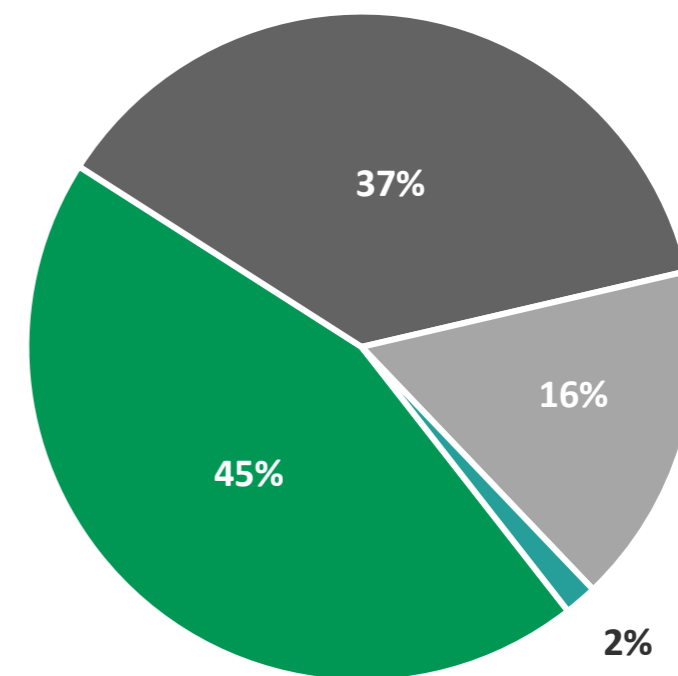
## WHOLESALE FUNDING

BY PROGRAM TYPE



- Short term (CAD, USD & EUR)
- Mortgage Securitization
- Medium Term Notes (CAD)
- Covered Bonds
- Global MTN (USD & EUR)
- Subordinated Debt

