



Investor Presentation  
Q2 2018



## CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

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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, these forward-looking statements 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 and 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; regulatory and legal environment risk; environmental risk; risk related to pension plans; technological advancement and regulatory developments; cybersecurity; household indebtedness; real estate market trends; geopolitical risks; communication and information; general economic and business conditions in regions in which Desjardins Group operates; changes in the economic and financial environment in Quebec, Canada and globally; monetary policies; the accuracy and completeness of information concerning clients and counterparties; the critical accounting estimates and accounting standards applied by Desjardins Group; new products and services to maintain or increase Desjardins Group's market share; the ability to recruit and retain key management personnel, including senior management; geographic concentration; acquisitions and joint arrangements; credit ratings; amendments to tax laws; unexpected changes in consumer spending and saving habits; the ability to implement Desjardins Group's disaster recovery plan within a reasonable time; the potential impact of international conflicts or natural disasters; 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 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.

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# HIGHLIGHTS AT JUNE 30, 2018

## Results

Six months ended June 30, 2018  
(Comparison against 6M 2017)

**\$1,178** million

Surplus earnings, up 22%

**\$8.8** billion

Total income, down 0.4%

## Balance Sheet

At June 30, 2018  
(Comparison against December 31, 2017)

**\$290** billion

Total assets, up 5%

**\$182** billion

Total deposits, up 6%

## Liquidity & Capital

At June 30, 2018

**17.5%**

CET1 ratio (Tier 1A)

**119.8%**

Average LCR ratio



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

## Bloomberg

Strongest financial institution in North America and 5<sup>th</sup> in the world <sup>(1)</sup>

## The Banker

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



# ORGANIZATION CHART



271 caisses

Capital Desjardins  
Inc.

Desjardins Security  
Fund

Fédération  
des caisses  
Desjardins  
du Québec

Desjardins  
Financial Security

Desjardins General  
Insurance Group

Desjardins  
Securities

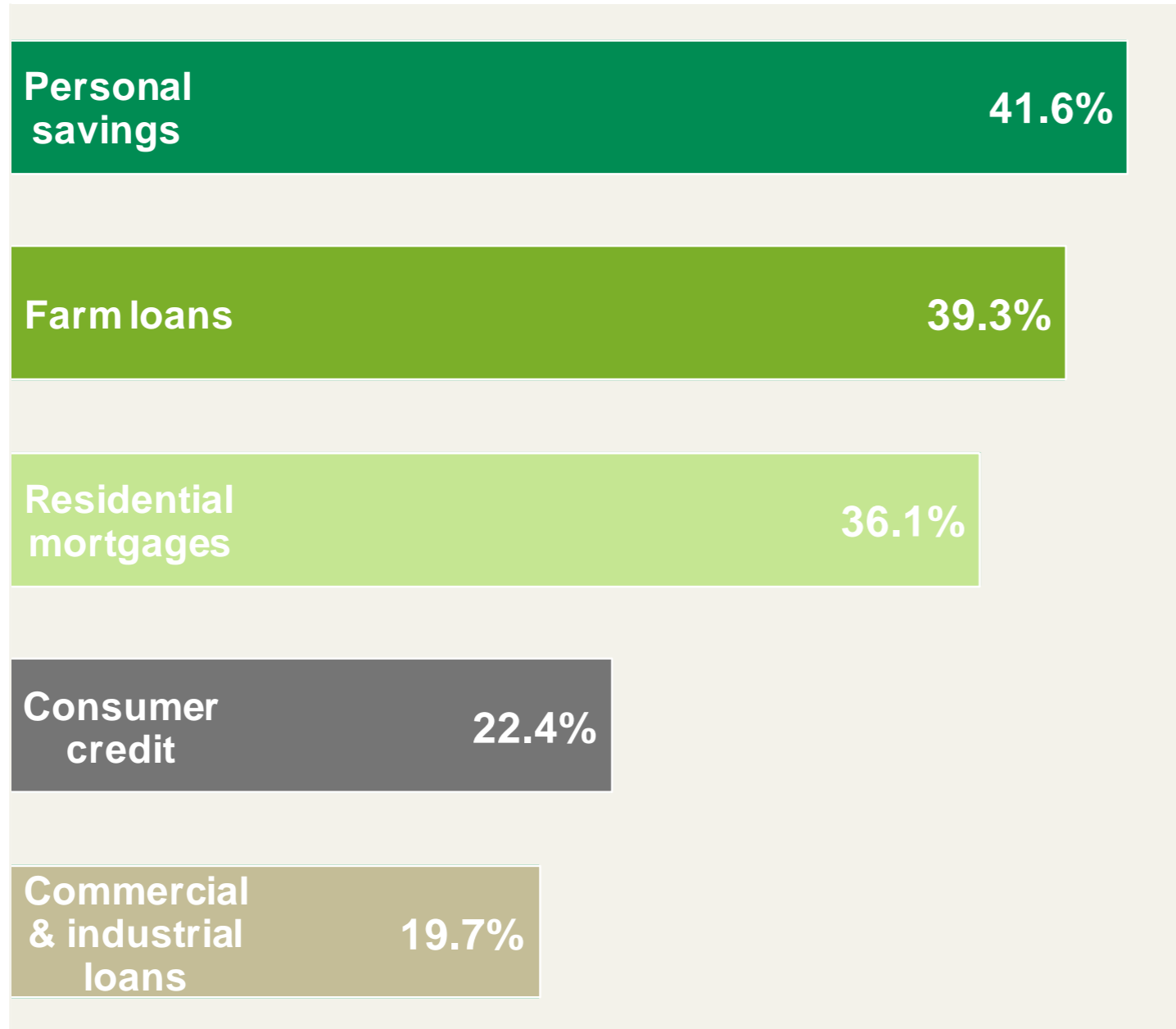
Desjardins Global  
Asset  
Management

Desjardins Trust



# MARKET LEADERSHIP

## LEADING MARKET SHARES IN QUEBEC



## Desjardins

### Insurance

#### LIFE & HEALTH

- #2 insurer in Quebec
- #5 insurer in Canada
  - Extensive range of products
  - Offices across Canada

#### GENERAL

- #1 in direct distribution in Quebec
- #2 insurer in Quebec
- #3 insurer in Canada

## Desjardins

### Wealth Management

#### Securities

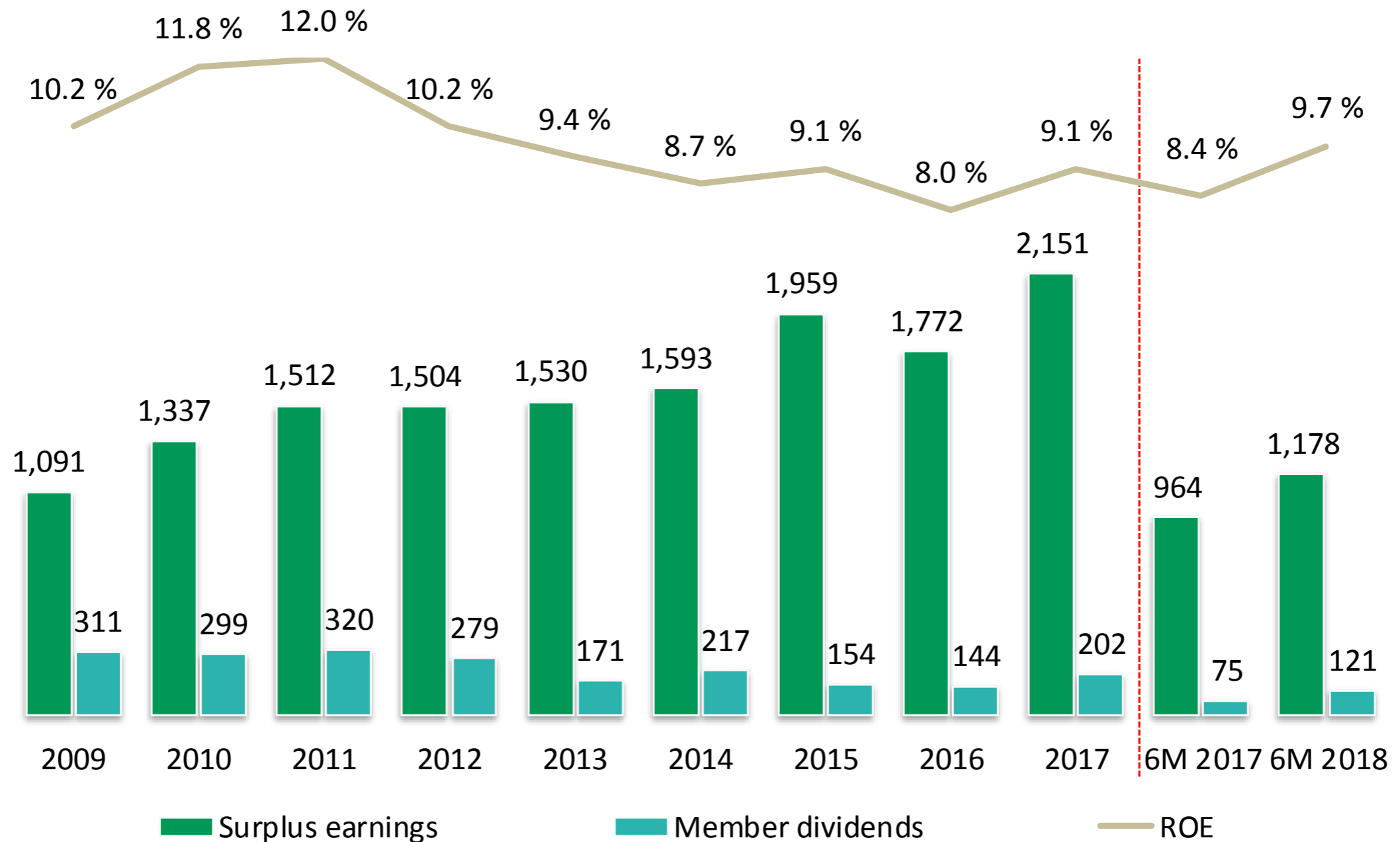
- 47 full-service branches
- No. 7 fixed income group in Canada

Sources: Data at December 31, 2017; Market shares in Quebec: Desjardins Economic Studies; Life & Health Insurance: Canadian Life Insurers' Annual Reports and Autorité des marchés financiers' 2016 Annual Report on Financial Institutions; General Insurance: 2016 MSA Market Share Report; Desjardins Securities, fixed-income group: Market Trade Reporting System.



