

Results for the third quarter of 2020

AN ACTIVE AND INVOLVED GROUP. In October 2020 Desjardins paid member dividends after holding 212 online special general meetings of the caisses, which allowed members to vote on dividend payments while limiting the spread of the virus.

Desjardins posts solid financial results for the third quarter

Lévis, November 13, 2020 – For the third quarter ended September 30, 2020, [Desjardins Group](#), Canada's leading financial cooperative group, recorded surplus earnings before member dividends of \$729 million, up \$159 million or 27.9% from the corresponding quarter of 2019. These results were driven by good performance from the caisse network, Desjardins Securities Inc. as well as the Property and Casualty Insurance segment. The growth in surplus earnings was also due to a decline in the provision for credit losses caused by the migration of exposures to higher risk ratings in the third quarter of 2019. This increase was offset by a decrease in business volumes from payment and financing activities at Desjardins Card Services in light of the COVID-19 pandemic.

Despite the pandemic, Desjardins Group continues to be a very strong financial institution that can support its members and clients.

The amount returned to members and the community in the third quarter of 2020 totalled \$104 million, including an \$80 million provision for member dividends, \$14 million in sponsorships, donations and scholarships, and \$10 million in Desjardins Member Advantages, which is comparable to the corresponding period of 2019. In the third quarter of 2020, Desjardins also announced \$7 million in commitments related to the GoodSpark Fund to stimulate social and economic activity throughout Québec and Ontario.

At the end of the first nine months ended September 30, 2020, Desjardins Group recorded surplus earnings before member dividends of \$1,543 million, down \$120 million or 7.2% from the same period in 2019. The results were affected by the financial consequences of the COVID-19 pandemic. This included a \$442 million increase in the provision for credit losses, mainly in response to the significant deterioration in the economic outlook and the increase in costs related to travel insurance of \$49 million. Good performance from the caisse network, Desjardins Securities Inc., as well as the Property and Casualty Insurance segment partly offset the decrease in surplus earnings. The \$155 million in auto insurance premiums refunded to more than 2.1 million policyholders as a relief measure were offset by lower auto insurance claims due to changes in driving habits during the COVID-19 pandemic.

“Desjardins posts solid financial results for the third-quarter, in particular due to higher surplus earnings and exceptional financial stability, despite the financial impacts of the COVID-19 pandemic,” said Desjardins President and CEO, Guy Cormier. “Desjardins continues to meet the needs of its members and clients in this time of crisis by offering relief measures and by taking numerous initiatives to restart the economy. In addition, Desjardins is the most generous company in Québec, according to a recent survey on philanthropy conducted by the consulting firm Épisode.”

COVID-19: Desjardins Group supports its members and clients

On March 16, Desjardins became one of the first financial institutions to implement relief measures to help support members and clients who might temporarily have trouble meeting their financial obligations in this time of pandemic-induced crisis.

Since March Desjardins has introduced a number of relief and protection measures. In addition to the \$155 million in insurance premiums refunded to more than 2.1 million policyholders as a relief measure, Desjardins has been offering payment relief on financing products, raising the contactless payment limit from \$100 to \$250, temporarily reducing the annual interest rate to 10.9% for credit card holders who were granted a payment deferral on a Desjardins financing product and offering personal members and clients a loan of last resort of up to \$3,000 at a special interest rate of 4.97%. Desjardins Group also introduced new measures for youth, seniors and community organizations and encouraged members and clients to sign up to receive their government benefits by direct deposit instead of cheque.

As at September 30, 2020, Desjardins Group had received 141,800 requests for payment deferrals on credit card loans and other personal loans. It had also received a total of 151,600 applications for residential mortgage loans and consumer loans, including close to 134,000 relating to mortgage loans. As for business loans, a total of 26,600 loan applications had been received.

Support for economic and social recovery

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

- The \$150 million GoodSpark Fund.
- The \$10 million Momentum Fund for businesses.
- A partnership with La Ruche Québec to encourage consumers to buy local.
- 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.

In September 2020, Desjardins announced that it would extend its main relief measures and concrete commitments to support business members and young people.

- The hardest-hit companies whose short-term survival is at risk can obtain a two-year rate lock on loans at the lowest rates.
- Business members and clients can also take advantage of substantial savings on virtual healthcare services, offered in partnership with Medisys and Optima Global Health.
- Desjardins has also partnered with École de technologie supérieure (ÉTS) to accelerate the transition to a circular economy. The collaboration will give businesses more opportunities to innovate and increase their productivity by optimizing resource use, all while cutting greenhouse gas emissions.
- To encourage students to stay in school during the pandemic, Desjardins Foundation will hand out this fall more than 1,100 scholarships totaling \$1.8 million to students in trade, college or university programs.
- 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, online meetings will bring 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 in line with its values, such as diversity and inclusion.

