MANAGEMENT'S DISCUSSION AND ANALYSIS

Desjardins Group (hereinafter also referred to as Desjardins) comprises the Desjardins caisses in Québec and Caisse Desjardins Ontario Credit Union Inc. (the caisses), the *Fédération des caisses Desjardins du Québec* (the Federation) and its subsidiaries, and the *Fonds de sécurité Desjardins*.

The Management's Discussion and Analysis (MD&A) dated November 8, 2024, presents the analysis of the results of and main changes to Desjardins Group's balance sheet for the period ended September 30, 2024, in comparison with prior periods. Desjardins Group reports financial information in compliance with *Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings* (Regulation 52-109) prescribed by the Canadian Securities Administrators (CSA). Unlike the Federation, Desjardins Group is not a reporting issuer, on a combined basis, under this or any other applicable securities regulation. Pursuant to Decision No. 2021-FS-0091 of the *Autorité des marchés financiers* (AMF) dated April 23, 2021, the Combined Financial Statements and MD&As of Desjardins Group are to be filed by the Federation in place of the Consolidated Financial Statements and MD&As of the Federation, in order to meet its financial disclosure obligations as a reporting issuer under *Regulation 51-102 respecting Continuous Disclosure Obligations* of the CSA, and the Federation will maintain controls and procedures with respect to the Combined Financial Statements and MD&As of Desjardins Group in compliance with Regulation 52-109. Since April 23, 2021, and pursuant to the AMF and CSA decision, the Federation has used the financial statements and MD&As of Desjardins Group for all relevant purposes under the applicable securities regulations. Information on the controls and procedures with respect to the Combined Financial Statements and MD&As of Desjardins Group may be found in the "Additional information" section of this MD&A.

This MD&A should be read in conjunction with the unaudited Condensed Interim Combined Financial Statements (the Interim Combined Financial Statements), including the notes thereto, as at September 30, 2024, and Desjardins Group's 2023 Annual Report (the 2023 Annual Report), which contains the MD&A and the audited Annual Combined Financial Statements (the Annual Combined Financial Statements).

Additional information about Desjardins Group is available on the SEDAR+ website at www.sedarplus.com (under the Desjardins Capital Inc. profile for the years ended prior to December 31, 2021, and since first quarter 2021, under the *Fédération des caisses Desjardins du Québec* profile). The Annual Information Form of the Federation (under the *Fédération des caisses Desjardins du Québec* profile) can be found on SEDAR+ as well. Further information is available on the Desjardins website at www.desjardins.com/ca/about-us/investor-relations. None of the information presented on these sites is incorporated by reference into this MD&A.

The Annual and Interim Combined Financial 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 (IASB), and the accounting requirements of the AMF, which do not differ from IFRS. IFRS represent Canadian generally accepted accounting principles (GAAP). These Interim Combined Financial Statements of Desjardins Group have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting." All the accounting policies have been applied as described in Note 2, "Accounting policies," to the Annual Combined Financial Statements, except for certain comparative figures that have been restated to conform with the presentation of the Interim Combined Financial Statements for the current period. During the first quarter of 2024, a presentation accounting policy relating to interest income and interest expense recognized on the financial instruments of Desjardins Securities Inc. was changed, and these items are now presented under "Net interest income" instead of "Other income." This new presentation was considered preferable to provide reliable and more relevant information. As a result, for the nine-month period ended September 30, 2023, a net amount of $321 million has been moved in two gross amounts from "Other income" to interest income and interest expense, under "Net interest income" ($102 million for the three-month period ended September 30, 2023), changing these line items by $897 million and $1,218 million, respectively, for the nine-month period ended September 30, 2023, and by $345 million and $447 million, respectively, for the three-month period ended September 30, 2023. This change had no impact on total net revenue and net surplus earnings for the comparative period.

This MD&A was prepared in accordance with the regulations in force on continuous disclosure obligations issued by the CSA. Unless otherwise indicated, all amounts are presented in Canadian dollars ($) and are primarily from Desjardins Group's Annual and Interim Combined Financial Statements.

TABLE OF CONTENTS

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Desjardins Group’s public communications often include oral or written forward-looking statements, within the meaning of applicable securities legislation, particularly in Québec, Canada and the United States. Forward-looking statements are contained in this MD&A and may be incorporated in other filings with Canadian regulators or in any other communications. In addition, Desjardins Group's representatives may make verbal forward-looking statements to investors, the media and others.

The forward-looking statements include, but are not limited to, comments on Desjardins Group's objectives regarding financial performance, priorities, vision, operations, targets and commitments, the review of economic conditions and financial markets, the outlook for the Québec, Canadian, U.S. and global economies, its results and its financial position, as well as on economic conditions and financial markets. Such forward-looking statements are typically identified by words or phrases such as "target," "objective," "believe," "expect," "count on," "anticipate," "intend," "estimate," "plan," "forecast," "aim," "propose," "should" and "may," words and expressions of similar import, and future and conditional verbs.

By their very nature, such statements require us to make assumptions, and are subject to uncertainties and inherent risks, both general and specific. Desjardins Group cautions readers against placing undue reliance on forward-looking statements when making decisions since 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, individually or collectively, the accuracy of the assumptions, predictions, forecasts or other forward-looking statements in this MD&A. Although Desjardins Group believes that the expectations expressed in these forward-looking statements are reasonable and founded on valid bases, it cannot guarantee that these expectations will materialize or prove to be accurate. It is also possible that these assumptions, 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 future actual results, conditions, actions or events differ materially from targets, expectations, estimates or intentions that have been explicitly or implicitly put forward. Readers who rely on these forward-looking statements must carefully consider these risk factors and other uncertainties and potential events, including the uncertainty inherent in forward-looking statements.

The factors that may affect the accuracy of the forward-looking statements in this MD&A include those discussed in the "Risk management" section of Desjardins Group’s 2023 annual MD&A and this MD&A for the third quarter of 2024, and include credit, market, liquidity, operational, insurance, strategic and reputation risk, environmental, social and governance risk, and regulatory risk.

Such factors also include those related to security (including cybersecurity) breaches, fraud risk, the housing market and household and corporate indebtedness, technological and regulatory developments, including changes to liquidity and capital adequacy guidelines, and requirements relating to their presentation and interpretation, as well as interest rate fluctuations, inflation, climate change and geopolitical uncertainty. Furthermore, there are factors related to general economic and business conditions in regions in which Desjardins Group operates; monetary policies; the critical accounting estimates and accounting standards applied by Desjardins Group; new products and services to maintain or increase Desjardins Group's market share; geographic concentration; acquisitions, joint arrangements and the ability to achieve the anticipated benefits; changes in the credit ratings assigned to Desjardins Group; reliance on third parties; the ability to recruit and retain talent; and tax risk. Other factors include interest rate benchmark reform, unexpected changes in consumer spending and saving habits, the potential impact of international conflicts on operations, public health crises, such as pandemics and epidemics, including the COVID-19 pandemic, or any other similar disease affecting the local, national or global economy, as well as Desjardins Group’s ability to anticipate and properly manage the risks associated with these factors despite a disciplined risk management environment. Additional information on these factors is found in the "Risk management" section of Desjardins Group's 2023 annual MD&A and of this MD&A for the third quarter of 2024.

It is important to note that the above list of factors that could influence future results is not exhaustive. Other factors could have an effect on Desjardins Group’s results. Additional information on these and other factors is found in the "Risk management" section of Desjardins Group’s 2023 annual MD&A and of this MD&A for the third quarter of 2024, and can be updated in subsequent quarterly MD&As.

The significant economic assumptions underlying the forward-looking statements in this document are described in the "Economic environment and outlook" section of Desjardins Group’s 2023 annual MD&A and of this MD&A for the third quarter of 2024, and can be updated in quarterly MD&As filed thereafter. Readers are cautioned to consider the foregoing factors when reading this section. To determine economic growth forecasts in general, and for the financial services sector in particular, Desjardins Group mainly uses historical economic data provided by recognized and reliable organizations, empirical and theoretical relationships between economic and financial variables, expert judgment and identified upside and downside risks for the domestic and global economies.

Any forward-looking statements contained in this MD&A 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 financial position as at the dates indicated or its results for the periods then ended, as well as its strategic priorities and objectives as considered as at the date hereof. These forward-looking 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.

NON-GAAP AND OTHER FINANCIAL MEASURES

To measure its performance, Desjardins Group uses different GAAP (IFRS) financial measures and various other financial measures, some of which are non-GAAP financial measures. *Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure* (Regulation 52-112) provides guidance to issuers disclosing specified financial measures, including those used by Desjardins Group below:

- Non-GAAP financial measures;
- Non-GAAP ratios;
- Supplementary financial measures.

Non-GAAP financial measures and ratios

Non-GAAP financial measures and ratios used by Desjardins Group, and which do not have a standardized definition, are not directly comparable to similar measures used by other companies, and may not be directly comparable to any GAAP measures. Regulation 52-112 states, among other things, that any ratio with at least one non-GAAP financial measure meets the definition of a non-GAAP ratio. These non-GAAP financial measures and ratios can be useful to investors, among others, in analyzing Desjardins Group's overall performance or financial position. They are defined as follows:

Net interest margin

Net interest margin for the quarters of 2023 has been restated to conform with the calculation method used for the current quarter. These changes, adopted in the first quarter of 2024, are intended to exclude the impact of trading activities when calculating this ratio in order to improve comparability with information published by the industry and help readers better understand how management assesses the performance of core interest-bearing assets.

Net interest margin, which is a non-GAAP ratio, is used to measure the profitability of core interest-bearing assets, net of financing cost. It is equal to net interest income on core assets expressed as a percentage of average core interest-bearing assets.

Average core interest-bearing assets is a non-GAAP financial measure that reflects Desjardins Group's financial position and is used to exclude assets not generating net interest income and certain other assets from average assets, when calculating net interest margin. Average core interest-bearing assets exclude life and health insurance and property and casualty insurance assets, assets related to trading activities as well as all other assets not generating net interest income.

Net interest income on core assets is a non-GAAP financial measure that is used to exclude net interest income generated by non-core assets from net interest income.

The table below presents the reconciliation of non-GAAP financial measures with financial measures presented in accordance with GAAP in the Combined Financial Statements and used to calculate net interest margin.

Net interest margin

(in millions of dollars and as a percentage)	For the three-month periods ended			For the nine-month periods ended	
	September 30, 2024	June 30, 2024	September 30, 2023[1]	**September 30, 2024**	September 30, 2023[1]
Average assets – as presented	**$ 454,513**	$ 440,084	$ 411,807	**$ 441,946**	$ 406,541
Less: Assets not generating net interest income	**90,129**	87,819	80,897	**87,963**	79,086
Average interest-bearing assets	**364,384**	352,265	330,910	**353,983**	327,455
Less: Assets related to trading activities	**35,350**	30,199	23,553	**31,510**	23,577
Average core interest-bearing assets	**$ 329,034**	$ 322,066	$ 307,357	**$ 322,473**	$ 303,878
Net interest income – as presented	**$ 1,915**	$ 1,861	$ 1,716	**$ 5,509**	$ 4,923
Less: Net interest income from non-core assets	**24**	(9)	(104)	**(12)**	(315)
Net interest income on core assets	**$ 1,891**	$ 1,870	$ 1,820	**$ 5,521**	$ 5,238
Net interest margin[2]	**2.29%**	2.34%	2.35%	**2.29%**	2.30%

(1) Data have been restated to conform with the current period's presentation.
(2) Corresponds to an annualized calculation that takes into account the number of days in the period concerned.

Net interest margin – Personal and Business Services

The Personal and Business Services segment's net interest margin, which is a non-GAAP ratio, is used to measure the profitability of core interest-bearing assets, net of financing cost. It is equal to net interest income on core assets expressed as a percentage of average core interest-bearing assets.

Average core interest-bearing assets is a non-GAAP financial measure that reflects the Personal and Business Services segment's financial position and is used to exclude assets not generating net interest income and certain other assets from average assets, when calculating net interest margin. Average core interest-bearing assets exclude assets related to trading activities as well as assets related to capital market and liquidity management activities, and all other assets not generating net interest income.

Net interest income on core assets is a non-GAAP financial measure that is used to exclude net interest income generated by non-core assets from net interest income.

The table below presents the reconciliation of non-GAAP financial measures with financial measures presented in accordance with GAAP in the Combined Financial Statements and used to calculate net interest margin for the Personal and Business Services segment.

Net interest margin – Personal and Business Services

	For the three-month periods ended			For the nine-month periods ended	
(in millions of dollars and as a percentage)	**September 30, 2024**	June 30, 2024[1]	September 30, 2023[1]	**September 30, 2024**	September 30, 2023[1]
Average assets – as presented	**$ 346,784**	$ 338,568	$ 327,775	**$ 339,057**	$ 320,696
Less: Assets not generating net interest income	**6,997**	8,797	5,714	**7,486**	3,719
Average interest-bearing assets	**339,787**	329,771	322,061	**331,571**	316,977
Less: Assets related to trading activities	**31,437**	26,923	25,395	**27,181**	24,677
Less: Other deductions[2]	**53,052**	54,018	55,977	**54,892**	53,115
Average core interest-bearing assets	**$ 255,298**	$ 248,830	$ 240,689	**$ 249,498**	$ 239,185
Net interest income – as presented	**$ 1,842**	$ 1,777	$ 1,657	**$ 5,297**	$ 4,731
Less: Net interest income from non-core assets	**115**	124	91	**319**	236
Net interest income on core assets	**$ 1,727**	$ 1,653	$ 1,566	**$ 4,978**	$ 4,495
Net interest margin – Personal and Business Services[3]	**2.69%**	2.67%	2.58%	**2.67%**	2.51%

(1) Data have been restated to conform with the current period's presentation.
(2) From assets related to capital market and liquidity management activities.
(3) Corresponds to an annualized calculation that takes into account the number of days in the period concerned.