# SOLID AND STEADY PROFITABILITY

## SURPLUS EARNINGS, MEMBER DIVIDENDS AND ROE (\$M)



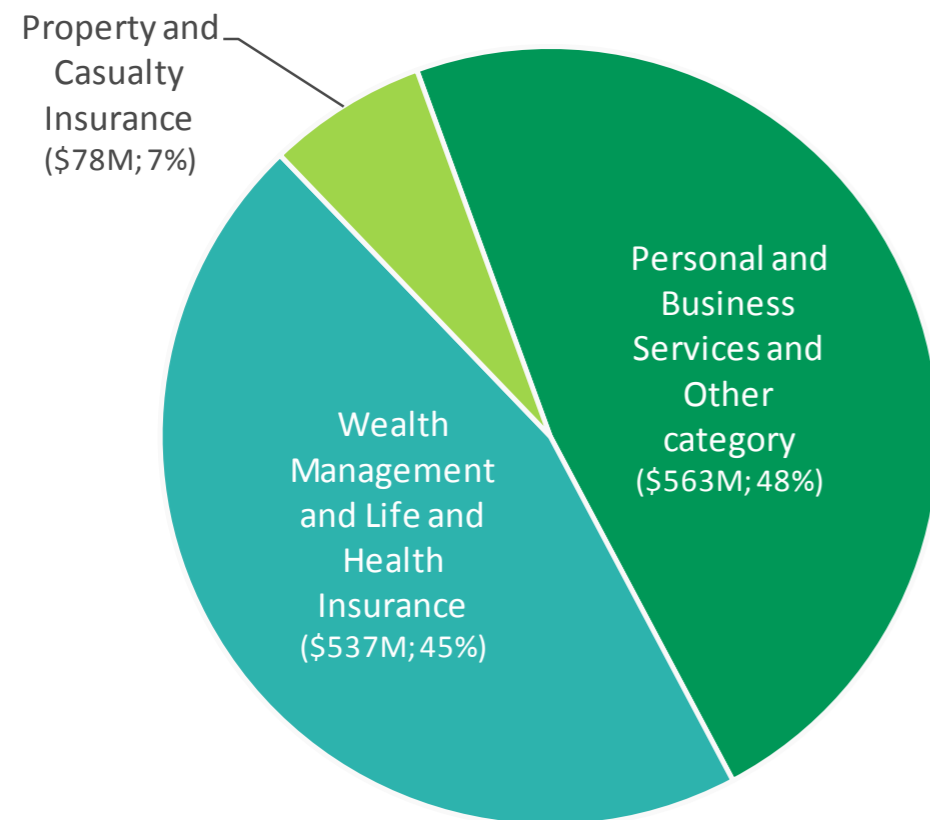
Source: Desjardins Group's Financial Reports

Note: Since 2010, financial statements are prepared in accordance with IFRS. Previously, Desjardins Group issued financial statements prepared in accordance with Canadian generally accepted accounting principles.

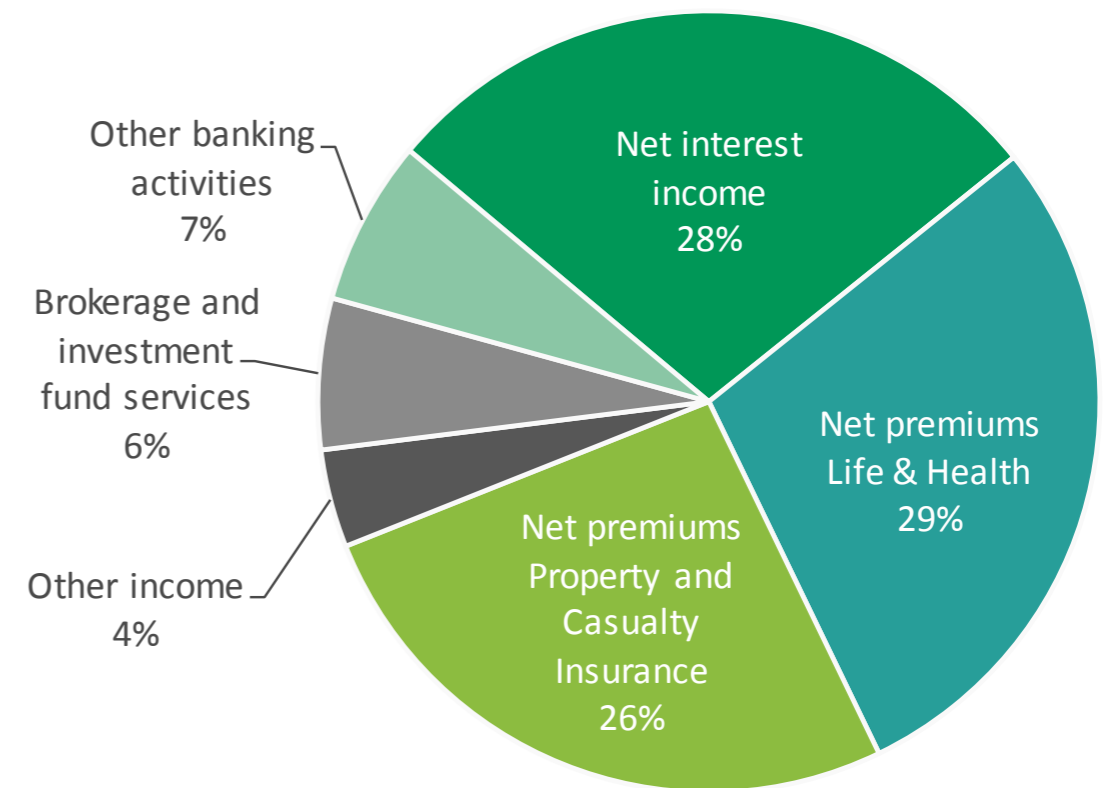


# DIVERSIFIED SURPLUS EARNINGS AND **INCOME**

## SURPLUS EARNINGS BY SEGMENT – 6M 2018



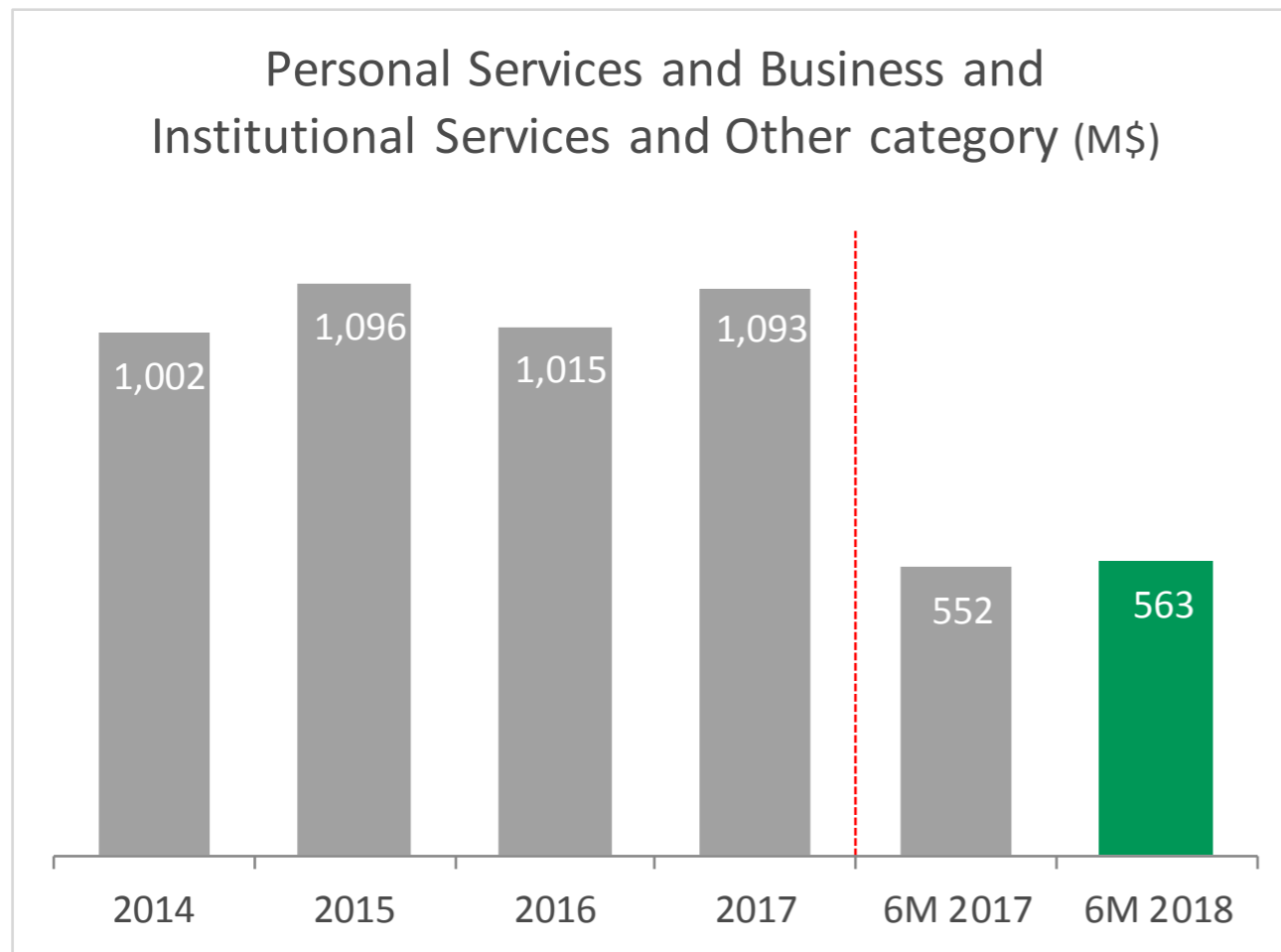
## OPERATING INCOME DISTRIBUTION – 6M 2018