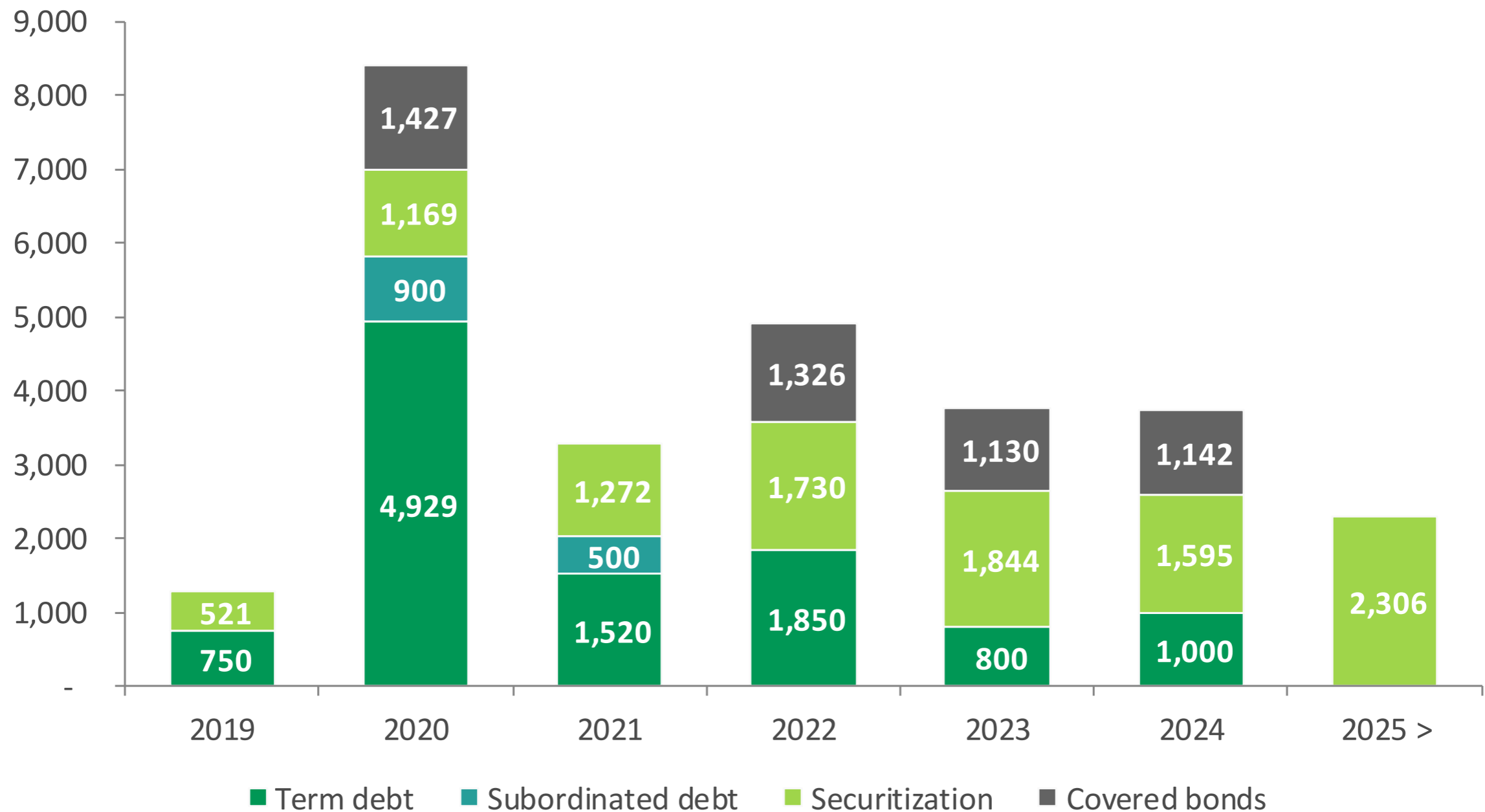
BY CURRENCY<sup>(1)</sup>



- CAD
- USD
- EUR
- GBP

(1) Exchange rate used at the time of issuance of securities

(IN \$M, AS AT OCTOBER 31, 2019)



Note: exchange rate used at the time of issuance of securities

## **CAPITAL and BAIL-IN**

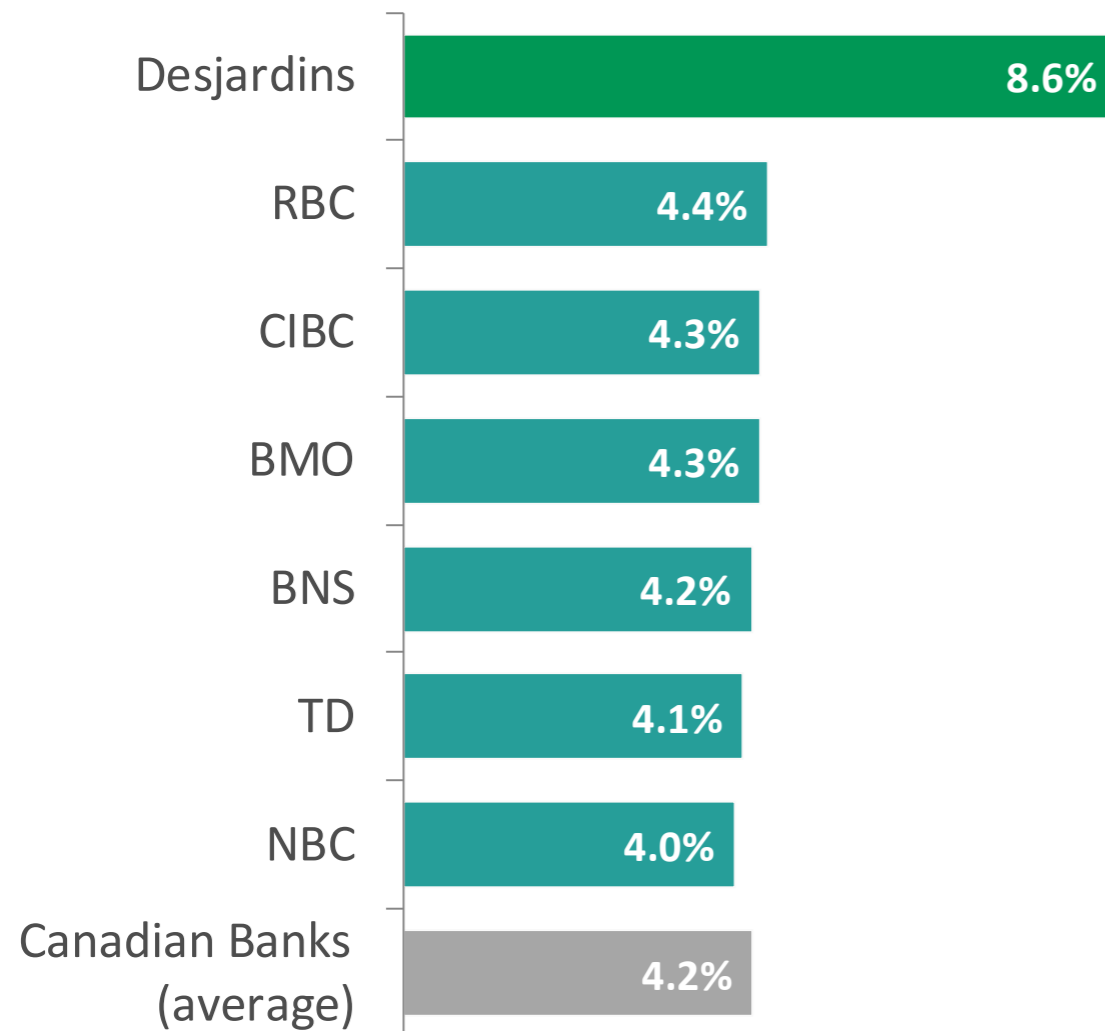
## TIER 1A OR COMMON EQUITY TIER 1 CAPITAL RATIO (%)<sup>(1)</sup>