Loss ratio – Expense ratio – Ratio of losses on onerous contracts – Combined ratios

The loss ratio for quarters of 2023 has been restated to conform with the calculation method for the current quarter. An undiscounted combined ratio has also been added. These changes, adopted in the first quarter of 2024, are intended to exclude the effect of discounting of net liabilities for incurred claims when calculating such ratios. The use of undiscounted ratios improves their comparability, in particular between periods, but also with information published by the industry.

The following non-GAAP ratios, which are net of reinsurance, are used to analyze the performance of the Property and Casualty Insurance segment and more specifically:
- Loss ratio (undiscounted): Used as a measure of business quality.
- Expense ratio: Used as a measure of the effectiveness of non-interest expense management, excluding certain items such as non-interest expense related to claims.
- Ratio of losses on onerous contracts: Used as a measure of the effect of onerous contracts on profitability.
- Combined ratio (discounted and undiscounted): Used as a measure of business profitability, excluding the effect of the net insurance finance result and certain other income.

The loss ratio is equal to the net claims expenses expressed as a percentage of net insurance revenue. Net claims expenses is a non-GAAP financial measure, which is used to exclude policy costs and acquisition costs, as well as the effect of the loss component on onerous contracts and the effect of discounting of net liabilities for incurred claims, and to take into account incurred claims and costs of ceded claims.

Net insurance revenue is a non-GAAP financial measure. It is used to exclude premiums paid related to reinsurance activities and is the denominator in calculating the following ratios: loss ratio, expense ratio and ratio of losses on onerous contracts.

The loss ratio is comprised of the following ratios:
- Current year loss ratio, which is the loss ratio excluding catastrophe and major event claims expenses for the current year as well as changes in prior year claims, net of related reinsurance held.
- Loss ratio related to catastrophes and major events, which is the loss ratio including catastrophe and major event claims expenses for the current year, net of related reinsurance held.
- Ratio of changes in prior year claims, which is the loss ratio including changes in prior year claims, net of related reinsurance held.

The expense ratio is equal to non-interest expense, excluding non-interest expense related to claims and certain items, expressed as a percentage of net insurance revenue. Non-interest expense excluding non-interest expense related to claims and certain items is a non-GAAP financial measure. It is used to consider all expenses excluding investment management fees and some other specific items.

The ratio of losses on onerous contracts is equal to the effect of the loss component on net onerous contracts expressed as a percentage of net insurance revenue. The effect of the loss component on net onerous contracts is a non-GAAP financial measure, which is used to include losses and reversals of losses on net onerous contracts, as well as decreases in the loss component related to past services, net of reinsurance.

The combined ratio is equal to the sum of the loss ratio, the expense ratio and the ratio of losses on onerous contracts.

The discounted combined ratio is equal to the combined ratio, including the effect of discounting of net liabilities for incurred claims.

The following table presents the reconciliation between non-GAAP financial measures and the financial measures presented in accordance with GAAP in the Combined Financial Statements and used to calculate the loss ratio, the expense ratio, the ratio of losses on onerous contracts, and the combined ratios for the Property and Casualty Insurance segment.

Loss ratio – Expense ratio – Ratio of losses on onerous contracts – Combined ratios

	For the three-month periods ended			For the nine-month periods ended	
(in millions of dollars and as a percentage)	**September 30, 2024**	June 30, 2024	September 30, 2023	**September 30, 2024**	September 30, 2023
Insurance revenue – as presented	**$ 1,919**	$ 1,790	$ 1,700	**$ 5,458**	$ 4,903
Less: Premiums paid related to reinsurance activities(1)	**95**	84	79	**264**	218
Net insurance revenue	**$ 1,824**	$ 1,706	$ 1,621	**$ 5,194**	$ 4,685
Insurance service expenses – as presented	**$ 2,315**	$ 1,296	$ 1,473	**$ 5,103**	$ 4,525
Less: Policy costs and acquisition costs	**315**	342	324	**996**	951
Less: Effect of loss component on onerous contracts	**(24)**	(22)	(50)	**46**	75
Less: Effect of discounting of net liabilities for incurred claims	**(62)**	(83)	(85)	**(223)**	(252)
Less: Incurred claims and costs of ceded claims(1)	**600**	56	66	**750**	162
Net claims expenses(2)(3)	**$ 1,486**	$ 1,003	$ 1,218	**$ 3,534**	$ 3,589
Gross non-interest expense – as presented	**$ 269**	$ 260	$ 236	**$ 777**	$ 761
Less: Non-interest expense related to claims(4) and certain items(5)	**121**	109	100	**337**	325
Plus: Acquisition costs and certain policy costs included in insurance service expenses	**257**	286	265	**826**	776
Non-interest expense excluding non-interest expense related to claims and certain items	**$ 405**	$ 437	$ 401	**$ 1,266**	$ 1,212
Effect of loss component on onerous contracts	**$ (24)**	$ (22)	$ (50)	**$ 46**	$ 75
Less: Effect of loss component on ceded onerous contracts(1)	**(4)**	(5)	(3)	**(6)**	13
Effect of loss component on net onerous contracts	**$ (20)**	$ (17)	$ (47)	**$ 52**	$ 62
Loss ratio(2)(3)	**81.5%**	58.8%	75.1%	**68.0%**	76.6%
Expense ratio	**22.2**	25.6	24.7	**24.4**	25.9
Ratio of losses on onerous contracts	**(1.1)**	(1.0)	(2.9)	**1.0**	1.3
Combined ratio(2)(3)	**102.6**	83.4	96.9	**93.4**	103.8
Discounted combined ratio	**99.3**	78.5	91.7	**89.2**	98.4

(1) These items are included under "Net reinsurance service income (expenses)."
(2) Data or undiscounted ratio, therefore excluding the effect of discounting of net liabilities for incurred claims.
(3) Data have been restated to conform with the current period's presentation.
(4) Represents non-interest expense directly related to claims adjustments, which are presented under "Insurance service expenses."
(5) From investment management fees and certain other specific items.

Return to members and the community

As a cooperative financial group contributing to the development of communities, Desjardins Group gives its members and clients the support they need to be financially empowered. The amounts returned to members and the community, a non-GAAP financial measure, are used to present the overall amount returned to the community and are composed of member dividends, as well as sponsorships, donations and scholarships.

More detailed information about the amount returned to members and the community may be found in the "Financial highlights" table on page 11 of this MD&A.

Supplementary financial measures

In accordance with Regulation 52-112, supplementary financial measures are used to show historical or expected future financial performance, financial position or cash flows. In addition, these measures are not disclosed in the financial statements. Desjardins Group uses certain supplementary financial measures, and their composition is presented in the Glossary on pages 51 to 58.

CHANGES IN THE REGULATORY ENVIRONMENT

Desjardins Group closely monitors regulations for financial products and services, as well as new developments, particularly in fraud, corruption, tax evasion, protection of personal information, money laundering, terrorist financing, and domestic and international economic sanctions in order to mitigate any negative impact on its operations, and to comply with best practices in this regard. Additional information can be found in the "Regulatory environment" section of Desjardins Group’s 2023 annual MD&A. The "Capital management" section of this MD&A for the third quarter of 2024 presents further information on regulatory developments relating to capital.

Since the release of Desjardins Group's 2023 annual MD&A, the changes in the regulatory environment described below must also be considered:

The Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)

Amendments were announced to the PCMLTFA and its regulations on July 10, 2019. Most of them came into force between 2021 and 2023, except for requirements concerning Suspicious Transaction Reports, which came into force in April 2024, and those regarding Electronic Funds Transfer Reports, which came into force in June 2024. On June 7, 2023, the Department of Finance Canada launched a consultation on the parliamentary review of the PCMLTFA, which is to be carried out every five years. Reporting entities and stakeholders had until August 1, 2023 to comment, and Desjardins Group produced a brief as part of this consultation. New regulatory changes were also published in the *Canada Gazette* on October 11, 2023. After analysis, the only change affecting Desjardins Group's reporting entities concerns the assessment that the reporting entities will need to pay the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) to cover their examination fees, statements, and banking correspondent relations. On November 21, 2023, the federal government released the *2023 Fall Economic Statement*, in which it stated its intention to adopt legislative measures to further strengthen the PCMLTFA regime, in particular by combatting sanctions evasion, the risk of fraud and environmental crime. Therefore, since August 19, 2024, Desjardins Group's reporting entities have been required to submit Suspicious Transaction Reports where there are reasonable grounds to suspect that there has been an actual or attempted economic sanctions evasion.

Protection of personal information

As a result of rapid changes in information technology, the protection of privacy and data security are hot topics in the news. After being passed by the National Assembly and assented to in September 2021, an *Act to modernize legislative provisions as regards the protection of personal information was* phased in over a three-year period. September 22, 2024 marked the end of the coming into force of this Act's new provisions. Desjardins Group has completed the work to comply with these new requirements.

On May 15, 2024, the Québec government passed the *Regulation respecting the anonymization of personal information*, which governs the anonymization process in Québec. The new requirements introduced by this regulation confirm the criteria to be met by organizations when anonymizing personal information. Now that Desjardins Group knows the requirements for anonymizing personal information within the meaning of *An Act to modernize legislative provisions as regards the protection of personal information*, it will be able to complete its work to set up this process.

Desjardins Group also continues to be on the look-out for announced regulatory amendments to other Canadian privacy laws and, in particular, it has completed consideration of the provisions of federal Bill C-27, an *Act to enact the Consumer Privacy Protection Act,* the *Personal Information and Data Protection Tribunal Act* and the *Artificial Intelligence and Data Act and to make consequential and related amendments to other Acts,* which was tabled in June 2022. On October 11, 2023, the Office of the Privacy Commissioner of Canada launched a public consultation regarding its *Draft Guidance for processing biometrics,* on which the Desjardins Group Privacy Office has commented.

In the area of artificial intelligence (AI), on September 27, 2023, the federal government issued its *Voluntary Code of Conduct on the Responsible Development and Management of Advanced Generative AI Systems*. This code provides an overview of the types of obligations that companies developing or using AI systems will have to comply with should the *Artificial Intelligence and Data Act (AIDA)* be passed. On February 12, 2024, the AMF in turn released an *Issues and Discussion Paper – Best practices for the responsible use of AI in the financial sector.* This paper presents the AMF's reflections on what it considers to be best practice to adopt for AI in the financial sector. Desjardins is taking part in the discussions and submitted its comments regarding this paper on June 14, 2024. Given the growing popularity of AI, Desjardins has also set up an AI governance framework to mitigate risk, including protection of personal information, security and intellectual property issues.

Lastly, following the announcement of the federal government's intention to implement legislative measures and a governance framework for open banking as well as *Canada's Consumer-Driven Banking Framework* proposed in the 2024 federal budget, the Desjardins Group Privacy Office is contributing to the work underway to analyze the impact on Desjardins Group's operations and is taking part in the ongoing consultations.

An Act respecting French, the official and common language of Québec

An Act respecting French, the official and common language of Québec came into force on June 1, 2022. This Act significantly enhances previous standards in the *Charter of the French Language*. The objectives are, in particular, to strengthen the presence and use of French in Québec, and to affirm that French is the only official language of Québec. Desjardins Group has made adjustments to its systems, processes and contracts in an effort to comply with the new requirements in force. The *Regulation respecting the language of commerce and business* was published on June 26, 2024 in the *Gazette Officielle du Québe*c. In particular, it provides for rules applicable to public signs and posters of trade marks and enterprise names, rules concerning inscriptions on products, and provisions to facilitate the implementation of the *Charter of the French Language*, particularly regarding contracts of adhesion. The regulation will come into force on June 1, 2025, except for certain provisions, including those for contracts of adhesion, which came into force on the fifteenth day following the publication date of the regulation in the *Gazette Officielle du Québec*, namely on July 11, 2024, and with which Desjardins is compliant. Desjardins Group continues to monitor developments in this file and responds, where relevant, to consultations on the subject directly or through industry associations.

Regulators' strong interest in environmental, social and governance (ESG) factors

Regulatory and standard-setting authorities continue to clarify their ESG expectations by developing frameworks and standards:

- In March 2024, the Office of the Superintendent of Financial Institutions (OSFI) released a new version of Guideline B-15, *Climate Risk Management*. Expectations will now align with those of the International Sustainability Standards Board's final *IFRS S2 Climate-related Disclosures* in order to streamline disclosures and promote transparency of climate-related risks, in addition to the general governance and risk management expectations and climate-related financial disclosures issued in the initial version dated March 2023. The Guideline will be phased in between fiscal years 2024 and 2026.
- On July 4, 2024, the AMF issued its *Climate Risk Management Guideline*, which took effect as soon as it was published in the AMF's Bulletin. In addition to the general expectations set out in OSFI's Guideline B-15 and those aligned with Sustainability-related Disclosure Requirements (IFRS S1) and Climate-related Disclosure Requirements (IFRS S2), this guideline has the distinction of setting out expectations for sound commercial practices.