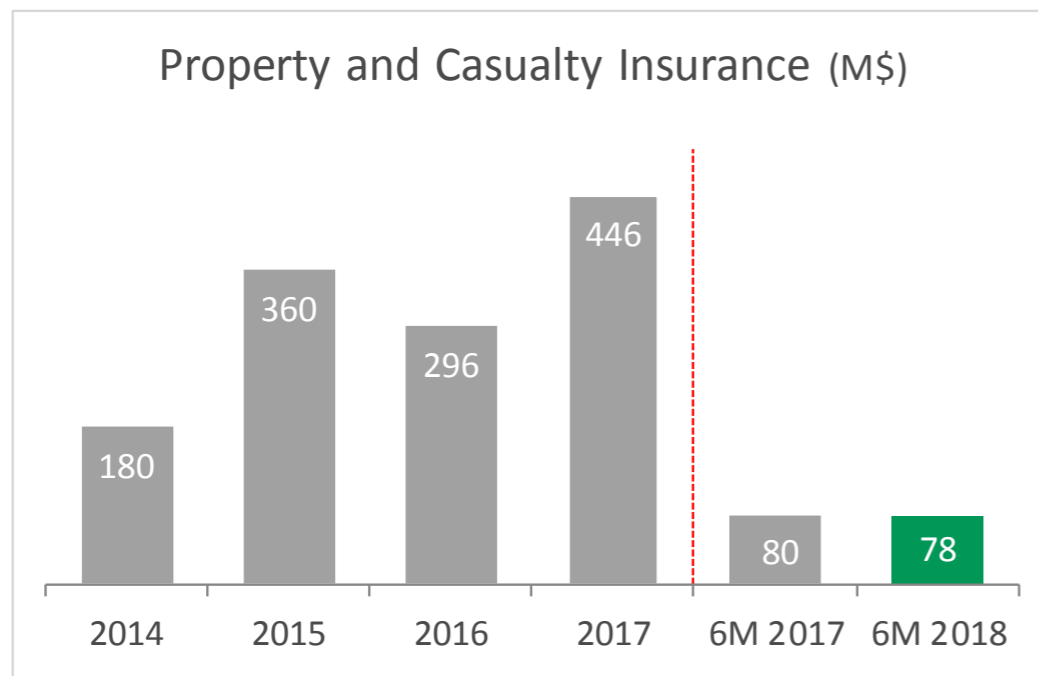
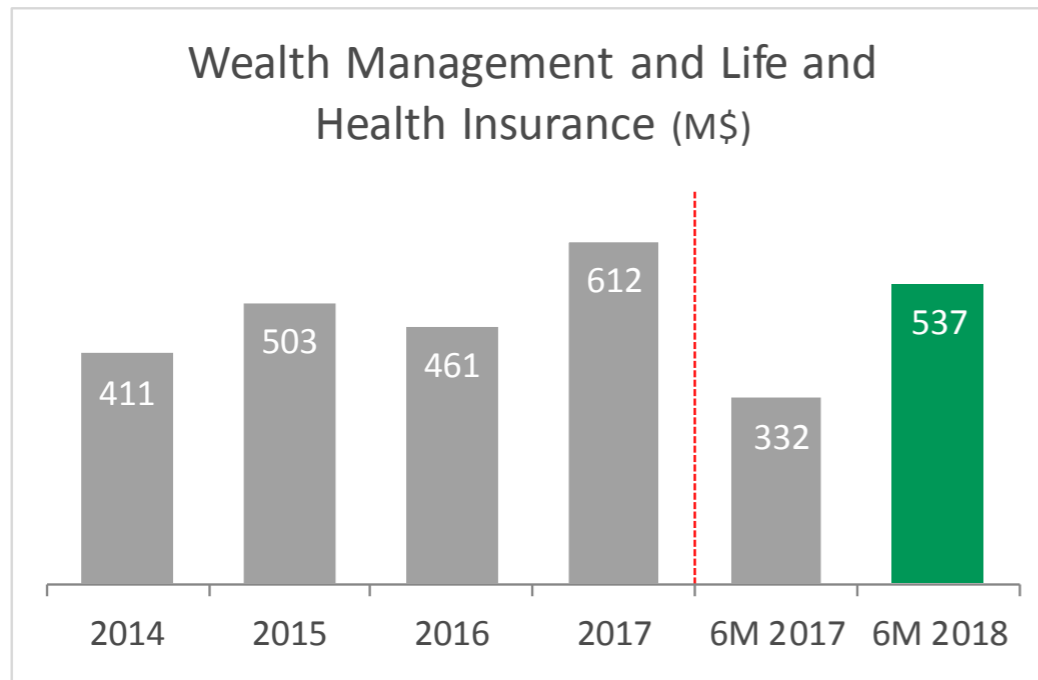
## SURPLUS EARNINGS BY SEGMENT



- Good performance from the caisse network, especially in net interest income, as a result of growth in the average portfolio of loans and acceptances, as well as higher interest rates
- Growth in business volume as a result of card payment activities
- Increase in caisse network sales of various products, such as investment funds



## SURPLUS EARNINGS BY SEGMENT

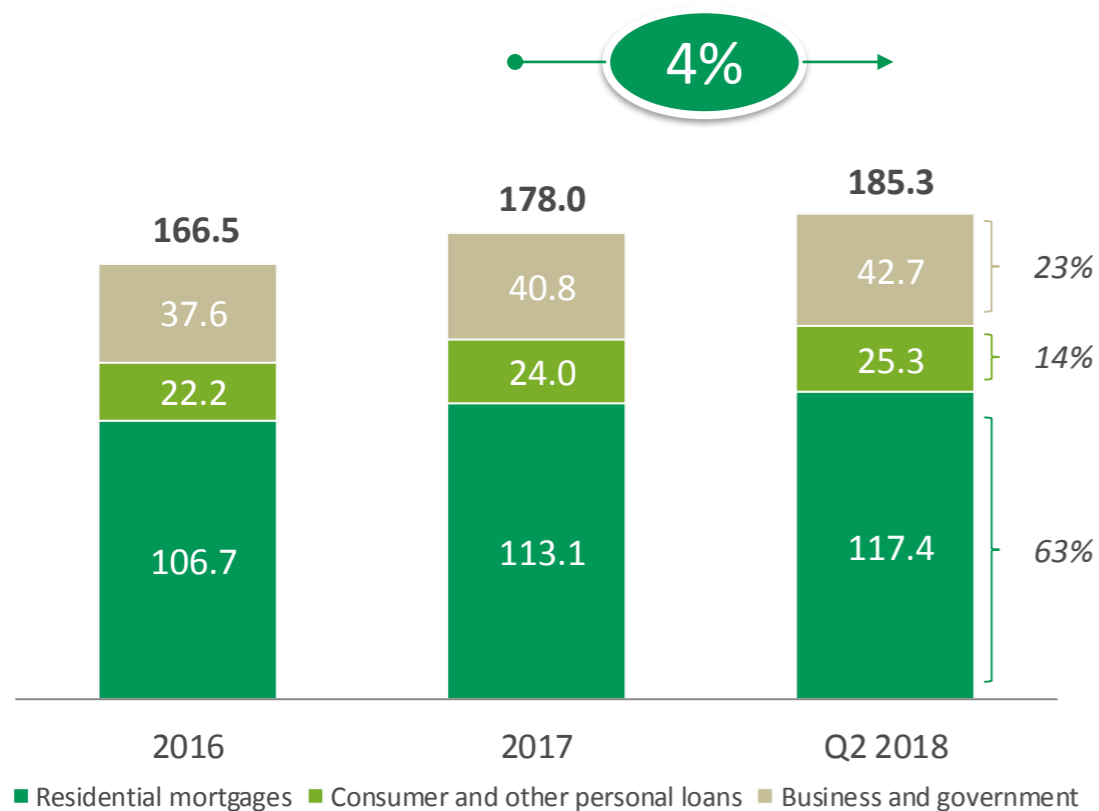


- Excluding a \$129M gain related to the creation of Aviso Wealth, adjusted net surplus earnings are \$408M<sup>(1)</sup>
  - Higher gains on the disposal of securities and real estate investments and higher income from growth in assets under management
  - Net premiums increase of 4%
- 
- Impact of the sale of Western Financial Group Inc. and Western Life Assurance Company completed on July 1, 2017
  - Net premiums increase of 10%
  - Less favourable claims experience

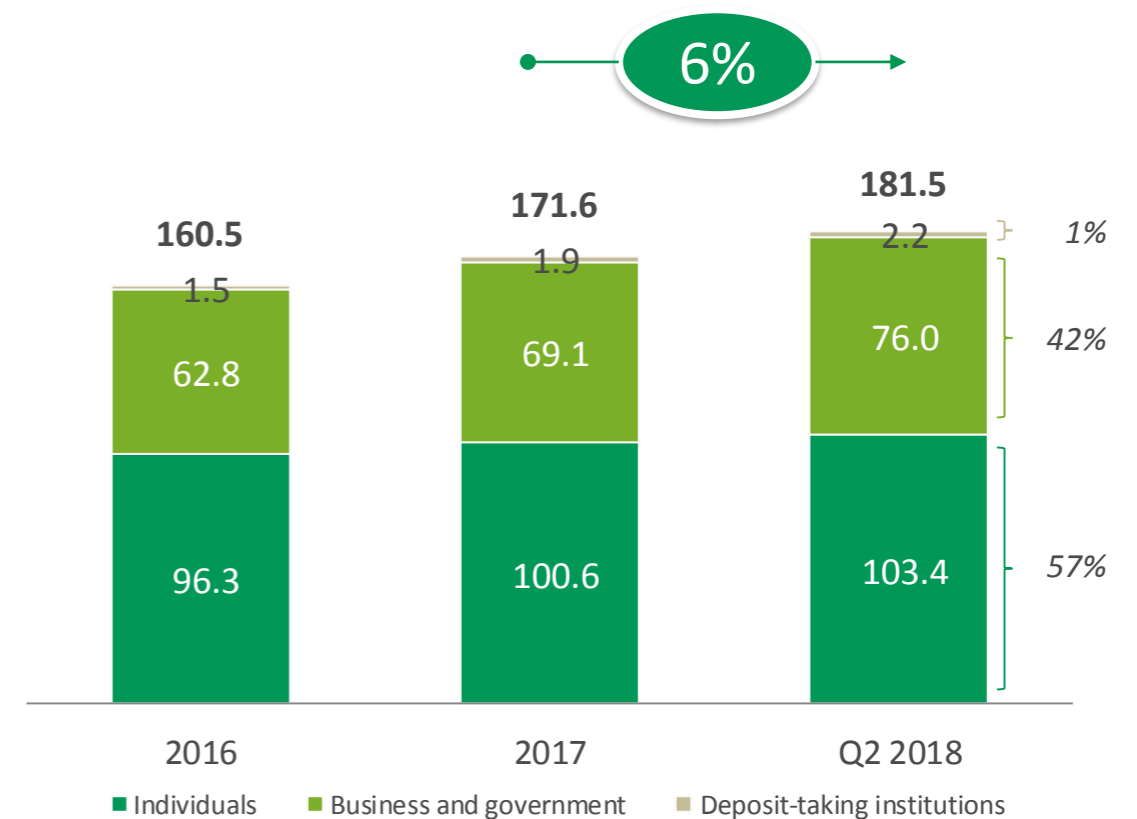


# STRONG BALANCE SHEET

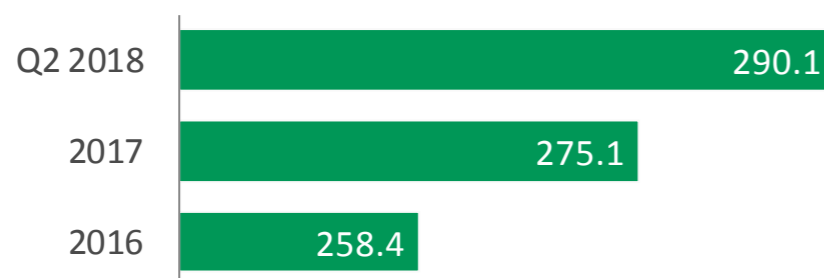
## LOANS AND ACCEPTANCES (\$B)



