Desjardins

PRESS RELEASE

For immediate release
PRDG1412

Desjardins Group records surplus earnings of $1,530 million for fiscal year 2013

A total of $252 million given back to the community

2013 Highlights

Strong financial results:

- *Surplus earnings of $1,530 million.*
- *Return on equity of 9.4%.*
- *Assets of $212 billion, up 7.7%.*
- *Tier 1a capital ratio of 15.7%, among the best in the industry.*
- *Recognized as one of the world's strongest financial institutions.*
- *Agreement signed on January 15, 2014, to acquire State Farm's Canadian operations.*

A cooperative group that is active in the community and close to its members and clients:

- *$252 million given back to the community through member dividends, sponsorships, donations and scholarships.*
- *Mobile services now offered on tablet PCs.*
- *Assistance services, featuring travel assistance and identity theft protection, offered free of charge to caisse members.*
- *Successful launch of the Ajusto program, providing up to 25% savings on auto insurance.*
- *New call centre—an extension of the Montreal and Granby call centres—to open in Trois-Rivières to answer members' phone calls seven days a week, creating over 350 jobs when fully operational.*
- *Service offer developed and rolled out successfully for non-profit humanitarian and community organizations.*

Lévis (Qc), February 26, 2014 – For the fourth quarter of 2013, Desjardins Group, the leading financial cooperative group in Canada and fifth largest in the world, recorded $351 million in surplus earnings before member dividends, compared to $307 million in 2012. This strong performance allowed Desjardins Group to post $1,530 million in surplus earnings before member dividends for the year, compared to $1,504 million one year earlier. Return on equity for fiscal 2013 was down to 9.4% compared to 10.2% for the previous year, partly as a result of measures taken to increase equity, including the issue of capital shares of the Federation.

“Desjardins Group’s excellent performance in 2013 demonstrates our ability to effectively meet the changing needs of all our members and clients, regardless of their status or their financial assets,” said Chair of the Board, President and Chief Executive Officer Monique F. Leroux. “It also allows us to generate major benefits, in the order of $252 million, in all our communities and continue to invest in developing new, innovative products and services. Most notable this year was the redesign of our website, the complimentary assistance services for our members and a service offering tailored to the needs of non-profit organizations.”

“Lastly, strategic initiatives undertaken with Coast Capital Savings, a credit union in British Columbia, with Qtrade through its wealth management offering, and more recently with the State Farm mutual insurance firm, will strengthen Desjardins Group’s position across Canada over the long term,” added Ms. Leroux.

Operating income for fiscal 2013 was $11,951 million, up $651 million or 5.8%, compared to fiscal 2012.

Due to solid growth in the loan portfolio, Desjardins Group maintained net interest income at $3,818 million for the year, despite a very competitive market exerting pressure on margins. Business growth related to insurance activities generated a $432 million, or an 8.4% increase in net premiums, which reached $5,558 million. Other operating income was $2,575 million, up $249 million or 10.7%, compared to fiscal 2012. This increase was triggered by growth in card services and brokerage activities.

Desjardins Group returned a total of $252 million to the community—including provision for member dividends of $171 million—and gave $81 million to various organizations as donations, sponsorships and scholarships.

The provision for credit losses was $277 million, up $36 million or 14.9%, compared to fiscal 2012. This change resulted from growth in the loan portfolio. The ratio of gross impaired loans to the total gross loan portfolio was 0.33% for fiscal 2013, comparable to fiscal 2012 and one of the best in the Canadian banking industry.

Assets of $212.0 billion, up 7.7%

As at December 31, 2013, total assets stood at $212.0 billion, up $15.2 billion or 7.7%, from December 31, 2012. This sustained growth stemmed from credit demand as evidenced by the growth in the loan portfolio during fiscal 2013.

A strong capital base

Desjardins Group complies with Basel III capitalization rules and maintains an excellent capitalization. Tier 1a and total capital ratios were 15.7% and 18.4% respectively, as at December 31, 2013. The Tier 1a capital ratio is well above the stated target of 15%. The Tier 1 and total capital ratios as at December 31, 2012, were 16.8% and 19.3% respectively, as measured under the Basel II Accord. However, due to changes to the regulatory framework, these ratios cannot be compared.

Segment results for the year and the fourth quarter

Personal Services and Business and Institutional Services

For fiscal 2013, surplus earnings before member dividends attributable to the Personal Services and Business and Institutional Services segment were $807 million, comparable to those posted for fiscal 2012. They were affected by a decline in net interest income, despite growth in the overall loan portfolio, but were supported by growth in other operating income such as income generated by credit card activities and point-of-sale financing as well as sales of Desjardins products in the caisse network.