- The Financial Services Regulatory Authority of Ontario (FSRA) has included climate risk management in its *Operational Risk and Resilience Guidance* for credit unions and *caisses populaires*. FSRA also assesses their ESG initiatives (in particular regarding climate risk) as an integral part of their resilience rating.
- Following the publication internationally of IFRS S1 and IFRS S2 by the International Sustainability Standards Board (ISSB) in June 2023, the Canadian Sustainability Standards Board issued, in March 2024, consultation documents with the modification criteria that it proposes to apply to the IFRS Sustainability Disclosure Standards for their adoption in Canada, namely, Canadian Sustainability Disclosure Standard (CSDS) 1, *General Requirements for Disclosure of Sustainability-related Financial Information*, and CSDS 2, *Climate-related Disclosures*. Desjardins took part in the consultation and the conclusions are expected during the fall of 2024.

These points confirm that climate change consideration and disclosure requirements will be strengthened internationally, nationally and provincially in the future. Desjardins Group continues to closely monitor developments in this file and responds, where relevant, to consultations on the subject directly or through industry associations. Desjardins is also ensuring that it follows sound practices in ESG integration, monitoring and disclosure. This disclosure is reflected in the annual Social and Cooperative Responsibility report, which is aligned, in particular, with the standards of the Global Reporting Initiative (GRI), SASB and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The key elements of the disclosure related to the TCFD recommendations are summarized in 4.2.10 "Environmental, social and governance (ESG) risk" in the 2023 annual MD&A and detailed in "Climate action at Desjardins – 2023 TCFD report on Climate change-related risks and opportunities."

Competition Act

On June 20, 2024, provisions aimed at greenwashing were added to the *Competition Act.* From now on, businesses must ensure that environmental claims are based on adequate and proper testing where they are made to promote a product or that they are sufficiently and properly substantiated through a method recognized internationally where they are made to promote benefits for a business or its operations. The burden of proof lies with the business making these claims. Guidance on the application of the new provisions is expected from the Competition Bureau, and Desjardins Group is continuing to closely monitor developments in this file for compliance purposes.

Canadian tax measures

On June 20, 2024, Bill C-59, *An Act to implement certain provisions of the fall economic statement tabled in Parliament on November 21, 2023 and certain provisions of the budget tabled in Parliament on March 28, 2023* received royal assent. The amendments made provide, in particular, for a new rule to deny financial institutions the dividend received deduction for certain dividends received after December 31, 2023, on Canadian shares that are mark-to-market property for tax purposes, except in the case of dividends received on certain preferred shares or those held in connection with issued insurance contracts. These proposals will have a limited impact on the amount of income tax payable by Desjardins Group as of 2024. In the federal budget of April 16, 2024, the Government of Canada proposed to increase the capital gains inclusion rate from 50% to 66.67% for dispositions realized on or after June 25, 2024. To date, this change has still not been substantively enacted. The *Ministère des Finances du Québec* has confirmed that it intends to align with these two measures that will be applicable on the same dates.

Regulation amending the Regulation respecting the application of the Deposit Institutions and Deposit Protection Act

On February 29, 2024, the AMF issued the *Regulation amending the Regulation respecting the application of the Deposit Institutions and Deposit Protection Act* to increase the premium payable by authorized deposit institutions. The premium rate increases from 5 to 7.5 basis points of the amount of the deposits held by Desjardins Group and guaranteed by the AMF. This regulation came into force on April 30, 2024, and the premium paid by Desjardins for fiscal 2024 reflects this change.

Integrity and Security Guideline

On January 31, 2024, OSFI released its final *Integrity and Security Guideline*. This final guideline reflects the feedback received through public consultations held from October 13 to November 24, 2023. It clarifies expectations for all federally regulated financial institutions concerning policies and procedures on integrity and security. Financial institutions should consider their susceptibility to undue influence, foreign interference and malicious activity when applying the expectations in the guideline. Following the publication of its guideline, OSFI sent the entities subject to this guideline at Desjardins Group an integrity and security self-assessment questionnaire, which was completed and returned to OSFI. Work is underway to identify the differences between the guideline's expectations and the existing controls. OSFI could proceed with additional work and possibly send supervisory letters.

Complaint processing

The *Regulation respecting complaint processing and dispute resolution in the financial sector* was approved on February 14, 2024 by the Québec Minister of Finance. The purpose of this new regulation is to harmonize and strengthen the fair processing of dissatisfaction and complaints. The main changes concern the definition of a complaint, the complaint processing time and the mechanism for escalating dissatisfaction to a complaint. The new requirements will come into force on July 1, 2025. Work is underway to modernize and ensure compliance of the process for managing dissatisfaction and complaints. This work will make it possible to comply with new requirements by the prescribed deadlines.

Bill 30, An Act to amend various provisions mainly with respect to the financial sector

On June 7, 2023, the Québec Minister of Finance tabled Bill 30, *An Act to amend various provisions mainly with respect to the financial sector* (Bill 30) in the National Assembly. Bill 30 is an omnibus bill that amends, in particular, the *Insurers Act* (chapter A-32.1), the *Act respecting the distribution of financial products and services* (chapter D-9.2) and the *Act respecting financial services cooperatives* (chapter C-67.3) (AFSC). Bill 30 came into force on May 9, 2024, except for certain provisions that will come into force by 2026. Desjardins Group is complying with the applicable provisions as and when they come into force.

Guideline E-21, Operational Risk Management and Resilience

On August 22, 2024, OSFI issued the final version of *Guideline E-21, Operational Risk Management and Resilience*, which describes OSFI's expectations regarding the effective governance of operational risk and resilience management. This guideline applies to federally-regulated financial institutions as well as to certain Desjardins Group entities. The guideline's expectations will be subject to a phased implementation at Desjardins Group, which should lead to full adherence by September 1, 2026, the deadline by which OSFI expects entities to be in full compliance.

Decision to make Desjardins Financial Corporation Inc. subject to requirements

On September 18, 2024, the AMF's Decision No. 2024-PDG-0045 came into force, authorizing that the articles of Desjardins Financial Corporation Inc. be amended and revising Decision No. 2015-PDG-0109 in order to make Desjardins Financial Corporation Inc. subject to certain provisions of the *Insurers Act* and the A*ct respecting the regulation of the financial sector* in accordance with section 478 of the *Act respecting financial services cooperatives.*

DESJARDINS GROUP PROFILE

Desjardins Group is the largest financial cooperative group in North America, with assets of $464.7 billion. As at September 30, 2024, the organization included 203 caisses in Québec and Caisse Desjardins Ontario Credit Union Inc., the *Fédération des caisses Desjardins du Québec* and its subsidiaries, and the *Fonds de sécurité Desjardins*. A number of its subsidiaries and components are active across Canada, and Desjardins Group maintains a presence in the U.S. through Desjardins Bank, National Association, and Desjardins Florida Branch.

Through its Personal and Business Services, Wealth Management and Life and Health Insurance, and Property and Casualty Insurance business segments, Desjardins Group offers a full range of financial services to members and clients designed to meet their needs. As one of the largest employers in the country, Desjardins Group capitalizes on the skills of more than 55,000 employees and the commitment of more than 2,200 directors in the caisse network.

The Federation is a cooperative entity that is responsible for assuming orientation, framework, coordination, treasury and development activities for Desjardins Group and acts as a financial agent on Canadian and foreign financial markets. It provides its member caisses with a variety of services, including certain technical, financial and administrative services. It acts as a monitoring and control organization for the caisses and its mission includes risk management and capital management for Desjardins Group, as well as ensuring the financial soundness and sustainability of the Desjardins Cooperative Group (composed of the Desjardins caisse network in Québec, the Federation and the *Fonds de sécurité Desjardins*), pursuant to the *Act respecting financial services cooperatives* (AFSC). The Federation is, among other things, the treasurer and official representative of Desjardins Group with the Bank of Canada and the Canadian banking system. The Federation also has the right to participate in the Visa Inc. and MasterCard Inc. payment systems in Canada on behalf of Desjardins Group. In addition, it manages majority interests in joint-stock companies through holding companies.

The AFSC provides that the entities comprising the Desjardins Cooperative Group may be amalgamated into a single legal entity to be wound up, as these entities cannot be wound up in any other manner. It should be mentioned that Caisse Desjardins Ontario Credit Union Inc. is excluded from this amalgamation-liquidation provided for in the Act.

Summary additional information on the entities that are not part of the Desjardins Cooperative Group or the subsidiaries of the entities that comprise it but that are included in Desjardins Group's financial statements may be found under "Additional information required pursuant to the AMF's Decision No. 2021-FS-0091."

FINANCIAL HIGHLIGHTS

(in millions of dollars and as a percentage)	As at and for the three-month periods ended September 30, 2024	June 30, 2024	September 30, 2023[1]	As at and for the nine-month periods ended September 30, 2024	September 30, 2023[1]
Results					
Net interest income	**$ 1,915**	$ 1,861	$ 1,716	**$ 5,509**	$ 4,923
Insurance service result	**270**	620	391	**1,299**	788
Net insurance finance result	**154**	237	51	**701**	351
Net insurance service income	**424**	857	442	**2,000**	1,139
Other income	**1,046**	1,035	975	**3,193**	2,977
Total net revenue	**3,385**	3,753	3,133	**10,702**	9,039
Provision for credit losses	**105**	87	127	**325**	298
Non-interest expense					
Gross non-interest expense	**2,524**	2,697	2,443	**7,777**	7,468
Non-interest expense included in insurance service expenses[2]	**(235)**	(250)	(240)	**(730)**	(735)
Net non-interest expense	**2,289**	2,447	2,203	**7,047**	6,733
Income taxes on surplus earnings	**234**	301	189	**800**	499
Surplus earnings before member dividends	**$ 757**	$ 918	$ 614	**$ 2,530**	$ 1,509
Contribution to surplus earnings by business segment[3]					
Personal and Business Services	**$ 514**	$ 459	$ 367	**$ 1,380**	$ 875
Wealth Management and Life and Health Insurance	**125**	231	125	**525**	372
Property and Casualty Insurance	**53**	300	103	**633**	134
Other	**65**	(72)	19	**(8)**	128
	$ 757	$ 918	$ 614	**$ 2,530**	$ 1,509
Return to members and the community[4]					
Member dividends	**$ 110**	$ 110	$ 106	**$ 330**	$ 321
Sponsorships, donations and scholarships[5]	**24**	33	25	**84**	88
	$ 134	$ 143	$ 131	**$ 414**	$ 409
Indicators					
Net interest margin[4]	**2.29%**	2.34%	2.35%	**2.29%**	2.30%
Return on equity[6]	**8.1**	10.2	7.4	**9.3**	6.2
Credit loss provisioning rate[6]	**0.14**	0.13	0.18	**0.16**	0.15
Gross credit-impaired loans/gross loans and acceptances[6]	**0.81**	0.77	0.64	**0.81**	0.64
Liquidity Coverage Ratio[7]	**166**	160	146	**166**	146
Net Stable Funding Ratio[7]	**128**	129	124	**128**	124
Productivity index – Personal and Business Services[6]	**67.1**	70.9	72.2	**69.4**	77.5
Insurance and annuity premiums – Wealth Management and Life and Health Insurance[6]	**$ 1,401**	$ 1,783	$ 2,126	**$ 4,791**	$ 4,867
Total contractual service margin (CSM) – Wealth Management and Life and Health Insurance[8]	**2,579**	2,587	2,680	**2,579**	2,680
Direct Written Premiums – Property and Casualty Insurance[6]	**2,097**	2,082	1,861	**5,735**	5,211
On-balance sheet and off-balance sheet					
Assets	**$ 464,677**	$ 444,348	$ 414,056	**$ 464,677**	$ 414,056
Loans and acceptances, net of allowance for credit losses	**282,652**	276,996	261,894	**282,652**	261,894
Deposits	**296,377**	290,085	273,433	**296,377**	273,433
Equity	**38,405**	36,488	33,178	**38,405**	33,178
Assets under administration[6]	**591,078**	557,902	479,186	**591,078**	479,186
Assets under management[6]	**93,638**	88,202	75,392	**93,638**	75,392
Average assets[6]	**454,513**	440,084	411,807	**441,946**	406,541
Capital measures					
Tier 1A capital ratio[9]	**21.9%**	21.2%	20.8%	**21.9%**	20.8%
Tier 1 capital ratio[9]	**21.9**	21.2	20.8	**21.9**	20.8
Total capital ratio[9]	**24.0**	23.2	22.3	**24.0**	22.3
TLAC ratio[10]	**32.5**	30.9	29.9	**32.5**	29.9
Leverage ratio[9]	**7.6**	7.6	7.5	**7.6**	7.5
TLAC leverage ratio[10]	**11.2**	10.9	10.7	**11.2**	10.7
Risk-weighted assets[9]	**$ 148,937**	$ 147,074	$ 137,135	**$ 148,937**	$ 137,135
Other information					
Number of employees	**55,026**	55,028	57,714	**55,026**	57,714

(1) Data have been restated to conform with the current period's presentation.
(2) Represents the non-interest expense directly related to the fulfillment of insurance contracts presented under "Insurance service result."
(3) The breakdown by line item is presented in Note 11, "Segmented information," to the Interim Combined Financial Statements.
(4) For more information about non-GAAP financial measures and non-GAAP ratios, see "Non-GAAP and other financial measures" on pages 5 to 7.
(5) Including $15 million from the caisses' Community Development Fund ($16 million for the second quarter of 2024, $12 million for the third quarter of 2023, $42 million for the first nine months of 2024 and $35 million for the first nine months of 2023).
(6) For further information about supplementary financial measures, see the Glossary on pages 51 to 58.
(7) In accordance with the *Liquidity Adequacy Guideline* issued by the AMF, see the "Risk management" section.
(8) Total CSM of $2,786 million ($2,930 million as at September 30, 2023) presented net of reinsurance for a total of $207 million ($250 million as at September 30, 2023). Included in the line items "Insurance contract liabilities" and "Reinsurance contract assets (liabilities)" on the Combined Balance Sheets. For more information, see Note 7, "Insurance and reinsurance contracts," to the Interim Combined Financial Statements.
(9) In accordance with the *Capital Adequacy Guideline* issued by the AMF for financial services cooperatives in particular; see the "Capital management" section.
(10) In accordance with the *Total Loss Absorbing Capacity Guideline* ("TLAC Guideline") issued by the AMF and based on risk-weighted assets and exposures for purposes of the leverage ratio at the level of the resolution group, which is deemed to be Desjardins Group, excluding Caisse Desjardins Ontario Credit Union Inc., see the "Capital management" section.