## DEPOSITS (\$B)



## TOTAL ASSETS (\$B)



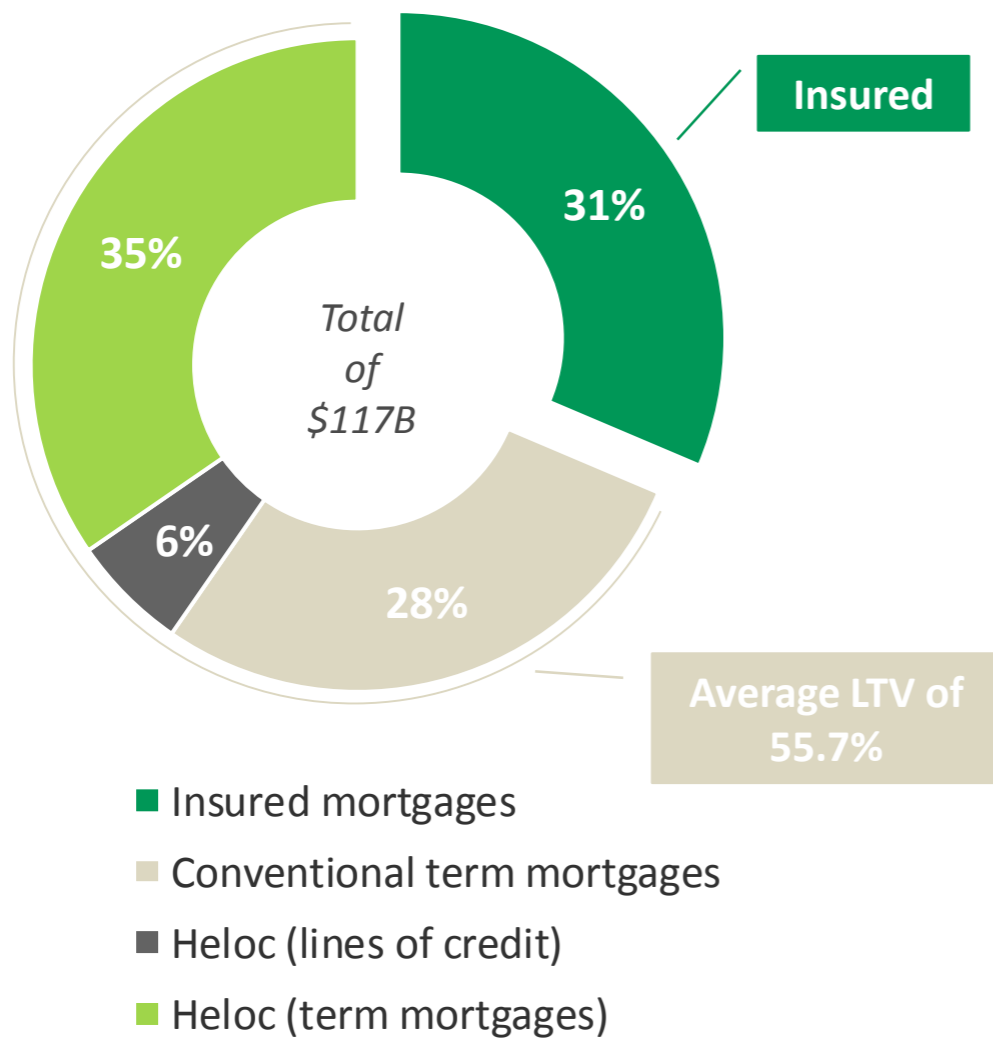
## EQUITY (\$B)



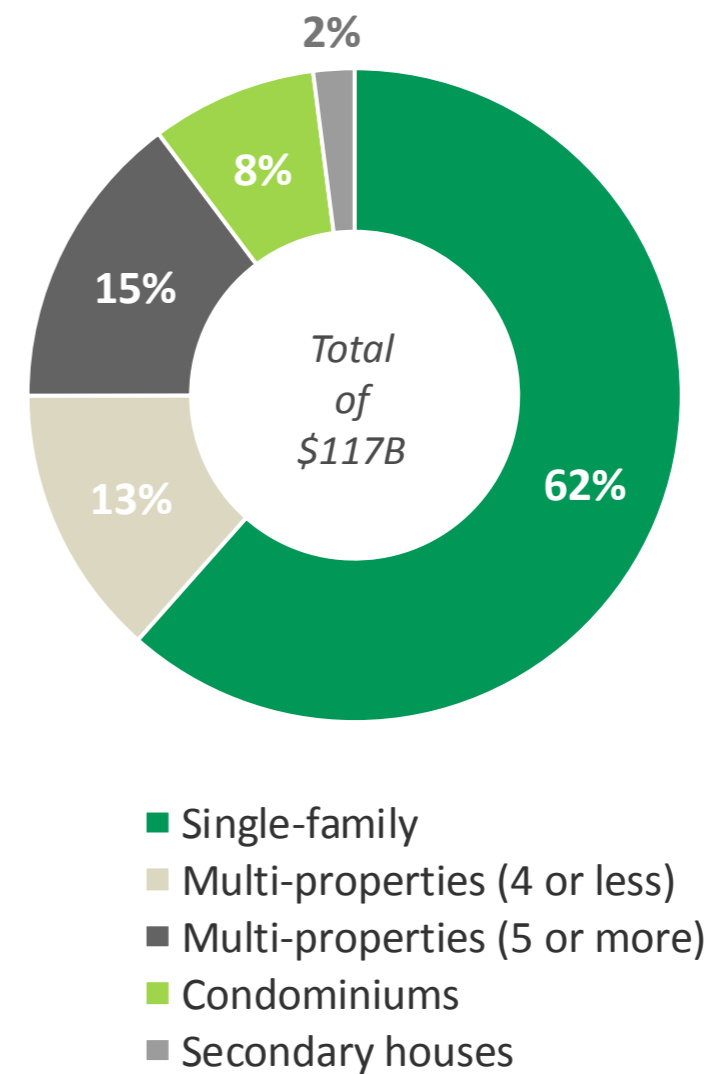


# DIVERSIFIED RESIDENTIAL MORTGAGE **PORTFOLIO**

## BY PRODUCT TYPE



## BY PROPERTY TYPE

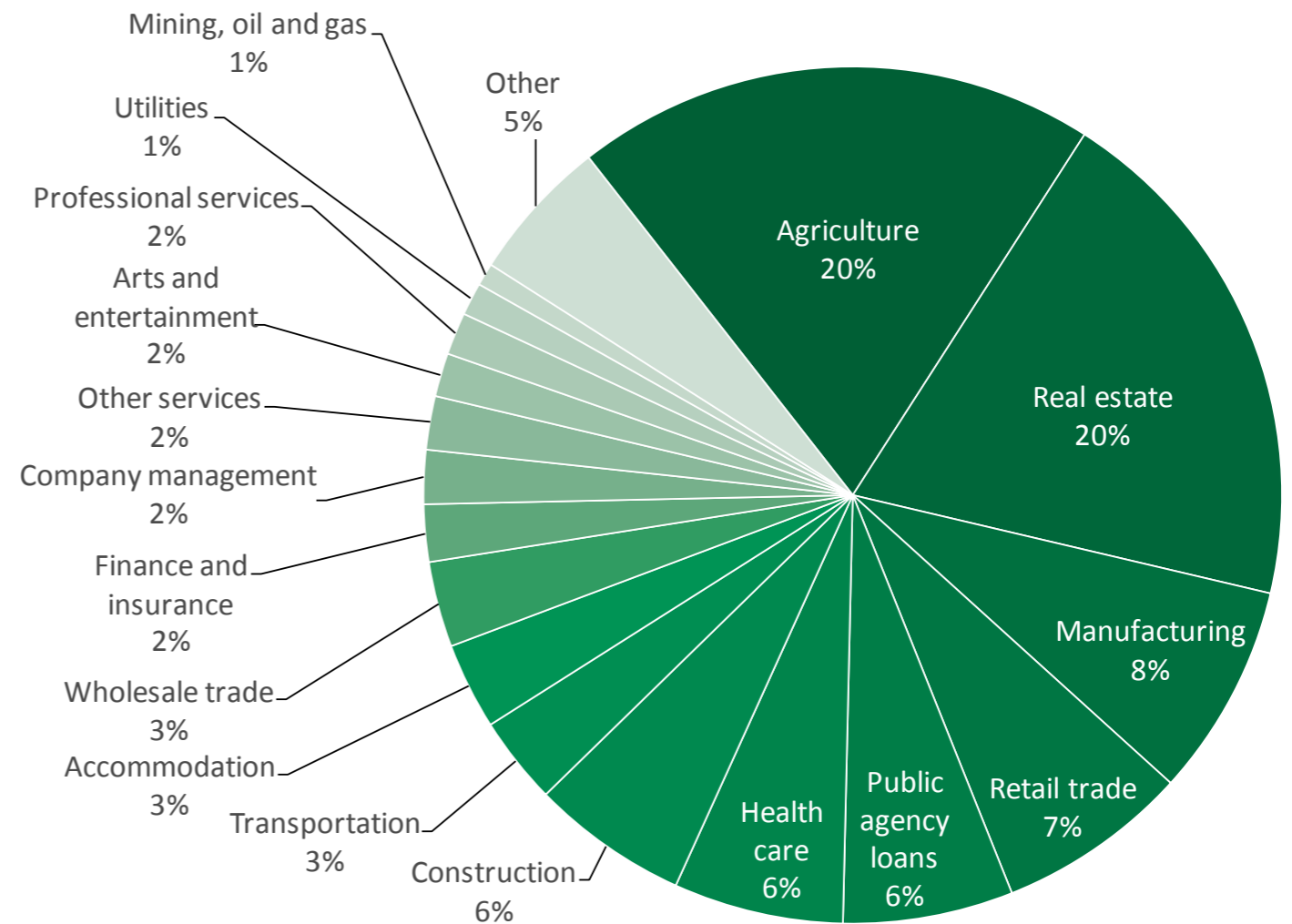




# WELL-BALANCED BUSINESS AND GOVERNMENT **LOAN PORTFOLIO**

- **16% WERE GUARANTEED AT Q2 2018**
- **HIGH QUALITY OF TOP SECTORS**
  - Agriculture: \$8.4B, most loans are guaranteed and covered by income protection programs
  - Real estate: \$8.4B
  - Manufacturing: \$3.4B
  - Retail trade: \$3.1B
  - Public agencies: \$2.7B (governmental agencies and school boards)
- **OTHER INDUSTRIES WELL-DIVERSIFIED**