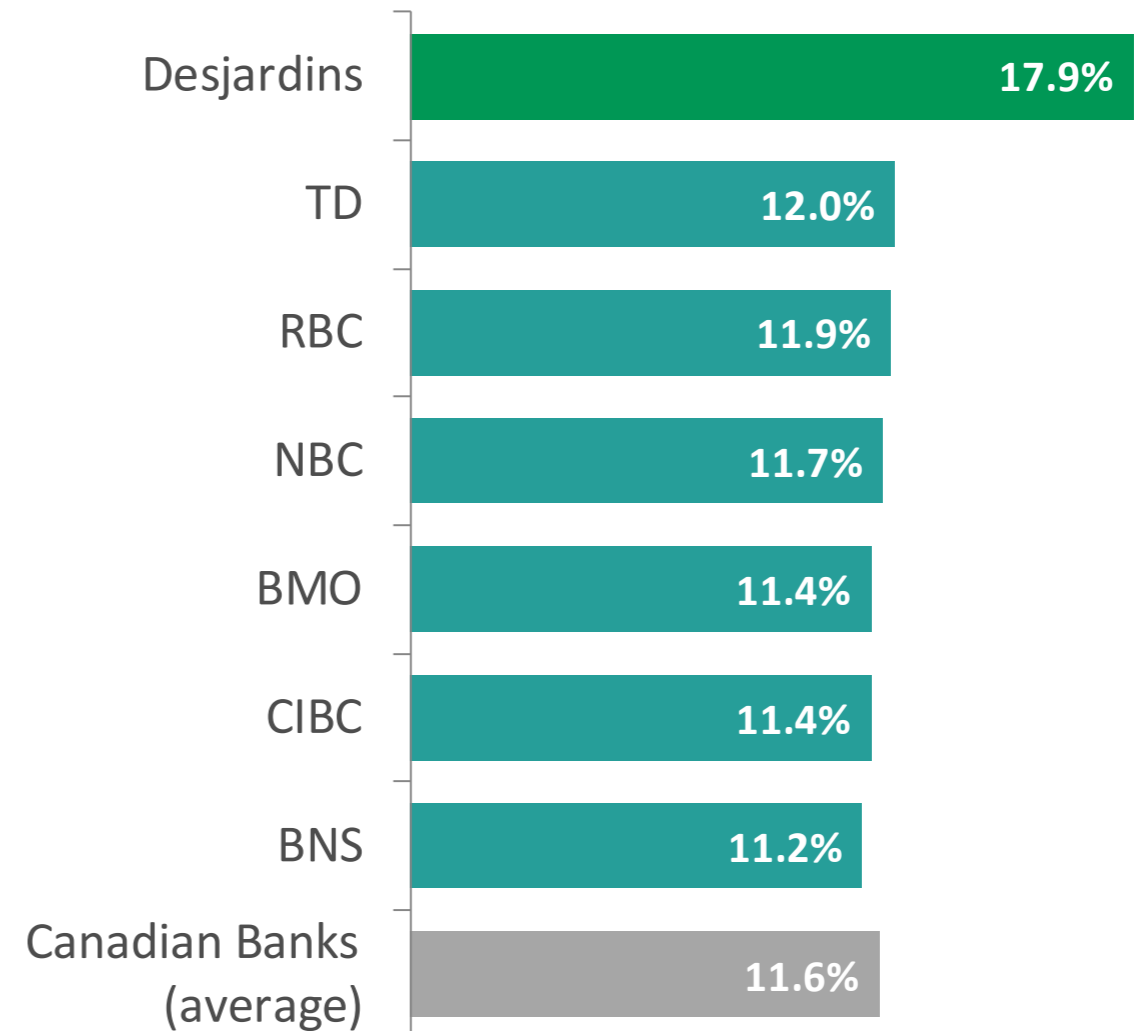
Sources: Financial Reports of Desjardins Group, U.S. banks and Canadian banks