ECONOMIC ENVIRONMENT AND OUTLOOK

Global economy

After the challenges faced in 2023, economic growth in most of the advanced countries improved in the first half of 2024. These gains were generally consolidated in the third quarter. However, the increases in real GDP have remained rather modest, and economic conditions are still fragile. The global economy is not immune to geopolitical conditions, either. For example, maritime shipping costs remain relatively high. In addition, Ukraine and Gaza are still at war. Despite these geopolitical tensions, oil prices have fallen. Real GDP in the eurozone grew modestly in the first three quarters of the year, including a period of accelerated gains in the summer. However, German industry is still experiencing some difficulties. China's economic problems continue unabated. The slowdown now seems even more generalized and no longer concentrated solely in the real estate sector.

For 2024 as a whole and for 2025, the main advanced economies are expected to continue to record modest but positive growth, aided in particular by the monetary easing undertaken by the central banks. Moreover, inflation rates are trending toward their targets and, in some cases, have even eclipsed them. In China, economic activity over the next few quarters is likely to mirror that of recent quarters, and we expect the country's real GDP to grow by 4.8% in 2024 and another 4.2% in 2025. Global real GDP should increase by 3.1% in 2024 and in 2025.

Global equity markets were highly volatile over the summer, but only briefly. The first 50-basis-point cut in the US Federal Reserve's (the Fed) key interest rate in September helped drive renewed optimism in the markets. Rising share prices drove the valuations of many companies to very high levels, increasing the risk of new corrections, particularly in the United States. Interest rates on government bonds fell sharply due to revised expectations of key interest rate cuts and in response to heightened concerns about the US job market. Although volatility may return in the coming months, the good gains recorded since the start of the year should ensure positive returns in 2024. Yields in the bond markets will be fuelled by the significant decline in government bond yields.

United States

The US economy grew again in the third quarter of 2024. Several indicators suggest that growth in the US remains robust, despite the fact that hurricanes in September and October, as well as a labour dispute at Boeing, affected the labour market in October. Total inflation fell from a high of 9.1% in the summer of 2022 to just 2.4% in September 2024.

Inflation should continue to move gradually toward the 2% target, allowing Fed officials to persevere down the path of monetary easing that begun in September. US real GDP is expected to grow by 2.7% in 2024 and 2.1% in 2025. The outcome of the November 5 elections is a key issue for the direction of the US and global economies.

Canada

The Canadian economy continues to struggle. Growth has slowed, and the unemployment rate has risen steadily. Despite the drop in the inflation rate, which has fallen close to 2%, and the interest rate cuts begun by the Bank of Canada, higher costs will continue to exert pressure on household budgets. This should weigh on consumer spending over the next few years, especially given the need to save for upcoming mortgage renewals. The expected reduction in the number of newcomers to Canada should also dampen economic activity. Ultimately, Canada's real GDP is expected to grow modestly over the coming quarters, for average annual gains of 1.2% in 2024 and 1.9% in 2025.

Despite the interest rate cuts announced by the Bank of Canada since June, the target for the overnight rate remains above the neutral rate, and therefore in restrictive territory. Even though inflation has moderated, several more cuts to Canadian interest rates will be necessary. In addition, the Bank of Canada has ample room to affect even faster rate cuts if circumstances warrant.

Québec

After achieving a full recovery last spring, the Québec economy has been maintaining a healthy pace of growth. Real GDP grew at an annualized rate of 2.7% in the second quarter of 2024, following a 3.6% increase recorded in the first quarter. The pace in the first half of the year exceeded that for Canada as a whole, due in particular to buoyant household spending and a dynamic residential sector. Much like after-tax income, spending on goods and services was surprisingly strong in the spring. At 12.9%, Quebecers' savings rate remained high in the second quarter, compared with 7.2% nationally. Household confidence is gradually recovering in response to controlled inflation and the key interest rate cuts that began in June, such that the outlook for the next few quarters is favourable.

Residential construction and existing home sales have picked up in Québec, while the market is weakening elsewhere in the country. In addition, the renewed modernization efforts begun at the start of 2024 have continued. Investment in machinery and equipment rose from 5.9% to 7.1%, at an annualized rate, from the first to the second quarter. A recovery in SME confidence, a slower pace of cost increases and less restrictive borrowing conditions are prompting many companies to press ahead with their projects.

In short, the strength of the Québec economy is being underpinned by households, and businesses are gradually showing some signs of recovery. Despite some tenacious global geopolitical uncertainties, the Québec economy is on a good footing and should be able to stay on course. However, real GDP is expected to grow at a more moderate pace between now and the end of 2024, with an annual change of 1.3% this year and 1.7% in 2025.

REVIEW OF FINANCIAL RESULTS

ANALYSIS OF RESULTS

Surplus earnings

Comparison of the third quarters of 2024 and 2023

For the third quarter ended September 30, 2024, Desjardins Group recorded surplus earnings before member dividends of $757 million, up $143 million from the same quarter of 2023. This increase was mainly driven by improved net interest income in the Personal and Business Services segment, mainly as a result of business growth. The increase in surplus earnings was partially offset by the results of the Property and Casualty Insurance segment, which were affected by higher claims expenses due to two catastrophes: namely torrential rains in Québec and hail in Alberta, as well as a major event in Ontario. We should also note that the increase in non-interest expense was limited by measures deployed across the organization to improve efficiency and effectiveness.

As a cooperative financial group contributing to the development of communities, Desjardins Group gives its members and clients the support they need to be financially empowered, a mission it continued to strive to achieve in the third quarter of 2024.

- A total of $134 million was returned to members and the community,[(1)] compared to $131 million for the third quarter of 2023.
  - The provision for member dividends totalled $110 million for the quarter ended September 30, 2024, up $4 million from the corresponding quarter of 2023.
  - An amount of $24 million was returned in the form of sponsorships, donations and scholarships, compared to $25 million in the same period of 2023, including $15 million in the third quarter of 2024 and $12 million in the third quarter of 2023 from the caisses' Community Development Fund.
- Commitments of $6 million were made in the third quarter of 2024 with regard to the GoodSpark Fund, which seeks in particular to provide social and economic support to the regions. Since 2017, Desjardins Group has made commitments totalling $204 million.

- **Business segment contributions to surplus earnings**
  - Personal and Business Services: **Surplus earnings totalled $514 million,** up $147 million, compared to the same period in 2023 primarily due to the increase in net interest income.
  - Wealth Management and Life and Health Insurance: **Surplus earnings totalled $125 million**, stable compared to the third quarter of 2023. The increase in other income, due in particular to an increase in assets under management and assets under administration, was offset by the following factors:
    - Higher costs, essentially due to growth in assets under management and assets under administration.
    - Decrease in the insurance service result, mainly due to a less favourable experience and a less favourable impact of the update of actuarial assumptions.
  - Property and Casualty Insurance: **Surplus earnings totalled $53 million,** down $50 million, compared to the third quarter of 2023. The change was mainly on account of the following:
    - Higher claims expenses due to two catastrophes and a major event in the third quarter of 2024.
    - Offset by higher revenues from insurance activities.

- **Return on equity was 8.1%,** compared to 7.4% for the quarter ended September 30, 2023, mainly owing to the increase in surplus earnings, as previously explained.

The following table presents the calculation of return on equity.

Return on equity

	For the three-month periods ended			For the nine-month periods ended	
(in millions of dollars and as a percentage)	**September 30, 2024**	June 30, 2024	September 30, 2023	**September 30, 2024**	September 30, 2023
Surplus earnings before member dividends	**$ 757**	$ 918	$ 614	**$ 2,530**	$ 1,509
Non-controlling interests' share	**(11)**	(35)	(16)	**(80)**	(30)
Group's share before member dividends	**$ 746**	$ 883	$ 598	**$ 2,450**	$ 1,479
Average equity – Group's share	**$ 36,528**	$ 34,898	$ 32,180	**$ 35,194**	$ 32,050
Return on equity[(1)(2)]	**8.1%**	10.2%	7.4%	**9.3%**	6.2%

(1) For further information about supplementary financial measures, see the Glossary on pages 51 to 58.
(2) Corresponds to an annualized calculation that takes into account the number of days in the period concerned.

(1) For more information on non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 5 to 7.

Comparison of the first nine months of 2024 and 2023

For the first nine months ended September 30, 2024, Desjardins Group recorded surplus earnings before member dividends of $2,530 million, up $1,021 million from the same period of 2023. All business segments contributed to these excellent results. One example of this was improved earnings in the Personal and Business Services segment due to higher net interest income, mainly as a result of business growth. In addition, there was an increase in insurance revenue, mainly in automobile and property insurance, and changes in prior-year claims were more favorable than those recorded in the comparative period of 2023 for the Property and Casualty Insurance segment. The net insurance finance result for both life and health insurance and property and casualty insurance also went up. Furthermore, we should note that the increase in non-interest expense was limited by rigorous expenditure management.

- A total of $414 million was returned to members and the community,[1] up $5 million compared to the first nine months of 2023.
  - The provision for member dividends totalled $330 million, up $9 million, compared to the corresponding period in 2023.
  - An amount of $84 million was returned in the form of sponsorships, donations and scholarships, compared to $88 million for the same period in 2023, including $42 million for the first nine months of 2024 and $35 million for the first nine months of 2023, from the caisses' Community Development Fund.
- Commitments of $22 million were made for the first nine months of 2024 with regard to the GoodSpark Fund.

- **Business segment contributions to surplus earnings**
  - Personal and Business Services: **Surplus earnings totalled $1,380 million,** up $505 million, compared to the first nine months of 2023, mainly due to the following:
    - Increase in net interest income and other income.
    - Decrease in non-interest expense following measures taken to improve efficiency and effectiveness.
    - Offset by an increase in the provision for credit losses.
  - Wealth Management and Life and Health Insurance: **Surplus earnings were $525 million,** up $153 million, compared to the corresponding period of 2023, mainly due to the following:
    - Higher other income related, in particular, to the increase in assets under administration and assets under management and to the gain on disposal of the interest in Fiera Holdings Inc. and Fiera Capital LP.
    - Increase in the net insurance finance result related to the favourable impact of hedging the interest rate risk and the gain on disposal of buildings, offset in part by a negative change in the fair value of certain investments in infrastructure.
    - Offset by higher costs arising from the increase in assets under administration and administrative expenses, including those related to personnel.
  - Property and Casualty Insurance: **Surplus earnings totalled $633 million,** up $499 million, compared to the corresponding period of 2023. The change was essentially due to the following:
    - Higher insurance revenue, essentially in automobile and property insurance.
    - Impact of a more favourable claims experience in prior years than in the comparative period of 2023.
    - Increase in the net insurance finance result.
    - Offset by higher claims expenses due to catastrophes and major events.

- **Return on equity was 9.3%,** compared to 6.2% for the nine-month period ended September 30, 2023, mainly as a result of higher surplus earnings, as explained earlier.

Net interest income

Comparison of the third quarters of 2024 and 2023

Net interest income is the difference between interest income earned on assets, such as loans and securities, and the interest expense related to liabilities, such as deposits and subordinated notes. It is sensitive to interest rate and volume fluctuations, funding and matching strategies, as well as the composition of both interest-bearing and non-interest-bearing financial instruments.

Net interest income totalled $1,915 million, up $199 million, or 11.6%. This increase was primarily due to growth in average business loans outstanding and residential mortgages, partly offset by the increase in outstanding deposits.

- **Net interest margin of 2.29%** for the quarter ended September 30, 2024, compared with 2.35% for the corresponding period of 2023, mainly due to narrower margins on cash and securities.