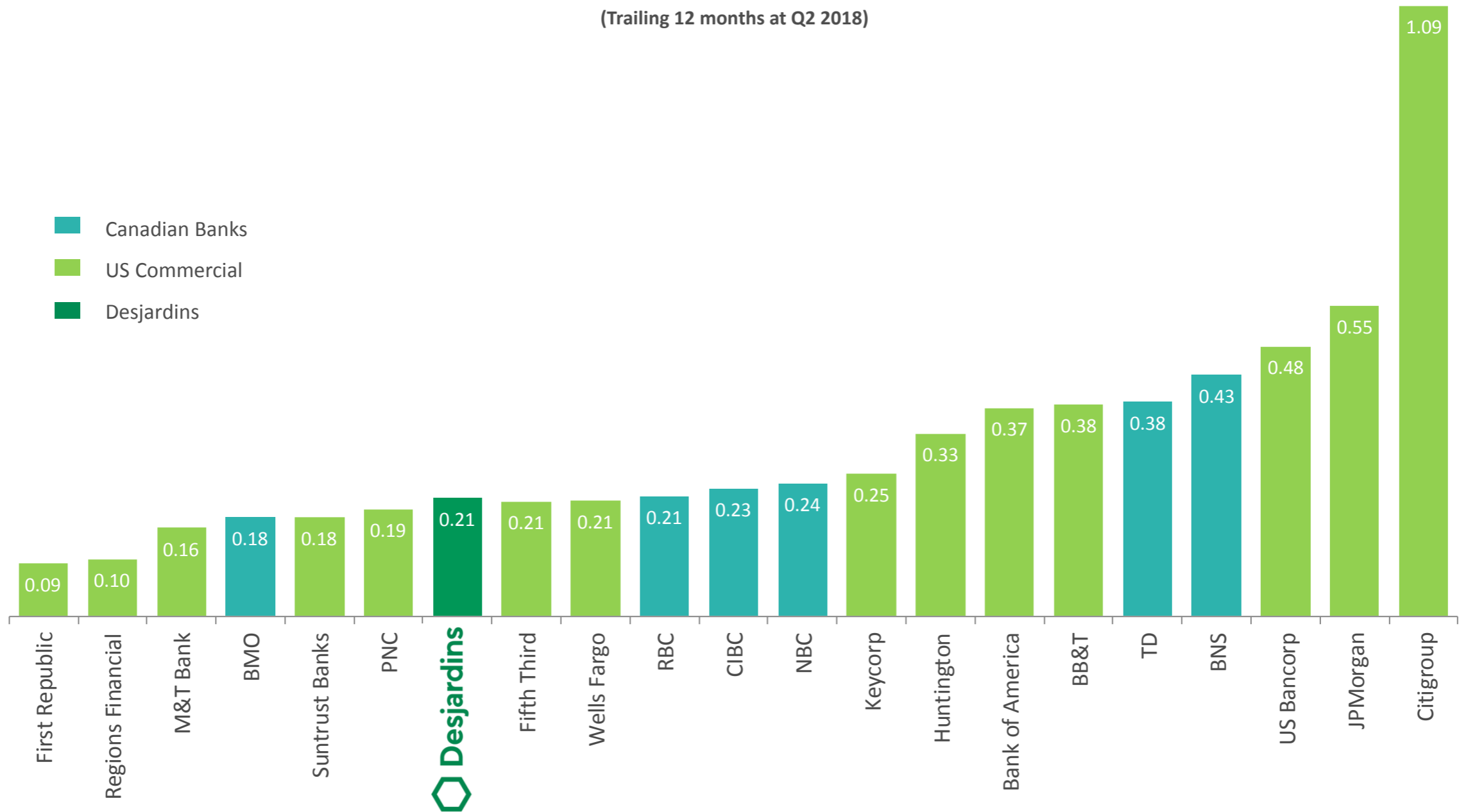
## INDUSTRY DISTRIBUTION





## PROVISION FOR CREDIT LOSSES AS A % OF AVERAGE LOANS

(Trailing 12 months at Q2 2018)



Sources: Desjardins Group's Financial Reports and Bloomberg for Canadian banks and US commercial banks

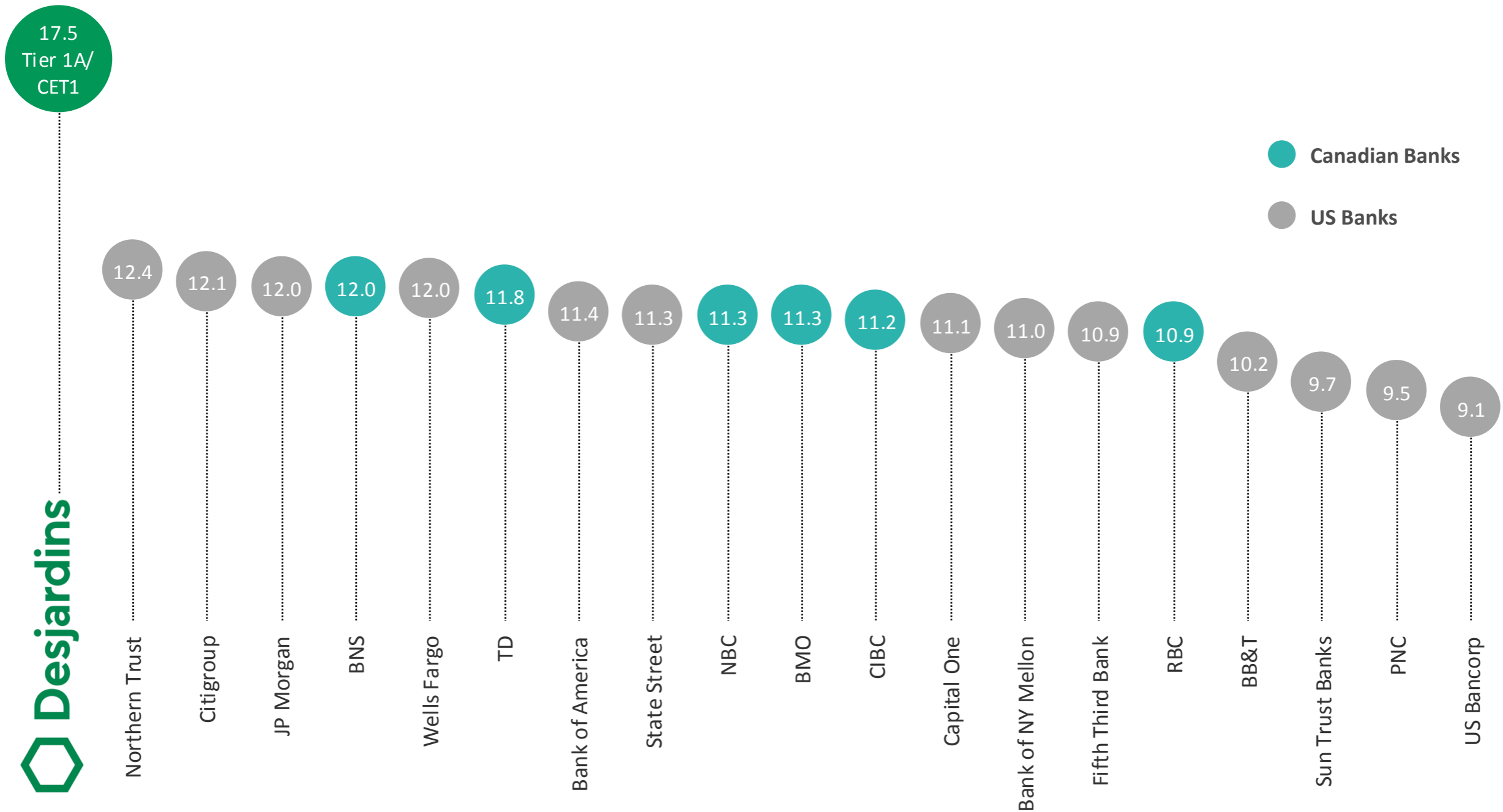
1. For Canadian banks and Desjardins, provision for credit losses is under IFRS 9 starting Q1 2018 and under IAS 39 for previous quarters.

Only US Banks with more than US\$60B of deposits are illustrated.



# LEADING NORTH AMERICAN FINANCIAL INSTITUTION

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



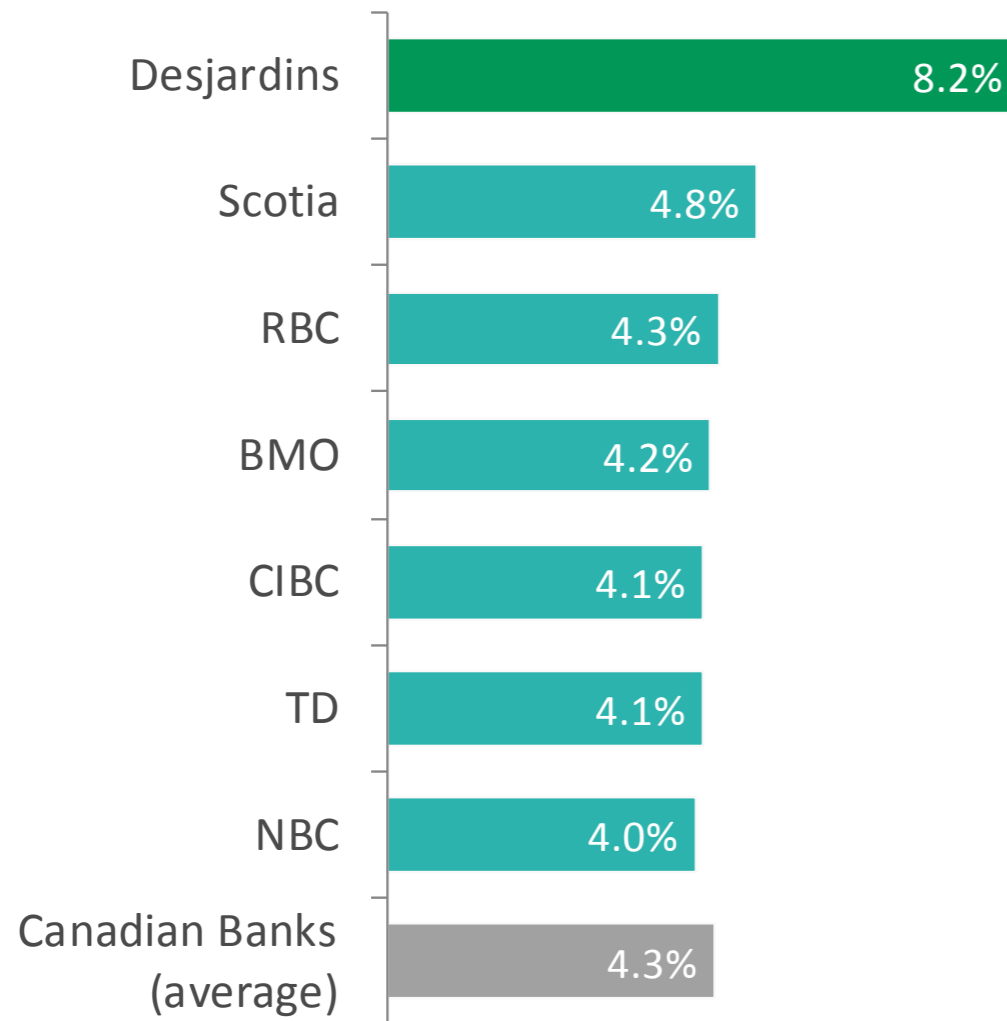
Sources: Financial Reports of Desjardins Group, U.S. banks and Canadian banks