1. As at Q3 2019 for Canadian banks and U.S. banks. Only US Banks with more than US\$60B of deposits are illustrated.

## LEVERAGE RATIO



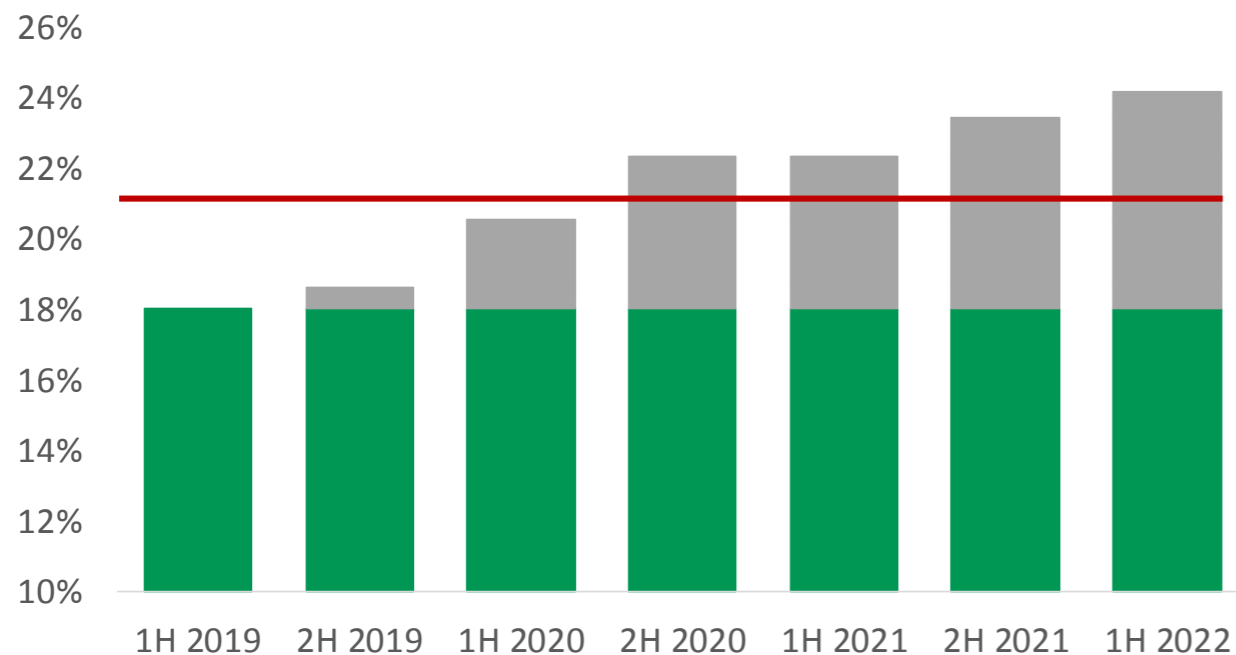
## TIER 1A CAPITAL RATIO (CET1)