Comparison of the first nine months of 2024 and 2023

Net interest income was $5,509 million, up $586 million, or 11.9%. This increase was due to the following:
- Growth in average business loans outstanding and residential mortgage loans outstanding, partly offset by the increase in outstanding deposits.
- Favourable impact of the higher interest rate environment on net interest income.

- **Net interest margin of 2.29%** for the first nine months ended September 30, 2024, comparable to the corresponding period of 2023.

Net insurance service income

Comparison of the third quarters of 2024 and 2023

Net insurance service income stood at $424 million,[2] down $18 million, compared to the third quarter of 2023. The change in this heading, which consists of the insurance service result and the net insurance finance result, was due to items from the following segments:

(1) For more information on non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 5 to 7.
(2) The difference between this result and the sum total of the segment results relates to intersegment transactions, which are eliminated in the Other category.

Wealth Management and Life and Health Insurance segment

- Insurance service result of $159 million, down $21 million, or 11.7%, mainly due to a less favourable experience and a less favourable effect of the update to actuarial assumptions. In more detail, the decrease in the insurance service result was due to the following:
  - Less favourable experience in group insurance, mainly with regard to long-term disability coverage.
  - Less favourable effect of updating actuarial assumptions in group retirement savings.

- Net insurance finance result of $37 million, down $9 million, or 19.6%, primarily due to the following:
  - Net gains in the third quarter of 2023 associated with unhedged items.
  - Negative change in the fair value of certain infrastructure investments.
  - Losses on disposal of bond investments.
  - Offset by the favourable impact of hedging the interest rate risk.

Property and Casualty Insurance segment

- Insurance service result of $105 million, down $107 million, or 50.5%.
  - Insurance revenue of $1,919 million, up $219 million, or 12.9%. By including ceded insurance revenue of $95 million, presented under "Net reinsurance service income (expenses)," the increase was $203 million, or 12.5%, mainly due to premium growth in automobile and property insurance and to business resulting from the acquisition of The Insurance Company of Prince Edward Island (ICPEI).
  - Insurance service expenses of $2,315 million, up $842 million, or 57.2%. By including ceded insurance service expenses of $596 million, presented under "Net reinsurance service income (expenses)," the increase was $310 million, or 22.0%, essentially due to the following:
    - Claims expenses for catastrophes and major events that were higher than in the comparative quarter of 2023. The third quarter of 2024 was marked by two major catastrophes, namely torrential rains in Québec and hail in Alberta, as well as a major event in Ontario, whereas the third quarter of 2023 was marked by seven smaller-scale major events, mainly wind and water damage in Québec and Ontario.
    - Offset by the more favourable impact of prior years' claims experience than in the comparative quarter of 2023, mainly due to automobile insurance.

- Net insurance finance result of $98 million, up $91 million.
  - Net insurance investment income of $300 million, compared to a loss of $10 million in the comparative quarter. This increase was essentially due to the following:
    - Positive change in the fair value of matched bonds, while a negative change was recorded in the corresponding quarter of 2023, in particular due to the effect of lower market interest rates in the third quarter of 2024, compared to an increase in the third quarter of 2023.
    - Net gains recognized on common shares, while net losses were recognized in the corresponding quarter of 2023.
  - Net insurance finance expenses of $220 million, compared to income of $19 million in the corresponding quarter. By including net reinsurance finance income of $18 million (expense of $2 million for the third quarter of 2023), net insurance and reinsurance finance expenses totalled $202 million, compared to income of $17 million in the corresponding quarter of 2023. This change was due in particular to the unfavourable impact of a decrease in the discount rates used to measure net liabilities for incurred claims, whereas rates were higher in the corresponding quarter of 2023.

Comparison of the first nine months of 2024 and 2023

Net insurance service income totalled $2,000 million,[(1)] up $861 million compared to the first nine months of 2023. The change in this heading, which consists of the insurance service result and the net insurance finance result, was due to items from the following segments:

Wealth Management and Life and Health Insurance segment

- Insurance service result of $448 million, down $15 million, or 3.2%, mainly due to an unfavourable updating of actuarial assumptions and a less favourable experience, partially offset by the favourable adjustment to the indexation assumption and by business growth. In more detail, the decrease in the insurance service result was due to the following:
  - Unfavourable impact of the updating of actuarial assumptions for group retirement savings compared to a favourable impact in the corresponding period in 2023.
  - Less favourable experience in group insurance, essentially for long-term disability and life coverage, partially offset by a less unfavourable experience in accident and health insurance.

  This decrease was offset in part by the following:
  - Adjustment to the indexation assumption in personal insurance and group retirement savings.
  - Business growth in group insurance.
  - More favourable experience in credit and direct insurance, in particular in life loan insurance.
- Net insurance finance result of $332 million, up $111 million, or 50.2%, largely due to the following:
  - Favourable impact of the hedging of interest rate risk.
  - Gain on disposal of buildings.
  - Offset by the negative change in the fair value of certain infrastructure investment securities.

(1) The difference between this result and the sum total of the segment results relates to intersegment transactions, which are eliminated in the Other category.

Property and Casualty Insurance segment

- Insurance service result of $835 million, up $500 million.
  - Insurance revenue of $5,458 million, up $555 million, or 11.3%. By including ceded insurance revenue of $264 million presented under "Net reinsurance service income (expenses)," there was an increase of $509 million, or 10.9%, mainly due to premium growth in automobile and property insurance.
  - Insurance service expenses of $5,103 million, up $578 million, or 12.8%. By including ceded insurance service expenses of $744 million presented under "Net reinsurance service income (expenses),"there was an increase of $9 million, or 0.2%, due to the following:
    - Higher amortization of acquisition costs compared to first nine months of 2023.
    - Change in investment funds that benefited groups having signed agreements under the The Personal banner. It should be recalled that this change was offset by the results of these groups.
    - Offset by claims expenses, which were down compared to the first nine months of 2023 as a result of the following:
      - Impact arising from more favourable changes in prior year claims than in the comparative period in 2023, mainly due to automobile and property insurance.
      - Claims expenses for the current year that were lower than in the comparative period of 2023, essentially due to automobile and property insurance, in particular as a result of a decreased frequency of claims.
      - Offset by higher claims expenses due to catastrophes and major events than in the comparative period of 2023. The first nine months of 2024 were marked by two catastrophes and a major event, whereas the comparative period was marked by nine smaller-scale major events.

- Net insurance finance result of $325 million, up $191 million.
  - Net insurance investment income of $633 million, up $419 million. This increase was mainly due to the following:
    - A positive change in the fair value of matched bonds, compared with a negative change in the comparative period of 2023, due in particular to the effect of lower market interest rates in the first nine months of 2024, whereas an increase was recorded in the comparative period of 2023.
    - Higher net gains on shares than in the comparative period of 2023.
    - Higher interest income on fixed income securities than in the comparative period of 2023.
  - Net insurance finance expenses of $336 million, up $247 million. By including net reinsurance finance income of $28 million ($9 million for the comparative period of 2023), net insurance and reinsurance finance expenses were $308 million, compared of $80 million in the comparative period. The change was due in particular to the unfavourable impact of the lower discount rates used to measure net liabilities for incurred claims, whereas higher rates were recorded in the corresponding period of 2023.

Other income

Comparison of the third quarters of 2024 and 2023

Other income stood at $1,046 million, up $71 million, or 7.3%, compared to the third quarter of 2023, due to the following:
- Higher income as a result of growth in assets under management and assets under administration.
- Higher income from deposit and payment service charges.
- Offset by losses on disposal of securities that were higher than in the comparative period of 2023.

Comparison of the first nine months of 2024 and 2023

Other income reached $3,193 million, up $216 million, or 7.3%, compared to the corresponding period of 2023, due to the following:
- Increase in income of $78 million related to operations acquired from Worldsource[1] on March 1, 2023.
- Higher income as a result of growth in assets under management and assets under administration.
- Increase in income related to deposit and payment service charges.
- Gain on disposal of the interest in Fiera Holdings Inc. and Fiera Capital LP.
- Higher income related to the good performance of capital markets.
- Offset by losses on disposal of securities that were higher than in the comparative period of 2023.

Total net revenue

For the third quarter of 2024, **total net revenue amounted to $3,385 million,** up $252 million, or 8.0%, compared to that which had been recorded for the same period in 2023.

For the first nine months of 2024, **total net revenue amounted to $10,702 million,** up $1,663 million, or 18.4%, compared to that which had been recorded for the corresponding period in 2023.

(1) On March 1, 2023, through Worldsource Group of Companies Inc. (formerly 9479-5176 Québec Inc.), a wholly-owned indirect subsidiary of the Federation, Desjardins Group acquired, among others, all the outstanding shares of IDC Worldsource Insurance Network Inc., Worldsource Financial Management Inc. and Worldsource Securities Inc. (collectively designated as “Worldsource”).

Provision for credit losses

Comparison of the third quarters of 2024 and 2023

The provision for credit losses was $105 million, compared to $127 million for the comparative period of 2023. The provision for the third quarter of 2024 reflects the favourable impact of the updating of forward-looking information, particularly in the credit card portfolios, partly offset by an increase in the provision for business loan portfolios due to a migration in credit quality. The provision for the three-month period ended September 30, 2024 also reflects higher net write-offs, which have nevertheless returned to pre-pandemic levels.

- Credit loss provisioning rate of 0.14% for the third quarter of 2024, compared to 0.18% for the corresponding period in 2023.
- Ratio of gross credit-impaired loans, as a percentage of the total gross loans and acceptances portfolio, of 0.81%, compared to 0.64% as at September 30, 2023. This increase was due to a rise in the volume of gross impaired loans, mainly business loans, as a result of a migration in credit quality.

The following table presents the calculation of the credit loss provisioning rate.

Credit loss provisioning rate

	For the three-month periods ended			For the nine-month periods ended	
(in millions of dollars and as a percentage)	**September 30, 2024**	June 30, 2024	September 30, 2023	**September 30, 2024**	September 30, 2023
Total provision for credit losses	**$ 105**	$ 87	$ 127	**$ 325**	$ 298
Provision for (recovery of) credit losses on securities	**7**	—	7	**(2)**	3
Provision for credit losses on loans and off-balance sheet items	**$ 98**	$ 87	$ 120	**$ 327**	$ 295
Average gross loans	**$ 280,987**	$ 274,197	$ 260,871	**$ 274,831**	$ 256,469
Average gross acceptances	**—**	—	7	**—**	12
Average gross loans and acceptances(1)	**$ 280,987**	$ 274,197	$ 260,878	**$ 274,831**	$ 256,481
Credit loss provisioning rate(1)(2)	**0.14%**	0.13%	0.18%	**0.16%**	0.15%

(1) For further information on supplementary financial measures, see the Glossary on pages 51 to 58.
(2) Corresponds to an annualized calculation that takes into account the number of days in the period concerned.

Comparison of the first nine months of 2024 and 2023

The provision for credit losses totalled $325 million, compared to $298 million for the comparative period of 2023. The provision for the first nine months of 2024 reflects the unfavourable impact of methodological changes and an increase in outstandings, offset by the favourable impact of the updating of forward-looking information, particularly in the credit card portfolios. The provision for the nine-month period ended September 30, 2024 also reflects higher net write-offs, which had nevertheless returned to pre-pandemic levels.

Desjardins Group has continued to present a quality loan portfolio in 2024.

- The credit loss provisioning rate was 0.16% for the first nine months of 2024, compared to 0.15% for the corresponding period of 2023.
- The ratio of gross credit-impaired loans, as a percentage of the total gross loans and acceptances portfolio, was 0.81% compared to 0.64% as at September 30, 2023. This increase was due to a rise in the volume of gross impaired loans, mainly business loans, as a result of a migration in credit quality.

Gross non-interest expense

Comparison of the third quarters of 2024 and 2023

Gross non-interest expense totalled $2,524 million, up $81 million, or 3.3%, from the third quarter of 2023 due in particular to higher fees, spending on technology and commissions. Measures taken to improve efficiency and effectiveness helped limit the increase in expenses.

Comparison of the first nine months of 2024 and 2023

Gross non-interest expense totalled $7,777 million, up $309 million, compared to the first nine months of 2023, mainly as a result of:

- Increase in expenses of $77 million related to operations acquired from Worldsource on March 1, 2023.
- Measures taken to improve efficiency and effectiveness, including reduced fees, limited the increase in other items included in gross non-interest expense to $232 million, or 3.2%, despite wage indexation.

Income taxes on surplus earnings

Comparison of the third quarters of 2024 and 2023

Income taxes on surplus earnings before member dividends of $234 million, up $45 million, compared to the third quarter of 2023.
- Effective tax rate[1] of 23.6% for the quarter ended September 30, 2024, comparable to an effective tax rate of 23.5% for the corresponding period in 2023.

Comparison of the first nine months of 2024 and 2023

Income taxes on surplus earnings before member dividends of $800 million, up $301 million, compared to the first nine months of 2023.
- Effective tax rate[1] of 24.0% for the first nine months of 2024, down from 24.9% for the same period in 2023, mainly due to the increase in non-taxable investment income.

RESULTS BY BUSINESS SEGMENT

Desjardins Group’s financial reporting is organized by business segments, which are defined based on the needs of members and clients and the markets in which Desjardins operates, and on its internal management structure. Desjardins Group’s financial results are divided into the following three business segments: Personal and Business Services, Wealth Management and Life and Health Insurance, and Property and Casualty Insurance. In addition to these three segments, there is the Other category. This section presents an analysis of the results for each of these segments.