1. As at Q2 2018 for Canadian banks and U.S. banks. Only US Banks with more than US\$60B of deposits are illustrated.

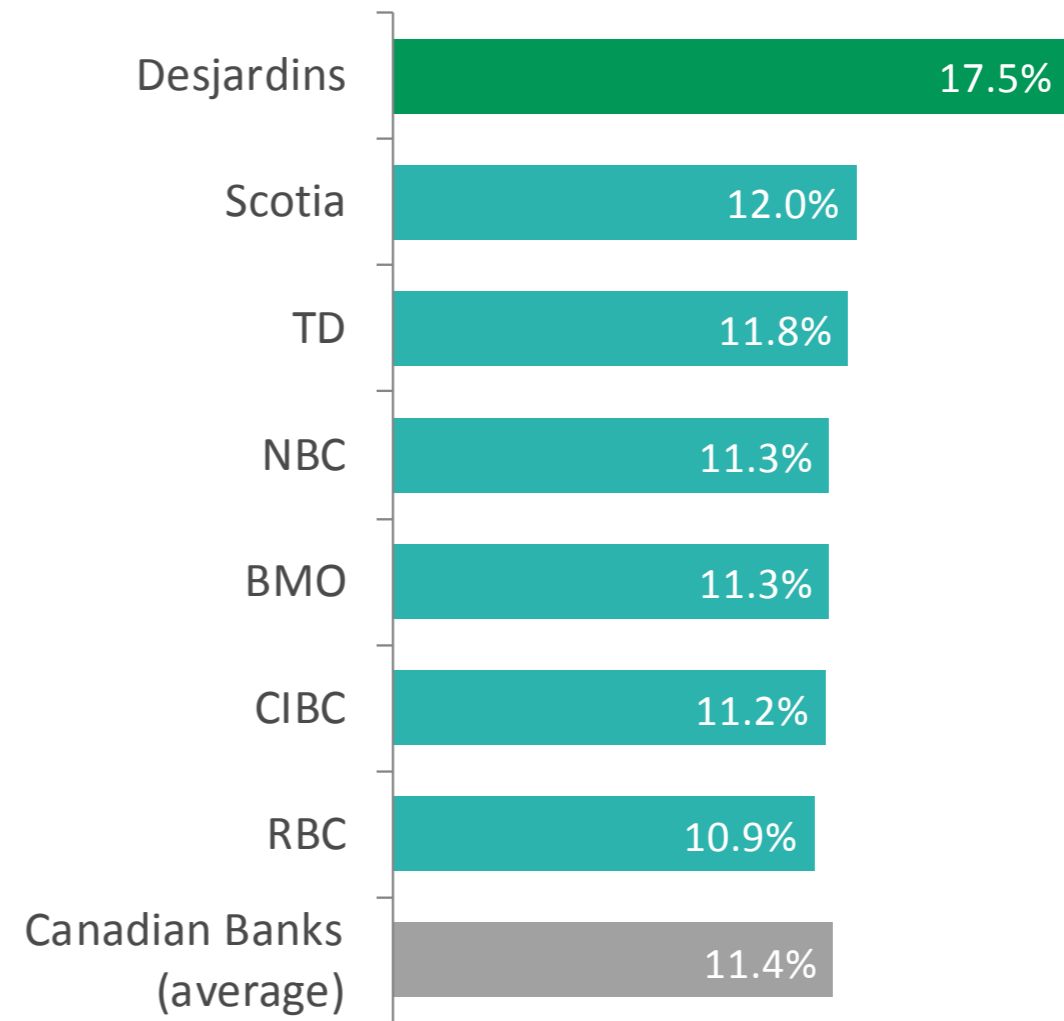


# EXCELLENT TIER 1A CAPITAL AND LEVERAGE RATIOS

### LEVERAGE RATIO



### TIER 1A CAPITAL RATIO (CET1)



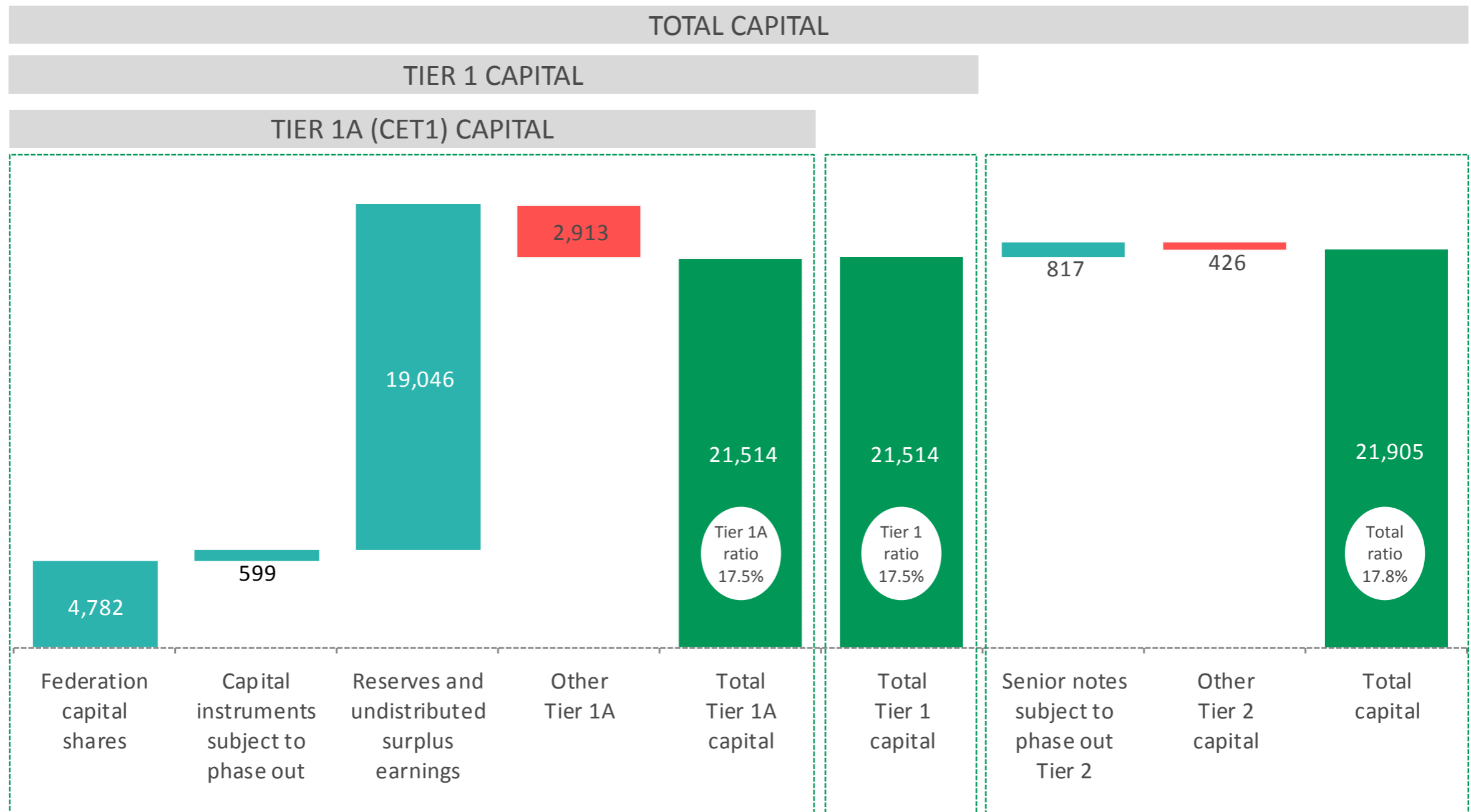
Sources: Banks and Desjardins Group's Financial Reports (Q2 2018 for banks and Desjardins)





# CAPITAL MANAGEMENT

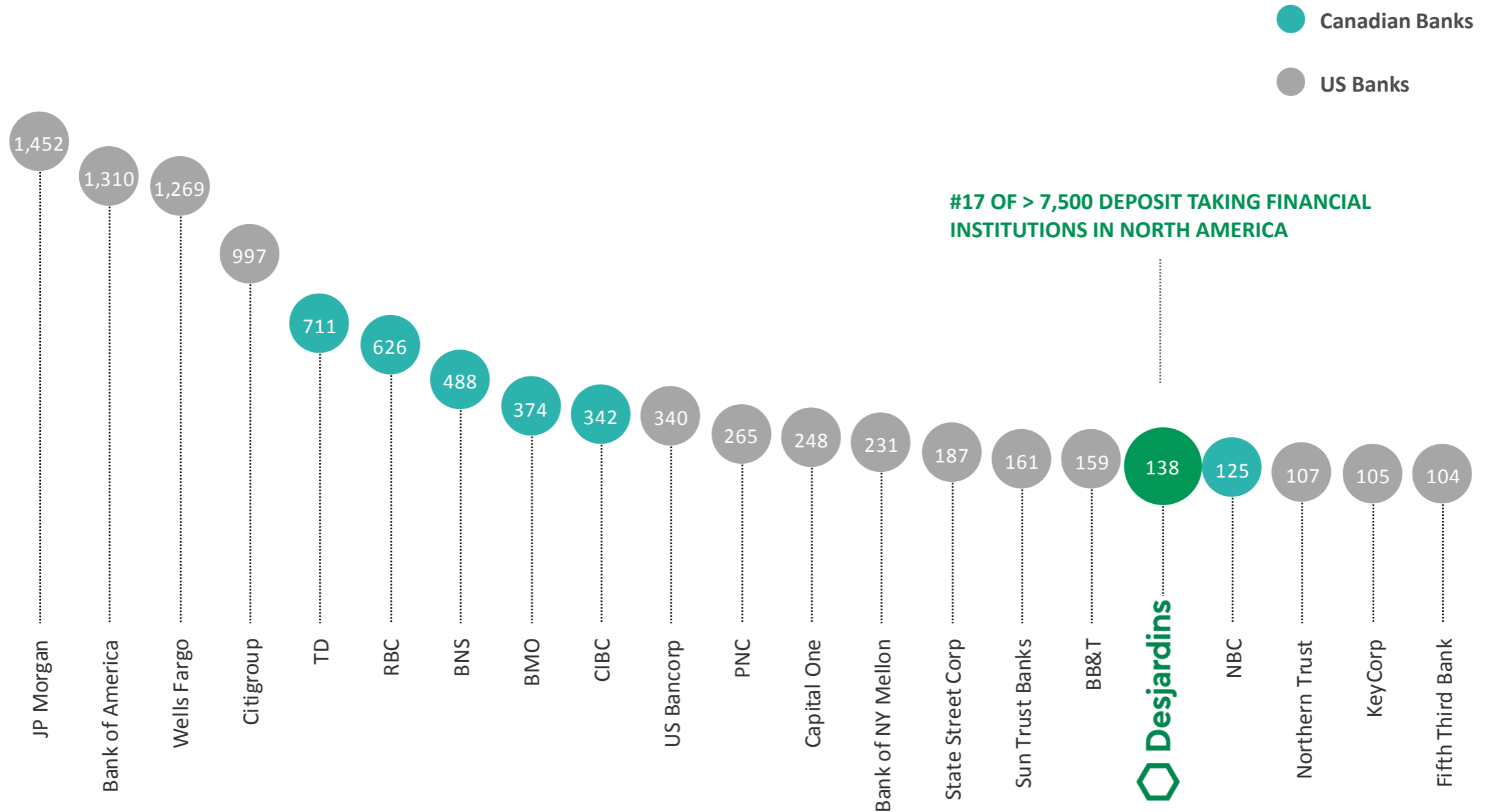
## REGULATORY CAPITAL COMPOSITION (\$M)