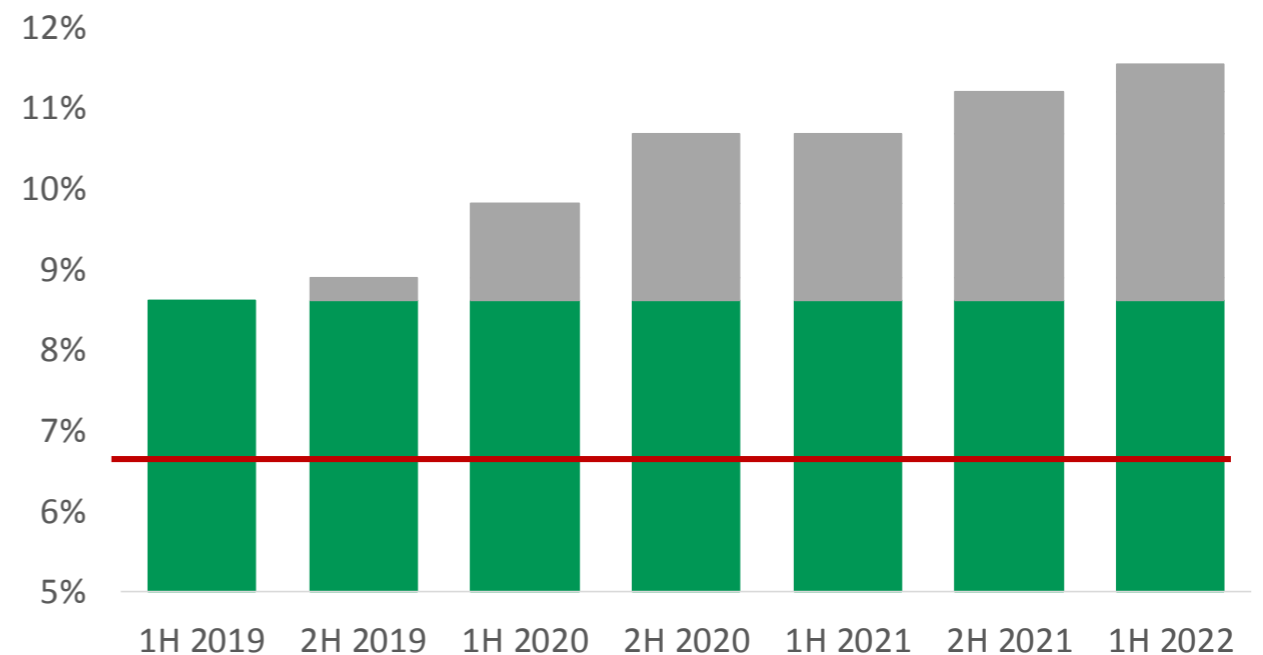
# Manageable TLAC Requirements

- Desjardins has approximately \$8.3B of senior debt coming due prior to April 1, 2022.
- AMF requirements:
  - Risk-based TLAC of 21.5%
  - Minimum TLAC Leverage ratio of 6.75%
- Assuming 100% of maturing bonds are refinanced into Bail-in senior debt, Desjardins will meet its TLAC ratio requirement by the end of October 2020.
- No incremental funding required to meet the TLAC requirements.

TLAC RATIO<sup>1</sup>



TLAC LEVERAGE RATIO<sup>1</sup>



Actual levels
  Refinanced legacy debt
  TLAC requirements (April 2022)

1 - Assuming capital levels, risk-weighted assets and total exposure stay the same. Also, assuming debt are refinanced into a 5 year term.

	Moody's	S&P	DBRS	Fitch
Counterparty/Deposits <sup>(1)</sup>	Aa1	A+	AA	AA-
Short-term debt	P-1	A-1	R-1 (high)	F1+
Senior medium- and long-term legacy debt <sup>(2)</sup>	Aa2	A+	AA	AA-
Senior medium- and long-term debt <sup>(3)</sup>	A2	A-	AA (low)	AA-
Covered bonds	Aaa	--	--	AAA
Outlook	Negative	Stable	Stable	Stable

1. Represents Moody's Counterparty Risk Rating and Deposit Rating, S&P's Issuer Credit Rating, DBRS' Long Term Deposit Rating and Fitch's Long-Term Issuer Default Rating, counterparty Rating and Long Term Deposit Rating
2. Includes senior debt issued prior to March 31, 2019, and senior debt issued on or after March 31, 2019, which is excluded from the recapitalization regime applicable to Desjardins.
3. Includes senior debt issued on or after March 31, 2019, subject to conversion under the recapitalization regime applicable to Desjardins.

Complexe Desjardins, Montreal

## INVESTOR RELATIONS

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