Some changes were made to business segments to reflect management's decisions on how each segment is managed. During the first quarter of 2024, the method used to allocate non-interest expense to segments was revised. As a result, some non-interest expense items were moved from the Other category to the Personal and Business Services segment. In addition, certain wealth management activities of the caisse network previously reported in the Personal and Business Services segment are now reported in the Wealth Management and Life and Health Insurance segment. During the third quarter of 2024, some trading activities involving interest rate and currency financial instruments were transferred from the Other category to the Personal and Business Services segment. Comparative figures have been restated to conform with the presentation for the current period.

Since the first quarter of 2024, Desjardins Group has transferred the interest rate and liquidity risks inherent in assets and liabilities related to members and clients to the matching management teams. The Personal and Business Services segment's net interest income includes the compensation and costs related to this internal funding. The internal funding rate, which is market-based, takes into account Desjardins Group's objectives for managing interest rate and liquidity risks and costs related to capital. Since the second quarter, this segment has also been allocated the estimated amount of capital needed to maintain a level of capital and a capital structure that optimize the financial cost of capital related to its operations.

Intersegment transactions are recognized at the exchange amount, which represents the amount agreed upon by the various legal entities and business units. The terms and conditions of these transactions are comparable to those offered on financial markets.

Additional information about each business segment, particularly its profile, services, 2023 achievements and industry, can be found on pages 25 to 37 of Desjardins Group’s 2023 annual MD&A.

Personal and Business Services

The Personal and Business Services segment is central to Desjardins Group’s operations. With its comprehensive, integrated line of products and services designed to meet the needs of individual and business members, institutions, non-profit organizations and cooperatives, Desjardins Group is a leader in financial services in Québec and is present on the financial services scene in Ontario as well.

Desjardins's offer includes everyday financial management, savings products, payment services, financing, specialized services, access to capital markets, risk and development capital, business ownership transfers and advisory services, and through its distribution network, life and health insurance and property and casualty insurance products.

In addition, members and clients know that they can rely on the largest advisory force in Québec, made up of dedicated professionals who are there for them at every stage in their life or entrepreneurial journey.

To meet the constantly changing needs of its members and clients, Desjardins Group offers its services through the caisse network and the Desjardins Business centres, in person, by phone, online, via applications for mobile devices, and at ATMs.

(1) For further information about supplementary financial measures, see the Glossary on pages 51 to 58.

Personal and Business Services – Segment results

(in millions of dollars and as a percentage)	For the three-month periods ended			For the nine-month periods ended	
	September 30, 2024	June 30, 2024[1]	September 30, 2023[1]	**September 30, 2024**	September 30, 2023[1]
Net interest income	**$ 1,842**	$ 1,777	$ 1,657	**$ 5,297**	$ 4,731
Other income	**557**	652	577	**1,859**	1,808
Total net revenue	**2,399**	2,429	2,234	**7,156**	6,539
Provision for credit losses	**99**	86	120	**327**	294
Gross non-interest expense	**1,609**	1,723	1,613	**4,965**	5,068
Income taxes on surplus earnings	**177**	161	134	**484**	302
Surplus earnings before member dividends	**514**	459	367	**1,380**	875
Member dividends, net of tax recovery	**82**	81	78	**244**	236
Net surplus earnings for the period after member dividends	**$ 432**	$ 378	$ 289	**$ 1,136**	$ 639
Indicators					
Average assets[2]	**$ 346,784**	$ 338,568	$ 327,775	**$ 339,057**	$ 320,696
Average core interest-bearing assets[3]	**255,298**	248,830	240,689	**249,498**	239,185
Average gross loans and acceptances[2]	**271,431**	265,180	252,868	**265,718**	248,521
Average deposits[2][4]	**216,918**	214,283	223,759	**218,707**	220,193
Net interest margin[3]	**2.69%**	2.67%	2.58%	**2.67%**	2.51%
Productivity index[2]	**67.1**	70.9	72.2	**69.4**	77.5
Credit loss provisioning rate[2]	**0.15**	0.13	0.19	**0.16**	0.16
Gross credit-impaired loans/gross loans and acceptances[2]	**0.83**	0.80	0.66	**0.83**	0.66

(1) Data have been restated to conform to the current period's presentation.
(2) For further information about supplementary financial measures, see the Glossary on pages 51 to 58.
(3) For more information about non-GAAP financial measures and non-GAAP ratios, see "Non-GAAP and other financial measures" on pages 5 to 7.
(4) The three-month and nine-month periods ended September 30, 2023 included larger intersegment transactions related to liquidity management activities, which are eliminated in the Other category.

Comparison of the third quarters of 2024 and 2023

- **Surplus earnings before member dividends of $514 million,** up $147 million, compared to the same period in 2023 primarily due to the increase in net interest income.

- **Net interest income of $1,842 million,** up $185 million, or 11.2%. This increase was primarily due to growth in average business loans outstanding and residential mortgages.

- **Other income totalled $557 million,** down $20 million, or 3.5%, due to losses on disposal of securities that were higher than in the comparative period of 2023. This decrease was partially offset by the following items:
  - Higher income from deposit and payment service charges.
  - Increased income stemming from growth in sales of various Desjardins Group products by the caisse network and to funding programs.

- **Total net revenue of $2,399 million,** up $165 million, or 7.4%.

- **Provision for credit losses of $99 million,** compared to $120 million for the comparative period of 2023. The provision for the third quarter of 2024 reflects the favourable impact of the updating of forward-looking information, particularly in the credit card portfolios, partly offset by an increase in the provision for business loan portfolios due to a migration in credit quality. The provision for the three-month period ended September 30, 2024 also reflects higher net write-offs, which have nevertheless returned to pre-pandemic levels.

- **Gross non-interest expense of $1,609 million,** down $4 million, or 0.2%, following measures taken to improve efficiency and effectiveness offset by the increase in investments related to the continued implementation of Desjardins-wide strategic projects.

- **Net interest margin of 2.69%,** up 11 basis points compared to the corresponding period of 2023, in particular due to stronger growth in the average loan volume included in total average core interest-bearing assets.

- **Productivity index of 67.1%,** compared to 72.2% for the third quarter of 2023, primarily due to income growth combined with a lower gross non-interest expense.

Comparison of the first nine months of 2024 and 2023

- **Surplus earnings before member dividends of $1,380 million,** up $505 million, compared to the first nine months of 2023, mainly due to the following:
  - Increase in net interest income and other income.
  - Decrease in non-interest expense following measures taken to improve efficiency and effectiveness.
  - Offset by an increase in the provision for credit losses.

- **Net interest income of $5,297 million,** up $566 million, or 12.0%. This increase was due to the following:
  - Growth in average business loans outstanding and residential mortgage loans outstanding.
  - Favourable impact of the higher interest rate environment on net interest income.

- **Other income totalled $1,859 million,** up $51 million, or 2.8%, mainly due to the following:
  - Higher income related to growth in sales by the caisse network of various Desjardins Group products and to funding programs.
  - Increase in income related to deposit and payment service charges.
  - Higher income related to the good performance of capital markets.
  - Offset by losses on disposal of securities that were higher than in the comparative period of 2023.

- **Total net revenue of $7,156 million,** up $617 million, or 9.4%.

- **Provision for credit losses of $327 million,** compared to $294 million for the comparative period of 2023. The provision for the first nine months of 2024 reflects the unfavourable impact of methodological changes and an increase in outstandings, offset by the favourable impact of the updating of forward-looking information, particularly in the credit card portfolios. The provision for the nine-month period ended September 30, 2024 also reflects higher net write-offs, which had nevertheless returned to pre-pandemic levels.

- **Gross non-interest expense of $4,965 million,** down $103 million, or 2.0%, following the implementation of measures taken to improve efficiency and effectiveness.

- **Net interest margin of 2.67%,** up 16 basis points compared to the corresponding period of 2023, due in particular to stronger growth in average loan volume, combined with the impact of higher interest rates than in the corresponding period of 2023.

- **Productivity index at 69.4%,** compared to 77.5% for the first nine months of 2023, due to growth in income, combined with a decrease in gross non-interest expense.

Wealth Management and Life and Health Insurance

The Wealth Management and Life and Health Insurance segment plays a leading role in developing the financial independence of Desjardins Group members and clients by helping them develop healthy financial habits.

The segment supports members and clients, individuals and businesses, through various Wealth Management and Life and Health Insurance distribution networks, and designs several lines of individual insurance (life and health) coverage as well as investment solutions. The segment also includes asset management and trust services. The Wealth Management and Life and Health Insurance segment is a Canadian leader in responsible investing and responsible insurance.

The Wealth Management and Life and Health Insurance segment's vast and diversified Canada-wide distribution networks are one of its greatest strengths:
- Desjardins caisse network;
- Desjardins specialized networks (Signature Service, Private Wealth Management, Securities and Online Brokerage);
- Desjardins agent network;
- Desjardins Financial Security Life Assurance Company partner networks;
- Worldsource partner network;
- External insurance and investment solution networks;
- Actuarial consulting firms and brokers.

To meet members' and clients' needs and preferences, certain product lines are also distributed directly via Client Relations Centres, online or through applications for mobile devices. Online services are constantly being fine-tuned so that they meet clients' changing requirements.

Wealth Management and Life and Health Insurance – Segment results

(in millions of dollars)	As at and for the three-month periods ended September 30, 2024	June 30, 2024	September 30, 2023[(1)]	As at and for the nine-month periods ended September 30, 2024	September 30, 2023[(1)]
Net interest income	**$ 35**	$ 69	$ 54	**$ 161**	$ 151
Insurance service result					
Insurance revenue	**1,074**	1,085	1,000	**3,185**	2,913
Insurance service expenses	**(914)**	(945)	(815)	**(2,738)**	(2,411)
Net reinsurance service income (expenses)	**(1)**	7	(5)	**1**	(39)
	159	147	180	**448**	463
Net insurance finance result					
Net insurance investment income (loss)	**1,248**	307	(1,354)	**1,321**	(241)
Net insurance finance income (expenses)	**(1,250)**	(145)	1,463	**(1,006)**	483
Net reinsurance finance income (expenses)	**39**	5	(63)	**17**	(21)
	37	167	46	**332**	221
Net insurance service income	**196**	314	226	**780**	684
Other income	**661**	652	576	**1,943**	1,678
Total net revenue	**892**	1,035	856	**2,884**	2,513
Provision for credit losses	**5**	—	4	**3**	4
Non-interest expense					
Gross non-interest expense	**820**	855	794	**2,527**	2,296
Non-interest expense included in insurance service expenses[(2)]	**(90)**	(94)	(90)	**(279)**	(271)
Net non-interest expense	**730**	761	704	**2,248**	2,025
Income taxes on surplus earnings	**32**	43	23	**108**	112
Net surplus earnings for the period	**$ 125**	$ 231	$ 125	**$ 525**	$ 372
Indicators					
Contractual service margin (CSM)[(3)]					
Total CSM[(3)(4)]	**$ 2,579**	$ 2,587	$ 2,680	**$ 2,579**	$ 2,680
CSM on new sales[(3)(5)]	**56**	42	37	**56**	37
Net sales of savings products[(1)(6)]	**1,819**	804	1,198	**4,957**	3,205
Insurance sales[(6)]	**115**	140	95	**444**	370
Group insurance premiums[(6)]	**1,028**	1,019	975	**3,039**	2,861
Individual insurance premiums[(6)]	**266**	260	255	**785**	751
Annuity premiums[(6)]	**107**	504	896	**967**	1,255
Segregated fund receipts[(6)]	**1,406**	1,176	1,000	**3,677**	3,011

(1) Comparative data have been restated to conform to the current period's presentation.
(2) Represents the non-interest expense directly related to the fulfillment of insurance contracts presented under "Insurance service result."
(3) Included under "Insurance contract liabilities" and "Reinsurance contract assets (liabilities)" in the Combined Balance Sheets. For further information, see Note 7, "Insurance and reinsurance contracts," to the Interim Combined Financial Statements.
(4) Total CSM of $2,786 million ($2,930 million as at September 30, 2023) presented net of reinsurance for a total amount of $207 million ($250 million as at September 30, 2023).
(5) CSM on new insurance business totalling $54 million ($39 million as at September 30, 2023) presented net of reinsurance for a total amount of $(2) million ($2 million as at September 30, 2023).
(6) For further information about supplementary financial measures, see the Glossary on pages 51 to 58.

Comparison of the third quarters of 2024 and 2023

- **Net surplus earnings of $125 million**, stable compared to the third quarter of 2023. The increase in other income, due in particular to an increase in assets under management and assets under administration, was offset by the following factors:
  - Higher costs, essentially due to growth in assets under management and assets under administration.
  - Decrease in the insurance service result, mainly due to a less favourable experience and a less favourable impact of the update of actuarial assumptions.

- **Net interest income of $35 million**, down $19 million, or 35.2%. This decrease was mainly due to lower net interest income from Worldsource.

- **Insurance service result of $159 million** down $21 million, or 11.7%, mainly due to a less favourable experience and a less favourable effect of the update to actuarial assumptions. In more detail, the decrease in the insurance service result was due to the following:
  - Less favourable experience in group insurance, mainly with regard to long-term disability coverage.
  - Less favourable effect of updating actuarial assumptions in group retirement savings.