# LEADING NORTH AMERICAN FINANCIAL INSTITUTION

## LARGEST FINANCIAL INSTITUTIONS BY DEPOSITS<sup>(1)</sup> (US \$B)



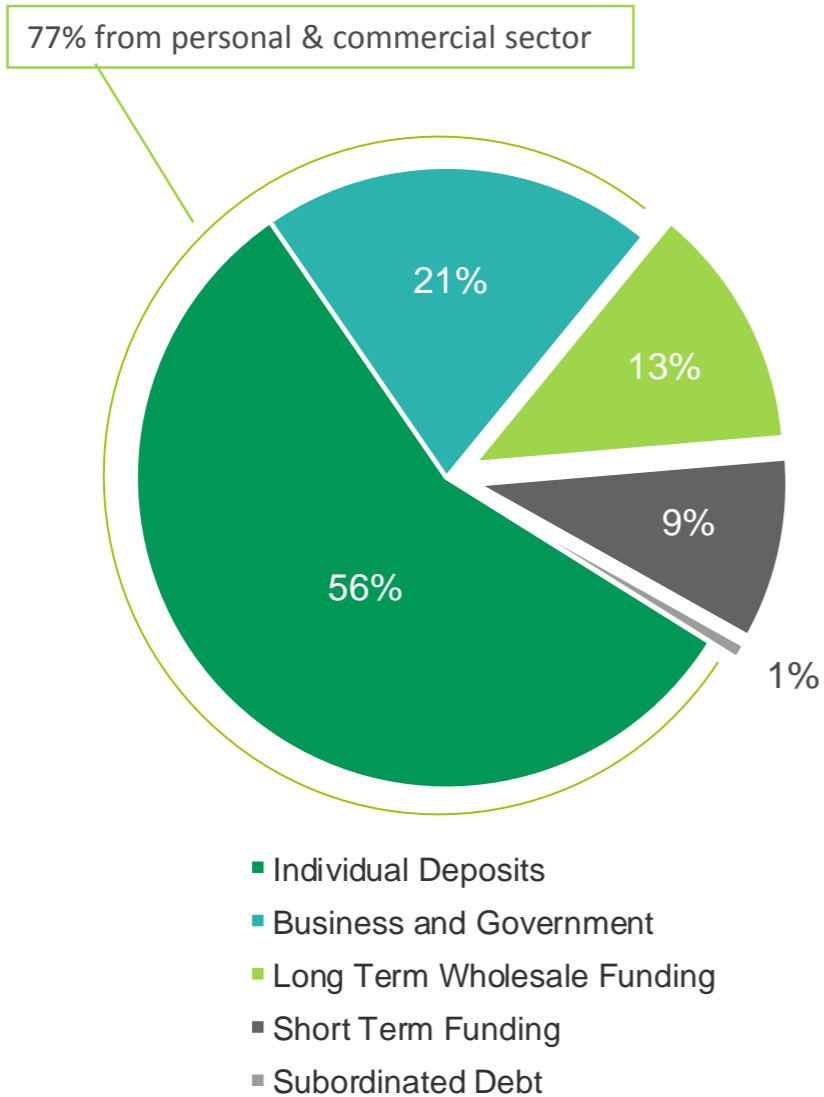
Sources: Desjardins Group's Financial Reports and Bloomberg

1. As at Q2 2018 for Canadian and U.S. banks; exchange rate as at June 30, 2018: C\$ 1.0000 = US\$ 0.7614406457.

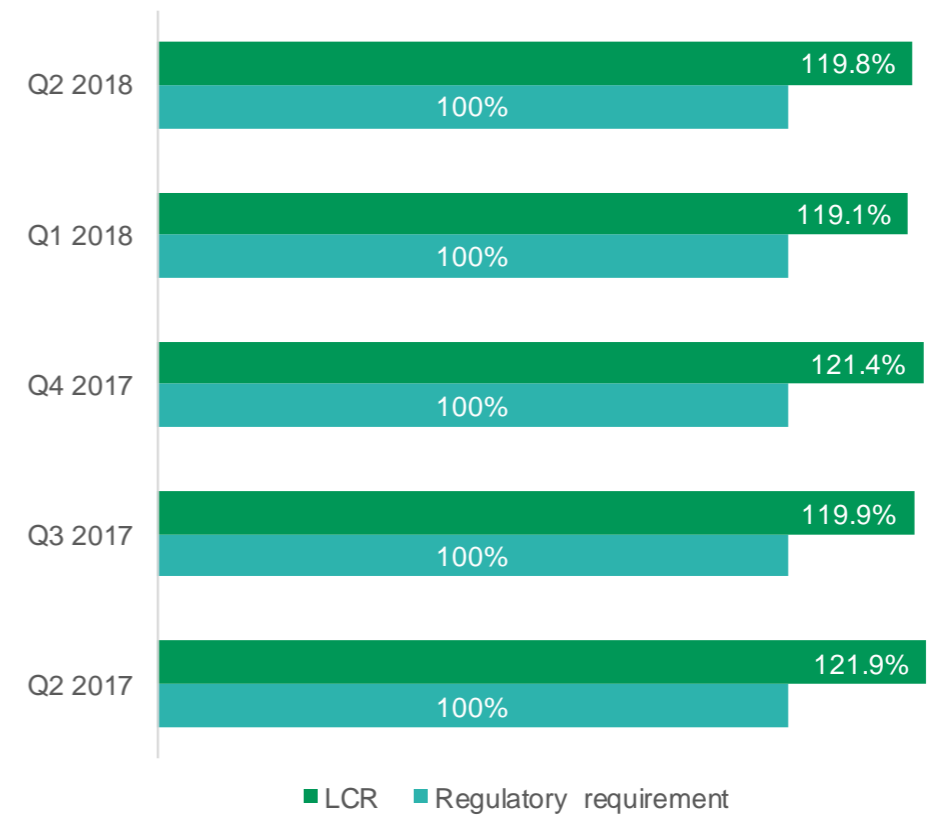


# ROBUST LIQUIDITY POSITION

## TOTAL DEPOSITS



## LIQUIDITY COVERAGE RATIO (LCR)

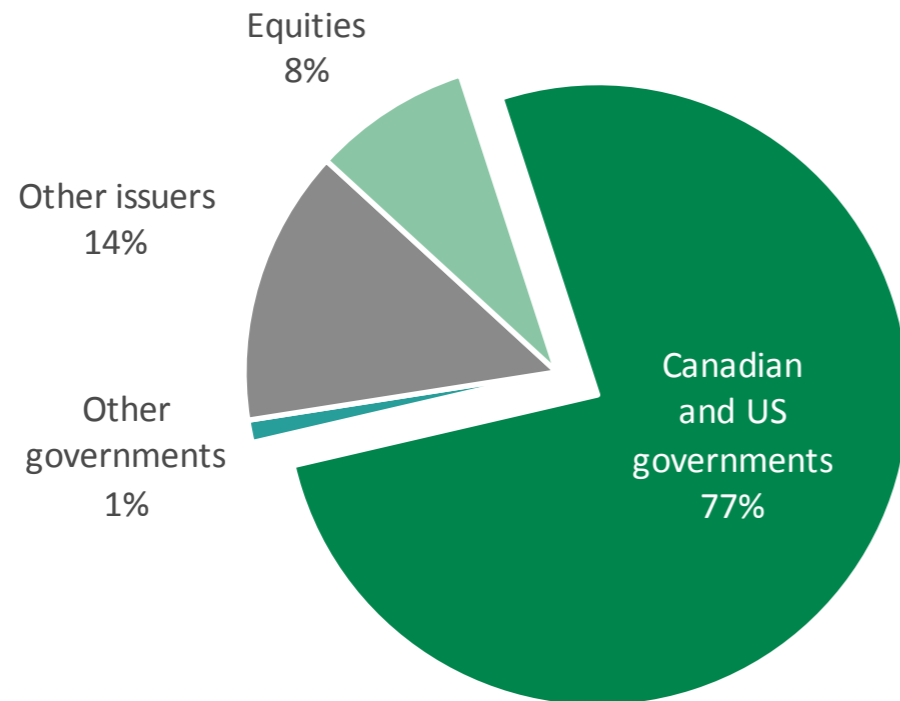




# ROBUST LIQUIDITY POSITION

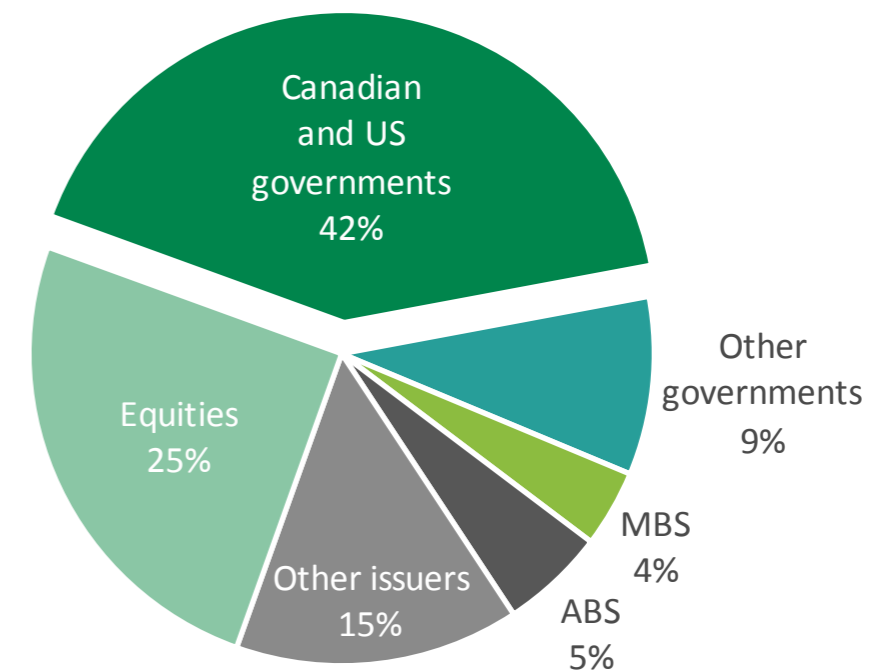
## SECURITIES PORTFOLIO

### DESJARDINS (Q2 2018)



### CANADIAN BANKS (Q4 2017)

(AVERAGE)