- Desjardins became co-presenter of the [Montreal International Black Film Festival](#), an event that plays a crucial role in ensuring Black talent is included on and off screen, both in Québec and the rest of Canada.
- Contribution of \$500,000 to the [Véro & Louis Foundation](#) for the project to build its first living environment adapted to the needs of adults aged 21 and older with autism spectrum disorder.
- Desjardins was ranked the [most generous company](#) according to a recent survey on philanthropy conducted by the consulting firm Épisode, with more than \$87 million in donations and sponsorships, \$317 million in individual dividends and \$41 million in Desjardins Member Advantages for the fiscal year ended December 31, 2019.

For his achievements and tireless efforts to promote diversity and inclusion at Desjardins Group, Guy Cormier has received one of the four 2020 Catalyst Honours Champion Awards given by [Catalyst Canada](#) to business leaders at their annual conference.

Innovating

Desjardins is constantly innovating to meet the needs of its members and clients. In an environment where the pandemic is still with us, we must continue to follow public health guidelines to slow the spread of COVID-19:

- In a first for the institution, Desjardins held 212 online [special general meetings](#) of the caisses so that members could vote on dividend payments while limiting the spread of the virus.
- The manager for Desjardins Funds, Desjardins Investments, became the manager with the most mutual funds on the [TSX NAVex platform](#), with its 16 funds, 7 of which are Responsible Investing (RI) funds that are 100% oil production and pipeline free.
- A new \$100 million investment in [renewable energy](#), reaffirming Desjardins's commitment to renewable energy.
- The creation of [Aequitas](#), a \$50 million new impact investment fund for emerging and developing countries. Managed by Développement international Desjardins (DID), this fund will be used to promote gender equality, combat climate change and contribute to achieving other Sustainable Development Goals (SDGs), which are priorities for Desjardins.

Financial highlights

Comparison of third quarter 2020 with third quarter 2019:

- Surplus earnings before member dividends of \$729 million, up \$159 million or 27.9%.
- Operating income of \$4,640 million, up \$246 million or 5.6%.
- Financial consequences of the COVID-19 pandemic, including:
 - Decrease in business volumes from payment and financing activities at Desjardins Card Services,
 - Revision of the provisions set aside for travel insurance during the first quarter based on a review of current and expected claim application volumes, and
 - Lower auto insurance claims for the current year because of changes in driving habits.
- \$104 million returned to members and the community, comparable to the corresponding period of 2019.

Other highlights from the third quarter of 2020:

- Total capital ratio of 22.1%, compared to 21.6% as at December 31, 2019.
- Issue of €500 million in covered bonds on the European market on September 24, 2020.
- Issue of US\$750 million in covered bonds on the US market on October 7, 2020.
- Acquisition of DuProprio and Purplebricks Canada on July 15, 2020.

Comparison of the first 9 months of 2020 with the first 9 months of 2019:

- Surplus earnings before member dividends of \$1,543 million, down \$120 million or 7.2%.
- Operating income of \$13,561 million, up \$628 million or 4.9%.
- Financial consequences of the COVID-19 pandemic, including:
 - Increased provision for credit losses, mainly in response to the significant deterioration in the economic outlook and the higher probability of default,
 - Decline in business volumes from payment and financing activities at Desjardins Card Services,
 - Rise in travel insurance provisions following the Canadian government's announcement of travel restrictions, and
 - Lower auto insurance claims in the current year because of changes in driving habits. As a relief measure, members and clients received \$155 million in auto insurance premium refunds.
- A total of \$314 million returned to members and the community, compared to \$323 million for the corresponding period of 2019, despite the financial repercussions of the pandemic on Desjardins's financial results.

Another highlight of the first 9 months of 2020:

- 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.