- **Net insurance finance result of $37 million,** down $9 million, or 19.6%, primarily due to the following:
  - Net gains in the third quarter of 2023 associated with unhedged items.
  - Negative change in the fair value of certain infrastructure investments.
  - Losses on disposal of bond investments.
  - Offset by the favourable impact of hedging the interest rate risk.

- **Other income of $661 million,** up $85 million, or 14.8%, primarily from:
  - Increase in income stemming from more assets under management than in the comparative period.
  - Higher income from specialized networks, related to the increase in assets under administration.

- **Total net revenue of $892 million,** up $36 million, or 4.2%.

- **Gross non-interest expense of $820 million,** up $26 million, or 3.3%, primarily due to the following:
  - Higher costs due to an increased transaction volume as a result of growth in assets under administration in the specialized networks.
  - Higher fund distribution costs due to increased assets under management.

  Note that a gross non-interest expense of $90 million was included under insurance service expenses, the same amount as recorded for the third quarter of 2023.

Additional information related to certain indicators:

- **Contractual service margin (CSM)**
  - Total CSM of $2,579 million as at September 30, 2024, compared to $2,587 million as at June 30, 2024. This slight decline in total CSM was due to the effect of services rendered, mainly due to the creation of CSM upon transition to IFRS 17, "*Insurance Contracts.*" This decline was partly offset by the following:
    - Gains in individual insurance and guaranteed investment funds due to the favourable economic environment.
    - Favourable impact of new sales in individual insurance.
    - Effect of accretion expenses.

- **Business growth**
  - Increase in net sales of savings products, mainly from specialized networks and partners, partially offset by the decrease in annuities paid.
  - Increase in insurance sales, mainly in group insurance.
  - Growth in insurance premiums, primarily in group insurance.
  - Decrease in annuity premiums, mainly from group retirement savings, related to the addition of a large group in 2023.

Comparison of the first nine months of 2024 and 2023

- **Net surplus earnings of $525 million,** up $153 million, compared to the corresponding period of 2023, mainly due to the following:
  - Higher other income related, in particular, to the increase in assets under administration and assets under management and to the gain on disposal of the interest in Fiera Holdings Inc. and Fiera Capital LP.
  - Increase in the net insurance finance result related to the favourable impact of hedging the interest rate risk and the gain on disposal of buildings, offset in part by a negative change in the fair value of certain investments in infrastructure.
  - Offset by higher costs arising from the increase in assets under administration and administrative expenses, including those related to personnel.

- **Net interest income of $161 million,** up $10 million, or 6.6%. This increase was mainly due to the following:
  - Increase in the interest margin on securities.
  - Volume growth due to the new Desjardins Investment Savings Account.
  - Offset by lower net interest income from Worldsource.

- **Insurance service result of $448 million,** down $15 million, or 3.2%, mainly due to an unfavourable updating of actuarial assumptions and a less favourable experience, partially offset by the favourable adjustment to the indexation assumption and by business growth. In more detail, the decrease in the insurance service result was due to the following:
  - Unfavourable impact of the updating of actuarial assumptions for group retirement savings compared to a favourable impact in the corresponding period in 2023.
  - Less favourable experience in group insurance, essentially for long-term disability and life coverage, partially offset by a less unfavourable experience in accident and health insurance.

  This decrease was offset in part by the following:
  - Adjustment to the indexation assumption in personal insurance and group retirement savings.
  - Business growth in group insurance.
  - More favourable experience in credit and direct insurance, in particular in life loan insurance.

- **Net insurance finance result of $332 million,** up $111 million, or 50.2%, largely due to the following:
  - Favourable impact of the hedging of interest rate risk.
  - Gain on disposal of buildings.
  - Offset by the negative change in the fair value of certain infrastructure investment securities.

- **Other income of $1,943 million,** up $265 million, or 15.8%, mainly due to the following:
  - Increase in income of $78 million related to operations acquired from Worldsource on March 1, 2023.
  - Higher income from specialized networks due to increased assets under administration.
  - Higher income from increased assets under management compared to the comparative period.
  - Gain on disposal of the interest in Fiera Holdings Inc. and Fiera Capital LP.

- **Total net revenue of $2,884 million,** up $371 million, or 14.8%.

- **Gross non-interest expense of $2,527 million,** up $231 million, or 10.1%, owing primarily to the following:
  - Increase in expenses of $77 million related to operations acquired from Worldsource on March 1, 2023.
  - Higher costs due to an increased transaction volume as a result of growth in assets under administration in the specialized networks.
  - Increase in spending on personnel.

  Note that a gross non-interest expense of $279 million is included under insurance service expenses, compared to $271 million for the first nine months of 2023.

Additional information for certain indicators:

- **Contractual service margin (CSM)**
  - Total CSM of $2,579 million as at September 30, 2024 compared to $2,595 million as at December 31, 2023. The slight decline in total CSM was due to the following:
    - Effect of services rendered, which were mainly due to the creation of the CSM upon the transition to IFRS 17.
    - Adjustment to the indexation assumption in individual insurance and group retirement savings.

    This decline was partially offset by the following:
    - Favourable impact of new sales in individual insurance and group retirement savings.
    - Gains in terms of the cost of individual insurance coverage for contracts with direct participation features due to the favourable economic climate.
    - Gains on guaranteed investment fund liabilities.
    - Impact of accretion expenses.

- **Business growth**
  - Increase in net sales of savings products generated mainly by specialized networks and partners, partly offset by lower sales from group capital accumulation plans.
  - Increase in insurance sales, essentially from group insurance.
  - Growth in insurance premiums, mainly in group insurance.
  - Decrease in annuity premiums, mainly in group retirement savings, related to the addition of a large group in 2023.

Property and Casualty Insurance

The Property and Casualty (P&C) Insurance segment offers insurance products providing coverage for the assets of Desjardins Group members and clients and guarding them against disaster. This segment includes the operations of Desjardins General Insurance Group Inc. and its subsidiaries, offering a personal line of automobile and property insurance products across Canada and also providing businesses with insurance products. Its products are offered in the Desjardins caisse network in Québec and at Caisse Desjardins Ontario Credit Union Inc. and the Desjardins Business centres, and are distributed through general insurance agents in a number of client care centres, as well as through an exclusive agent network, including over 450 agencies in Ontario, Alberta and New Brunswick. This exclusive agent network distributes P&C insurance and several other financial products. The segment also offers advice and loss prevention services to members and clients to help them protect their assets and guard against the impact of weather and climate events. Members and clients also have access to a multitude of services online and via applications for mobile devices.

Desjardins General Insurance Group Inc., which has more than 3.7 million clients, markets its products to the Canada-wide individual and business market under the Desjardins Insurance banner, and to the group market—including members of professional associations and unions, and employers' staff—under the The Personal banner.

On May 31, 2024, Desjardins Group, through Desjardins General Insurance Inc., a subsidiary of the Federation, acquired all of the issued and outstanding shares of The Insurance Company of Prince Edward Island (ICPEI). Desjardins Group had held a minority interest in ICPEI since February 2023. ICPEI is a Canadian insurer that provides commercial and personal lines of insurance exclusively through a broker channel. With this acquisition, Desjardins Group intends to strengthen its position across Canada and expand the footprint of its property and casualty insurance activities and, more specifically, its offer for businesses.

Property and Casualty Insurance – Segment results

(in millions of dollars and as a percentage)	For the three-month periods ended September 30, 2024	June 30, 2024	September 30, 2023	For the nine-month periods ended September 30, 2024	September 30, 2023
Insurance service result					
Insurance revenue	**$ 1,919**	$ 1,790	$ 1,700	**$ 5,458**	$ 4,903
Insurance service expenses	**(2,315)**	(1,296)	(1,473)	**(5,103)**	(4,525)
Net reinsurance service income (expenses)	**501**	(34)	(15)	**480**	(43)
	105	460	212	**835**	335
Net insurance finance result					
Net insurance investment income (loss)	**300**	151	(10)	**633**	214
Net insurance finance income (expenses)	**(220)**	(102)	19	**(336)**	(89)
Net reinsurance finance income (expenses)	**18**	9	(2)	**28**	9
	98	58	7	**325**	134
Net insurance service income	**203**	518	219	**1,160**	469
Other income (loss)	**(10)**	(9)	(12)	**(9)**	(27)
Total net revenue	**193**	509	207	**1,151**	442
Provision for (recovery of) credit losses	**1**	1	4	**(5)**	2
Non-interest expense					
Gross non-interest expense	**269**	260	236	**777**	761
Non-interest expense included in insurance service expenses[(1)]	**(153)**	(164)	(157)	**(475)**	(488)
Net non-interest expense	**116**	96	79	**302**	273
Income taxes on surplus earnings	**23**	112	21	**221**	33
Net surplus earnings for the period	**$ 53**	$ 300	$ 103	**$ 633**	$ 134
Of which:					
Group's share	**$ 42**	$ 265	$ 87	**$ 553**	$ 104
Non-controlling interests' share	**11**	35	16	**80**	30
Indicators					
Direct written premiums[(2)]	**$ 2,097**	$ 2,082	$ 1,861	**$ 5,735**	$ 5,211
Loss ratio[(3)(4)(5)]	**81.5%**	58.8%	75.1%	**68.0%**	76.6%
Current year loss ratio[(3)(4)(5)]	**66.1**	69.8	73.2	**68.4**	78.4
Loss ratio related to catastrophes and major events[(3)(4)(5)]	**30.6**	—	7.2	**10.7**	4.2
Ratio of changes in prior year claims[(3)(4)(5)]	**(15.2)**	(11.0)	(5.3)	**(11.1)**	(6.0)
Expense ratio[(3)]	**22.2**	25.6	24.7	**24.4**	25.9
Ratio of losses on onerous contracts[(3)]	**(1.1)**	(1.0)	(2.9)	**1.0**	1.3
Combined ratio[(3)(4)(5)]	**102.6**	83.4	96.9	**93.4**	103.8
Discounted combined ratio[(3)]	**99.3**	78.5	91.7	**89.2**	98.4

(1) Represents the non-interest expense directly related to the fulfillment of insurance contracts presented under "Insurance service result."
(2) For further information about supplementary financial measures, see the Glossary on pages 51 to 58.
(3) For more information about non-GAAP ratios, see "Non-GAAP and other financial measures" on pages 5 to 7.
(4) Undiscounted ratio, therefore excluding the effect of discounting net liabilities for claims incurred.
(5) Data have been restated to conform to the current period's presentation.

Comparison of the third quarters of 2024 and 2023

- **Net surplus earnings of $53 million,** down $50 million, compared to the third quarter of 2023. The change was mainly on account of the following:
  - Higher claims expenses due to two catastrophes and a major event in the third quarter of 2024.
  - Offset by higher revenues from insurance activities.

- **Insurance service result of $105 million,** down $107 million, or 50.5%.
  - **Insurance revenue** of $1,919 million, up $219 million, or 12.9%. By including ceded insurance revenue of $95 million, presented under "Net reinsurance service income (expenses)," the increase was $203 million, or 12.5%, mainly due to premium growth in automobile and property insurance and to business resulting from the acquisition of The Insurance Company of Prince Edward Island (ICPEI).
  - **Insurance service expenses** of $2,315 million, up $842 million, or 57.2%. By including ceded insurance service expenses of $596 million, presented under "Net reinsurance service income (expenses)," the increase was $310 million, or 22.0%, essentially due to the following:
    - Claims expenses for catastrophes and major events that were higher than in the comparative quarter of 2023. The third quarter of 2024 was marked by two major catastrophes, namely torrential rains in Québec and hail in Alberta, as well as a major event in Ontario, whereas the third quarter of 2023 was marked by seven smaller-scale major events, mainly wind and water damage in Québec and Ontario.
    - Offset by the more favourable impact of prior years' claims experience than in the comparative quarter of 2023, mainly due to automobile insurance.

- **Net insurance finance result of $98 million,** up $91 million.
  - **Net insurance investment income** of $300 million, compared to a loss of $10 million in the comparative quarter. This increase was essentially due to the following:
    - Positive change in the fair value of matched bonds, while a negative change was recorded in the corresponding quarter of 2023, in particular due to the effect of lower market interest rates in the third quarter of 2024, compared to an increase in the third quarter of 2023.
    - Net gains recognized on common shares, while net losses were recognized in the corresponding quarter of 2023.
  - **Net insurance finance expenses** of $220 million, compared to income of $19 million in the corresponding quarter. By including net reinsurance finance income of $18 million (expense of $2 million for the third quarter of 2023), net insurance and reinsurance finance expenses totalled $202 million, compared to income of $17 million in the corresponding quarter of 2023. This change was due in particular to the unfavourable impact of a decrease in the discount rates used to measure net liabilities for incurred claims, whereas rates were higher in the corresponding quarter of 2023.

- **Other loss of $10 million,** an amount comparable to the same quarter in 2023.

- **Total net revenue of $193 million,** down $14 million, or 6.8%.

- **Gross non-interest expense of $269 million,** up $33 million, or 14.0%. This increase was due in particular to the following:
  - Remeasurement of the increase in the provision for the deferred compensation program and the post-retirement benefit plan for Desjardins agents, whereas there had been a decrease in the corresponding quarter of 2023.
  - Gross non-interest expense incurred by ICPEI.