# WELL-ESTABLISHED GLOBAL FUNDING PROGRAMS

## WHOLESALE FUNDING PROGRAMS

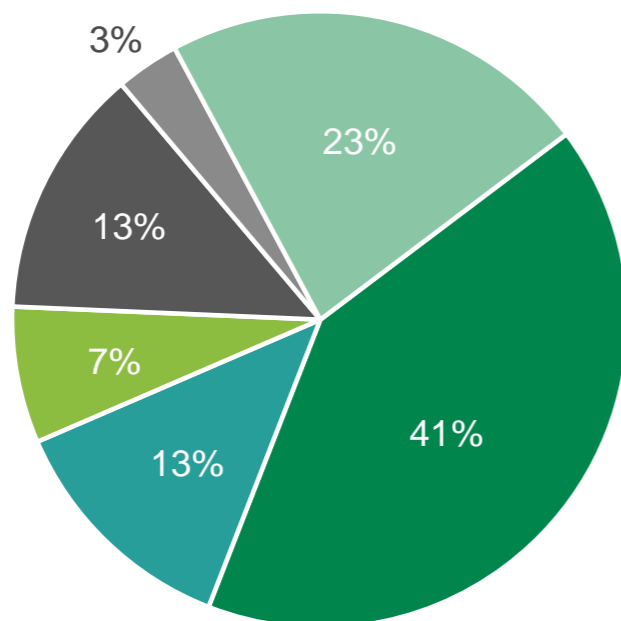
PROGRAMS	CURRENCY	LIMIT
<i>Short term</i>		
Commercial paper – Canada	Canadian	None
Commercial paper – United-States	United-States	US\$15B
Commercial paper – Europe	Euro	€3B
<i>Mid-Long term</i>		
Medium term notes – Canada	Canadian	C\$7B
Global medium term notes	Multi-currency	€7B
Covered bonds	Multi-currency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



# WELL-ESTABLISHED GLOBAL FUNDING PROGRAMS

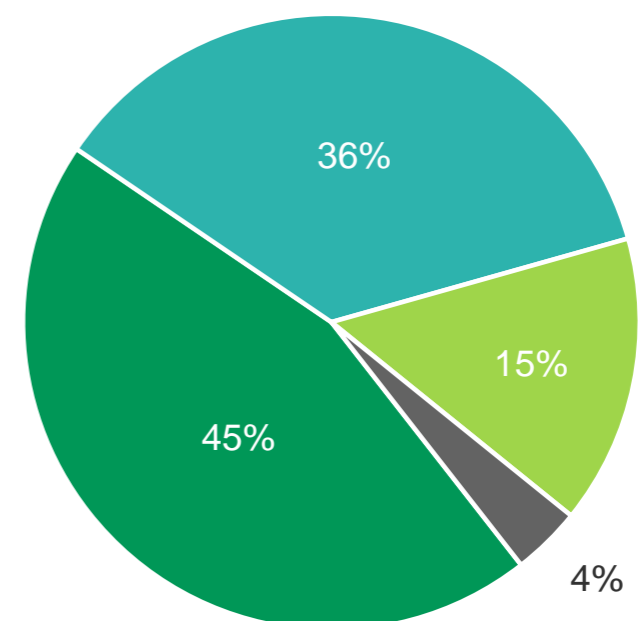
## WHOLESALE FUNDING

### BY PROGRAM TYPE



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

### BY CURRENCY

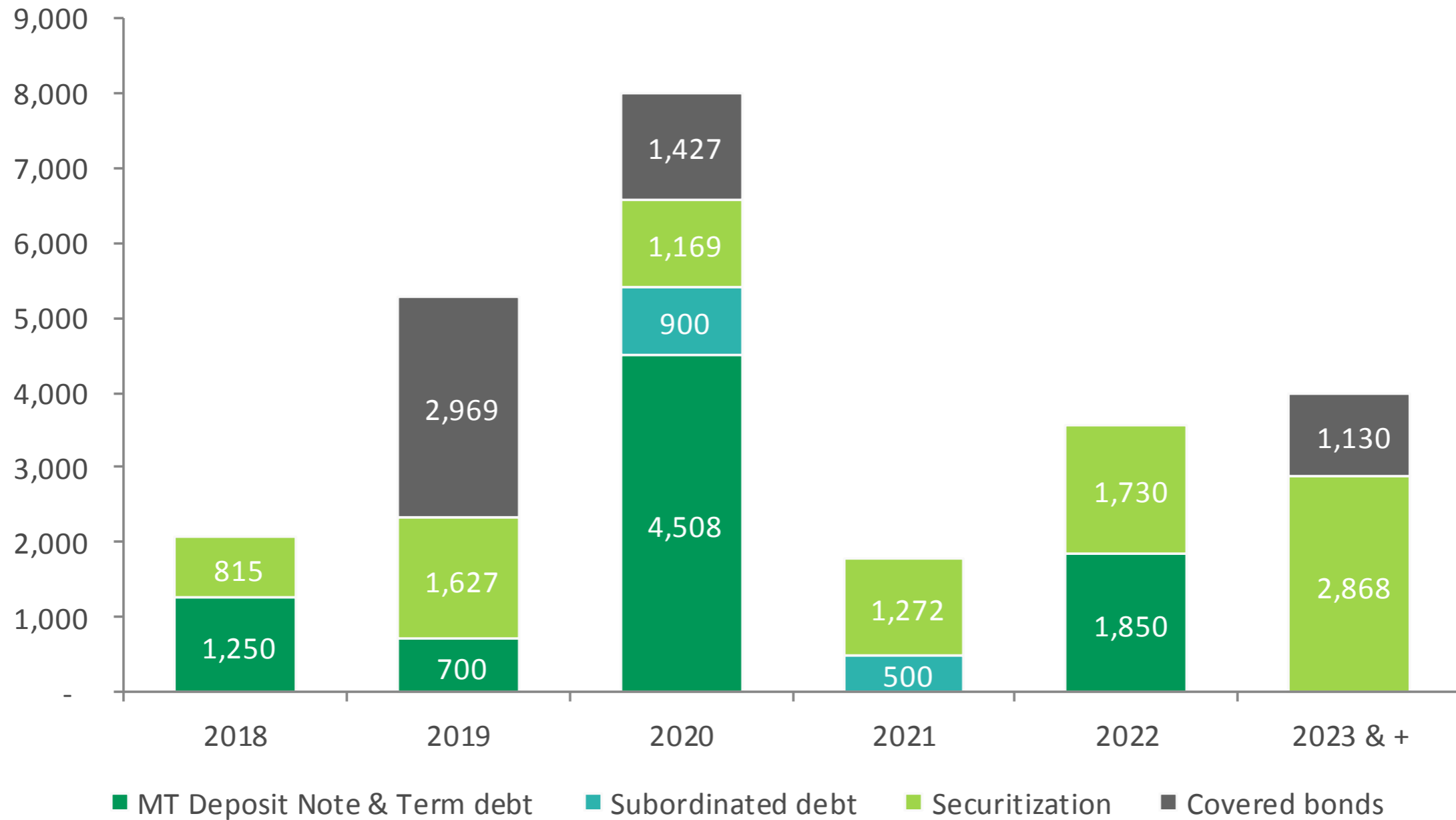


- CAD
- USD
- EURO
- GBP



# MATURITY PROFILE

(IN \$M, AS AT JUNE 30, 2018)



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



# CREDIT RATINGS AMONG THE BEST IN THE **INDUSTRY**

	MOODY'S		S&P		FITCH		DBRS	
	RATING	OUTLOOK	RATING	OUTLOOK	RATING	OUTLOOK	RATING	OUTLOOK
<b>FÉDÉRATION DES CAISSES DESJARDINS DU QUÉBEC</b>	<b>Aa2</b>	<b>NEGATIVE</b>	<b>A+</b>	<b>STABLE</b>	<b>AA-</b>	<b>STABLE</b>	<b>AA</b>	<b>NEGATIVE</b>
TD BANK	Aa1	STABLE	AA-	STABLE	AA-	STABLE	AA	POSITIVE
ROYAL BANK OF CANADA	Aa2	STABLE	AA-	STABLE	AA	STABLE	AA	POSITIVE
BANK OF MONTREAL	Aa2	STABLE	A+	STABLE	AA-	STABLE	AA	STABLE
SCOTIA BANK	Aa2	STABLE	A+	STABLE	AA-	STABLE	AA	STABLE
CIBC	Aa2	STABLE	A+	STABLE	AA-	NEGATIVE	AA	STABLE
NATIONAL BANK	Aa3	STABLE	A	STABLE	A+	STABLE	AA (low)	STABLE
LAURENTIAN BANK	N/A	N/A	BBB	NEGATIVE	N/A	N/A	A (low)	NEGATIVE





# RECENT DEBT TRANSACTION HIGHLIGHTS

**May  
2018**

Covered Bonds  
Rated Aaa/AAA  
€750,000,000  
Due May 2023

**October  
2017**

Senior Unsecured Notes  
US\$1,500,000,000  
Due October 2020

**August  
2017**

Senior Unsecured Notes  
C\$850,000,000  
Due August 2022

**January  
2017**

Senior Unsecured Notes  
C\$1,000,000,000  
Due January 2022

**January  
2016**

Senior Unsecured Notes  
€1,000,000,000  
Due January 2018

**November  
2015**

Covered Bonds  
Rated Aaa/AAA  
€1,000,000,000  
Due November 2020

**September  
2015**

Senior Unsecured Notes  
€750,000,000  
Due September 2017

**March  
2015**

Senior Unsecured Notes  
C\$1,500,000,000  
Due March 2020

**January  
2015**

Senior Unsecured Notes  
€500,000,000  
Due January 2020



## CONTACT INFORMATION

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patrick.nadeau@desjardins.com

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