FINANCIAL HIGHLIGHTS

	As at and for the 3 month periods ended			As at and for the 9 month periods ended	
	September 30, 2020	June 30, 2020	September 30, 2019 ⁽¹⁾	September 30, 2020	September 30, 2019 ⁽¹⁾
<i>(in millions of dollars and as a percentage)</i>					
Results					
Net interest income	\$ 1,450	\$ 1,353	\$ 1,372	\$ 4,156	\$ 3,935
Net premiums	2,534	2,238	2,326	7,294	6,885
Other operating income ⁽²⁾	656	685	696	2,111	2,113
Operating income⁽²⁾	4,640	4,276	4,394	13,561	12,933
Investment income ⁽²⁾	173	2,340	592	2,569	2,999
Total income	4,813	6,616	4,986	16,130	15,932
Provision for credit losses	99	271	154	694	252
Claims, benefits, annuities and changes in insurance contract liabilities	1,753	3,615	2,258	7,451	7,737
Non-interest expense	1,985	2,010	1,849	5,987	5,821
Income taxes on surplus earnings	247	191	155	455	459
Surplus earnings before member dividends	\$ 729	\$ 529	\$ 570	\$ 1,543	\$ 1,663
Contribution to combined surplus earnings by business segment⁽³⁾					
Personal and Business Services	\$ 468	\$ 337	\$ 421	\$ 1,018	\$ 1,227
Wealth Management and Life and Health Insurance	140	261	100	360	412
Property and Casualty Insurance	155	16	34	244	76
Other	(34)	(85)	15	(79)	(52)
	\$ 729	\$ 529	\$ 570	\$ 1,543	\$ 1,663
Amount returned to members and the community					
Member dividends	\$ 80	\$ 80	\$ 80	\$ 237	\$ 237
Sponsorships, donations and scholarships	14	14	17	44	55
Desjardins Member Advantages	10	12	9	33	31
	\$ 104	\$ 106	\$ 106	\$ 314	\$ 323
Indicators					
Net interest margin ⁽²⁾	2.39%	2.35%	2.52%	2.30%	2.44%
Return on equity ⁽²⁾	9.9	7.5	8.5	7.2	8.6
Productivity index ⁽²⁾	64.9	67.0	67.8	69.0	71.0
Credit loss provisioning rate ⁽²⁾	0.19	0.52	0.31	0.45	0.17
Gross credit-impaired loans/gross loans and acceptances ratio ⁽²⁾	0.64	0.63	0.60	0.64	0.60
Liquidity coverage ratio ⁽⁴⁾	157.1	166.7	125.6	157.1	125.6
On-balance sheet and off-balance sheet					
Assets	\$ 359,887	\$ 349,934	\$ 312,731	\$ 359,887	\$ 312,731
Net loans and acceptances	209,931	207,169	199,975	209,931	199,975
Deposits	225,820	220,270	192,820	225,820	192,820
Equity	29,418	28,767	26,988	29,418	26,988
Assets under administration ⁽⁵⁾	446,812	433,888	436,694	446,812	436,694
Assets under management ⁽⁶⁾	73,118	71,294	66,327	73,118	66,327
Capital ratio and leverage ratio					
Tier 1A capital ratio	21.4%	21.8%	17.9%	21.4%	17.9%
Tier 1 capital ratio	21.4	21.8	17.9	21.4	17.9
Total capital ratio	22.1	22.4	18.1	22.1	18.1
Leverage ratio	8.3	8.6	8.6	8.3	8.6
Other information					
Number of employees	48,791	48,550	48,033	48,791	48,033

(1) The data have been reclassified to conform to the current year's presentation.

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

(3) The breakdown by line item is presented in Note 12, "Segmented information," to the Interim Combined Financial Statements.

(4) The ratio is presented based on the average of daily data for the quarter.

(5) The data for 2019 have been restated to conform to the current period's presentation.

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

Assets of \$359.9 billion, up \$46.9 billion

As at September 30, 2020, Desjardins Group had total assets of \$359.9 billion, up \$46.9 billion or 15.0% since December 31, 2019. This growth was partly due to the \$29.2 billion increase in securities, including those borrowed or purchased under reverse repurchase agreements. Moreover, net loans and acceptances and cash and deposits with financial institutions increased by \$6.5 billion and \$5.1 billion, respectively.

The increase in Desjardins Group's cash and deposits with financial institutions was mostly 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.

Strong capital base

Desjardins Group maintains excellent capitalization levels in accordance with Basel III rules. As at September 30, 2020, its Tier 1A and total capital ratios stood at 21.4% and 22.1%, respectively, compared to 21.6% for both ratios as at December 31, 2019.

Analysis of business segment results

PERSONAL AND BUSINESS SERVICES SEGMENT

Results for the third quarter

For the third quarter of 2020, surplus earnings before member dividends were \$468 million, up \$47 million from the same period in 2019. This increase was due to good performance from the caisse network and from Desjardins Securities Inc. Moreover, the growth in surplus earnings was due to a decline in the provision for credit losses caused by the migration of exposures to higher risk ratings in the third quarter of 2019. On the other hand, surplus earnings were negatively impacted by the decrease in 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.

WEALTH MANAGEMENT AND LIFE AND HEALTH INSURANCE SEGMENT

Results for the third quarter

For the third quarter of 2020, the segment posted \$140 million in net surplus earnings, up \$40 million from the corresponding period in 2019. This increase was mainly due to the revision of travel insurance provisions recognized during the first quarter based on current and expected claim application volumes related to the COVID-19 pandemic, and the markets' positive impact on guaranteed investment funds.