For the fourth quarter of 2013, surplus earnings before member dividends were $201 million, comparable to fiscal 2012.

Wealth Management and Life and Health Insurance

Net surplus earnings for the Wealth Management and Life and Health Insurance segment were $389 million, up $158 million or 68.4% from the same period in 2012. This increase was mainly due to business growth in the life and health insurance operations, favourable market conditions throughout 2013, acquired experience and changes made to certain actuarial assumptions in the normal course of business.

Net surplus earnings for the fourth quarter were $77 million, up $31 million or 67.4%, from the same period in 2012.

Property and Casualty Insurance

Net surplus earnings from the Property and Casualty Insurance segment were $212 million, up $12 million or 6.0% compared to fiscal 2012. This increase was primarily due to higher net premiums stemming from growth in policies issued and a lower loss ratio.

Net surplus earnings for the fourth quarter were $90 million, up $26 million or 40.6% compared to the same quarter in 2012.

Other

Net surplus earnings for the Other category were $122 million and were primarily attributable to treasury activities; a $78 million positive change in the fair value of the ABTN portfolio, net of hedging positions; and surplus earnings from investments made by the Fonds de sécurité Desjardins.

The Other category posted a net deficit of $17 million for the fourth quarter.

Key Financial Data

FINANCIAL POSITION AND KEY RATIOS

(in millions of dollars and as a percentage)	**As at December 31, 2013**	As at December 31, 2012
Assets [1]	**$212,005**	$196,818
Equity[1]	**$17,232**	$15,459
Tier 1a capital ratio[2]	**15.7 %**	N/A
Total capital ratio[2]	**18.4 %**	19.3 %
Gross impaired loans / gross loans ratio	**0.33 %**	0.35 %

COMBINED INCOME

	For the quarter ended December 31			For the year ended December 31		
(in millions of dollars and as a percentage)	**2013**	2012[1]	Change	**2013**	2012[1]	Change
Operating income	**$3,159**	$2,891	9.3 %	**$11,951**	$11,300	5.8 %
Surplus earnings before member dividends	**$351**	$307	14.3 %	**$1,530**	$1,504	1.7 %
Return on equity	**8.6 %**	7.2 %	—	**9.4 %**	10.2 %	—

CONTRIBUTION TO CONSOLIDATED SURPLUS EARNINGS BY BUSINESS SEGMENT

	For the quarter ended December 31			For the year ended December 31		
(in millions of dollars and as a percentage)	**2013**	2012[1]	Change	**2013**	2012[1]	Change
Personal Services and Business and Institutional Services	**$201**	$211	(4.7)%	**$807**	$811	(0.5)%
Wealth Management and Life and Health Insurance	**77**	46	67.4	**389**	231	68.4
Property and Casualty Insurance	**90**	64	40.6	**212**	200	6.0
Other	**(17)**	(14)	21.4	**122**	262	(53.4)
	$351	$307	14.3 %	**$1,530**	$1,504	1.7 %

(1) Data for 2012 have been restated in accordance with the application of new accounting policies that took effect on January 1, 2013.
(2) Ratios for 2013 have been calculated according to the guideline on adequacy of capital base standards applicable to financial services cooperatives, issued by the AMF under the Basel III Accord, while the ratios for 2012 were calculated under the Basel II Capital Accord.

CREDIT RATINGS OF SECURITIES ISSUED

	DBRS	**STANDARD & POOR'S**	**MOODY'S**	**FITCH**
Caisse centrale Desjardins				
Short-term	R-1 (high)	A-1	P-1	F1+
Senior medium- and long-term	AA	A+	Aa2	AA-
Capital Desjardins inc.				
Senior medium- and long-term	AA (low)	A	A2	A+

More detailed financial information can be found in Desjardins Group's 2013 annual Management's Discussion and Analysis, which will be available beginning March 14, 2014, on the SEDAR information site under the Capital Desjardins Inc. profile.

About Desjardins Group

Desjardins Group is the leading cooperative financial group in Canada and the fifth largest cooperative financial group in the world, with assets of $212 billion. It has been rated one of Canada's top 100 employers by Mediacorp Canada. To meet the diverse needs of its members and clients, both individuals and businesses, Desjardins offers a full range of products and services through its extensive distribution network, online platforms and subsidiaries across Canada. It is considered the fourth safest and strongest bank in North America according to *Global Finance* magazine and *Bloomberg*, respectively. The Group has one of the highest capital ratios and credit ratings in the industry.

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