PROPERTY AND CASUALTY INSURANCE SEGMENT

[Results for the third quarter](#)

For the third quarter of 2020, net surplus earnings were \$155 million, up \$121 million from the same period in 2019. This increase was due to higher net premiums as well as lower auto insurance claims in the current year, mainly due to changes in driving habits attributable to the COVID-19 pandemic.

OTHER CATEGORY

[Results for the third quarter](#)

The net deficit for the third quarter of 2020 was \$34 million, compared to net surplus earnings of \$15 million for the corresponding period in 2019. The increased deficit stems in part from a smaller tax recovery in the third quarter of 2020 related to remuneration on F capital shares. On the other hand, treasury activities, market rate fluctuations and changes in hedging positions for matching activities had a favourable overall impact on surplus earnings. The Other category also includes expenses related to the continued implementation of Desjardins-wide strategic projects, especially those intended to improve systems and processes and to create innovative technological platforms mainly related to the digital transformation and information security.

[More detailed financial information can be found in Desjardins Group's interim Management's Discussion and Analysis \(MD&A\), 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 sixth largest cooperative financial group in the world, with assets of \$359.9 billion. It has been rated one of Canada's Top 100 Employers by Mediacorp. 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. They include, but are not limited to, comments about the potential impacts of the COVID-19 pandemic on our activities, our results and our financial position as well as economic conditions and the 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, the assumptions made may be incorrect, or the 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 whose impacts 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 the risk management section of Desjardins Group's 2019 Annual MD&A and in the risk management section and the COVID-19 pandemic section of its MD&A for the third quarter of 2020. Although Desjardins Group believes that the expectations expressed in these forward-looking statements are reasonable and based on a valid foundation, 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 or future events could differ significantly from the targets, expectations, estimates or intentions advanced in them, 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 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* in Québec, which do not differ from IFRS. The IFRS represents Canada's generally accepted accounting principles (GAAP). The Interim Combined Financial Statements of Desjardins Group have been 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. Unless otherwise indicated, all amounts are presented in Canadian dollars (\$) and are primarily from Desjardins Group's Annual and Interim Combined Financial Statements.

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. The measures used are defined as follows:

[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

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 following table shows the correspondence of total income between the MD&A and the Combined Financial Statements.

	For the 3 month periods ended			For the 9 month periods ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
<i>(in millions of dollars)</i>					
Presentation of income in the Combined Financial Statements					
Net interest income	\$ 1,450	\$ 1,353	\$ 1,372	\$ 4,156	\$ 3,935
Net premiums	2,534	2,238	2,326	7,294	6,885
Other income					
Deposit and payment service charges	96	83	116	284	322
Lending fees and credit card service revenues	126	141	193	463	589
Brokerage and investment fund services	235	235	223	711	660
Management and custodial service fees	152	147	146	449	427
Net investment income ⁽¹⁾	316	2,639	605	2,499	3,169
Overlay approach adjustment for insurance operations financial assets	(143)	(299)	(13)	70	(170)
Foreign exchange income	22	14	11	82	52
Other	25	65	7	122	63
Total income	\$ 4,813	\$ 6,616	\$ 4,986	\$ 16,130	\$ 15,932
Presentation of income in the MD&A					
Net interest income	\$ 1,450	\$ 1,353	\$ 1,372	\$ 4,156	\$ 3,935
Net premiums	2,534	2,238	2,326	7,294	6,885
Other operating income					
Deposit and payment service charges	96	83	116	284	322
Lending fees and credit card service revenues	126	141	193	463	589
Brokerage and investment fund services	235	235	223	711	660
Management and custodial service fees	152	147	146	449	427
Foreign exchange income	22	14	11	82	52
Other	25	65	7	122	63
Operating income	4,640	4,276	4,394	13,561	12,933
Investment income					
Net investment income ⁽¹⁾	316	2,639	605	2,499	3,169
Overlay approach adjustment for insurance operations financial assets	(143)	(299)	(13)	70	(170)
Investment income	173	2,340	592	2,569	2,999
Total income	\$ 4,813	\$ 6,616	\$ 4,986	\$ 16,130	\$ 15,932

(1) The breakdown of this line item is presented in Note 11, "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.

	For the 3 month periods ended			For the 9 month periods ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
<i>(in millions of dollars and as a percentage)</i>					
Provision for credit losses	\$ 99	\$ 271	\$ 154	\$ 694	\$ 252
Average gross loans	209,494	207,566	198,913	207,469	195,444
Average gross acceptances	104	145	188	168	170
Average gross loans and acceptances	\$ 209,598	\$ 207,711	\$ 199,101	\$ 207,637	\$ 195,614
Credit loss provisioning rate⁽¹⁾	0.19%	0.52%	0.31%	0.45%	0.17%

(1) Corresponds to an annualized calculation that takes into account the number of days in the period concerned.

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