  Note that a gross non-interest expense of $153 million was included in insurance service expenses, an amount comparable to that for the third quarter of 2023.

Comparison of the first nine months of 2024 and 2023

- **Net surplus earnings of $633 million,** up $499 million, compared to the corresponding period of 2023. The change was essentially due to the following:
  - Higher insurance revenue, essentially in automobile and property insurance.
  - Impact of a more favourable claims experience in prior years than in the comparative period of 2023.
  - Increase in the net insurance finance result.
  - Offset by higher claims expenses due to catastrophes and major events.

- **Insurance service result of $835 million,** up $500 million.
  - **Insurance revenue** of $5,458 million, up $555 million, or 11.3%. By including ceded insurance revenue of $264 million presented under "Net reinsurance service income (expenses)," there was an increase of $509 million, or 10.9%, mainly due to premium growth in automobile and property insurance.
  - **Insurance service expenses** of $5,103 million, up $578 million, or 12.8%. By including ceded insurance service expenses of $744 million presented under "Net reinsurance service income (expenses),"there was an increase of $9 million, or 0.2%, due to the following:
    - Higher amortization of acquisition costs compared to first nine months of 2023.
    - Change in investment funds that benefited groups having signed agreements under the The Personal banner. It should be recalled that this change was offset by the results of these groups.
    - Offset by claims expenses, which were down compared to the first nine months of 2023 as a result of the following:
      - Impact arising from more favourable changes in prior year claims than in the comparative period in 2023, mainly due to automobile and property insurance.
      - Claims expenses for the current year that were lower than in the comparative period of 2023, essentially due to automobile and property insurance, in particular as a result of a decreased frequency of claims.
      - Offset by higher claims expenses due to catastrophes and major events than in the comparative period of 2023. The first nine months of 2024 were marked by two catastrophes and a major event, whereas the comparative period was marked by nine smaller-scale major events.

- **Net insurance finance result of $325 million,** up $191 million.
  - **Net insurance investment income** of $633 million, up $419 million. This increase was mainly due to the following:
    - A positive change in the fair value of matched bonds, compared with a negative change in the comparative period of 2023, due in particular to the effect of lower market interest rates in the first nine months of 2024, whereas an increase was recorded in the comparative period of 2023.
    - Higher net gains on shares than in the comparative period of 2023.
    - Higher interest income on fixed income securities than in the comparative period of 2023.
  - **Net insurance finance expenses** of $336 million, up $247 million. By including net reinsurance finance income of $28 million ($9 million for the comparative period of 2023), net insurance and reinsurance finance expenses were $308 million, compared of $80 million in the comparative period. The change was due in particular to the unfavourable impact of the lower discount rates used to measure net liabilities for incurred claims, whereas higher rates were recorded in the corresponding period of 2023.

- **Other loss of $9 million,** down $18 million from the corresponding period of 2023. The change was due in particular to a smaller increase in the contingent consideration payable as part of the acquisition of the Canadian operations of State Farm Mutual Automobile Insurance Company arising from favourable developments in claims taken over.

- **Total net revenue of $1,151 million,** up $709 million.

- **Gross non-interest expense of $777 million,** up $16 million, or 2.1%. This decrease resulted from the following:
  - Higher salary expenses due to wage indexation.
  - Gross non-interest expense incurred by ICPEI.

  Note that a gross non-interest expense of $475 million was included in insurance service expenses, compared to $488 million for the first nine months of 2023.

Other category

The Other category includes financial information that is not specific to a business segment. It mainly includes treasury activities and those related to financial intermediation between the liquidity surpluses and needs of the caisses. This category also includes the results for the support functions provided by the Federation to Desjardins Group including: finance, including treasury; operations; risk management, including compliance; human resources; marketing, communications, cooperation and the President's Office; Desjardins Group Security Office; legal affairs, including governance; and the Office of Sustainable Development. It also includes the operations of Desjardins Technology Group Inc., which encompasses all of Desjardins Group's IT operations. In addition to various adjustments required to prepare the Interim Combined Financial Statements, intersegment balance eliminations are classified in this category.

Other category

(in millions of dollars)	For the three-month periods ended September 30, 2024	June 30, 2024[1]	September 30, 2023[1]	For the nine-month periods ended September 30, 2024	September 30, 2023[1]
Net interest income	**$ 38**	$ 15	$ 5	**$ 51**	$ 41
Net insurance service income (loss)	**25**	25	(3)	**60**	(14)
Other income (loss)	**(162)**	(260)	(166)	**(600)**	(482)
Total net loss	**(99)**	(220)	(164)	**(489)**	(455)
Recovery of provision for credit losses	**—**	—	(1)	**—**	(2)
Net non-interest expense	**(166)**	(133)	(193)	**(468)**	(633)
Income taxes on surplus earnings	**2**	(15)	11	**(13)**	52
Net surplus earnings (deficit) for the period	**$ 65**	$ (72)	$ 19	**$ (8)**	$ 128

[1] Data have been restated to conform to the current period's presentation.

<u>Comparison of the third quarters of 2024 and 2023</u>

- **Net deficit of $65 million,** up $46 million from the corresponding period of 2023.
  - In relation to treasury activities, market rate fluctuations as well as changes in hedging positions had an overall favourable effect on net interest income and net other investment income (loss) included under other income.
  - Net non-interest expense included investments related to the continued implementation of Desjardins-wide strategic projects, which are aimed at creating innovative technological platforms, protecting privacy and improving business processes. It also included changes in contingency provisions for our operations, supplier agreements and the investment portfolio, as well as commitments made to the GoodSpark Fund, with the aim, in particular, of providing social and economic support to the regions.

<u>Comparison of the first nine months of 2024 and 2023</u>

- **Net deficit of $8 million,** compared to net surplus earnings of $128 million for the first nine months of 2023.
  - In relation to treasury activities, market rate fluctuations as well as changes in hedging positions had an overall favourable impact on net interest income and net other investment income (loss) included in other income.
  - Net non-interest expense included investments related to the continued implementation of Desjardins-wide strategic projects, which are aimed at creating innovative technological platforms, protecting privacy and improving business processes. It also included changes in contingency provisions for our operations, supplier agreements and the investment portfolio, as well as commitments made to the GoodSpark Fund, with the aim, in particular, of providing social and economic support to the regions.

SUMMARY OF INTERIM RESULTS

The table below presents a summary of data related to the results for Desjardins Group's most recent eight quarters.

Results for the most recent eight quarters

	2024			2023				2022
(in millions of dollars)	Q3	Q2	Q1	Q4[1]	Q3[1]	Q2[1]	Q1[1]	Q4[1]
Net interest income	**$ 1,915**	$ 1,861	$ 1,733	$ 1,696	$ 1,716	$ 1,666	$ 1,541	$ 1,482
Insurance service result								
Insurance revenue	**2,945**	2,829	2,752	2,718	2,656	2,562	2,493	2,480
Insurance service expenses	**(3,168)**	(2,182)	(2,351)	(2,093)	(2,245)	(2,238)	(2,358)	(2,177)
Net reinsurance service income (expenses)	**493**	(27)	8	(47)	(20)	(36)	(26)	(40)
	270	620	409	578	391	288	109	263
Net insurance finance result								
Net insurance investment income (loss)	**1,560**	467	(39)	3,005	(1,363)	249	1,080	286
Net insurance finance income (expenses)	**(1,463)**	(244)	375	(2,780)	1,479	(83)	(999)	(30)
Net reinsurance finance income (expenses)	**57**	14	(26)	115	(65)	11	42	(17)
	154	237	310	340	51	177	123	239
Net insurance service income	**424**	857	719	918	442	465	232	502
Other income								
Deposit and payment service charges	**134**	129	126	134	119	117	113	115
Lending fees and card service revenues	**260**	238	262	185	258	242	266	256
Brokerage and investment fund services	**374**	363	376	347	339	400	253	235
Management and custodial service fees	**219**	222	199	207	192	189	163	182
Net other investment income (loss)	**(60)**	(61)	17	(65)	(30)	41	(18)	22
Foreign exchange income	**66**	47	48	59	47	47	39	42
Other	**53**	97	84	57	50	72	78	36
	1,046	1,035	1,112	924	975	1,108	894	888
Total net revenue	**3,385**	3,753	3,564	3,538	3,133	3,239	2,667	2,872
Provision for credit losses	**105**	87	133	231	127	66	105	80
Non-interest expense								
Gross non-interest expense	**2,524**	2,697	2,556	2,749	2,443	2,680	2,345	2,525
Non-interest expense included in insurance service expenses[2]	**(235)**	(250)	(245)	(250)	(240)	(246)	(249)	(262)
Net non-interest expense	**2,289**	2,447	2,311	2,499	2,203	2,434	2,096	2,263
Income taxes on surplus earnings	**234**	301	265	58	189	186	124	71
Surplus earnings before member dividends	**757**	918	855	750	614	553	342	458
Member dividends, net of tax recovery	**82**	81	81	68	78	80	78	64
Net surplus earnings for the period after member dividends	**$ 675**	$ 837	$ 774	$ 682	$ 536	$ 473	$ 264	$ 394
Of which:								
Group's share	**$ 664**	$ 802	$ 740	$ 641	$ 520	$ 462	$ 261	$ 379
Non-controlling interests' share	**11**	35	34	41	16	11	3	15

(1) Data have been restated to conform to the current period's presentation.
(2) Represents the non-interest expense directly related to the fulfillment of insurance contracts presented under "Insurance service result."

Quarterly income, expenses and surplus earnings before member dividends are affected by certain trends, including seasonal variations, and by changes in general economic conditions and the financial markets. Following the transition to IFRS 17, "Insurance Contracts," on January 1, 2023, insurers' net surplus earnings are more sensitive mainly to financial market changes, but also to interest rates, which makes the quarterly results more volatile compared to past quarterly results. In addition, the provisions of IFRS 17 allow for the review of the designation or classification of financial assets recognized under IFRS 9, "Financial Instruments," held in respect of insurance operations as at the date that IFRS 17 was first applied. Desjardins Group elected not to restate the comparative figures of its Combined Financial Statements to reflect the changes in designation or classification for these financial assets made as at January 1, 2023. As a result, the results for the 2024 and 2023 periods may be less comparable than those for 2022. For more information about quarterly trends, see pages 41 and 42 of the 2023 annual MD&A.

BALANCE SHEET REVIEW

BALANCE SHEET MANAGEMENT

Combined Balance Sheets

(in millions of dollars and as a percentage)	As at September 30, 2024			As at December 31, 2023		
Assets						
Cash and deposits with financial institutions	**$**	**7,918**	**1.7%**	$	8,987	2.1%
Securities		**95,192**	**20.5**		88,365	20.9
Securities borrowed or purchased under reverse repurchase agreements		**26,721**	**5.8**		13,678	3.2
Loans, net of allowance for credit losses		**282,652**	**60.8**		265,935	62.9
Segregated fund net assets		**28,037**	**6.0**		24,754	5.9
Derivative financial instruments		**6,969**	**1.5**		5,861	1.4
Other assets		**17,188**	**3.7**		15,360	3.6
Total assets	**$**	**464,677**	**100.0%**	$	422,940	100.0%
Liabilities and equity						
Deposits	**$**	**296,377**	**63.8%**	$	279,329	66.1%
Insurance contract liabilities		**34,768**	**7.5**		32,961	7.8
Commitments related to securities sold short		**14,172**	**3.0**		11,686	2.8
Commitments related to securities lent or sold under repurchase agreements		**21,974**	**4.7**		12,032	2.8
Derivative financial instruments		**6,104**	**1.3**		6,626	1.6
Segregated fund net liabilities – Investment contracts		**24,431**	**5.3**		21,233	5.0
Other liabilities		**24,507**	**5.3**		21,729	5.1
Subordinated notes		**3,939**	**0.8**		2,954	0.7
Equity		**38,405**	**8.3**		34,390	8.1
Total liabilities and equity	**$**	**464,677**	**100.0%**	$	422,940	100.0%

Assets

As at September 30, 2024, Desjardins Group's total assets stood at $464.7 billion, up $41.7 billion, or 9.9%, since December 31, 2023.

Desjardins Group's cash and deposits with financial institutions were down $1.1 billion, or 11.9%, and securities, including securities borrowed or purchased under reverse repurchase agreements, rose $19.9 billion, or 19.5%, reflecting cash management activities.

Desjardins Group's outstanding loan portfolio, net of the allowance for credit losses, increased $16.7 billion, or 6.3%, primarily as a result of residential mortgage loans, which were up $9.4 billion, or 5.7%. Business and government loans have climbed $7.0 billion, or 9.1%, since December 31, 2023. Consumer, credit card and other personal loans outstanding were up $0.3 billion, or 1.2%, since the end of 2023.

Information on the quality of Desjardins Group's credit portfolio can be found in the "Risk management" section, on pages 34 to 37 of this MD&A.

Segregated fund net assets grew $3.3 billion, or 13.3%, on account of the increase in the fair value of the portfolio as a result of financial market developments.

Derivative financial instrument assets were up $1.1 billion, or 18.9%, owing primarily to the rise in stock market index options as a result of financial market developments.

Other assets increased $1.8 billion, or 11.9%, mainly as a result of the increase in amounts receivable from clients, brokers and financial institutions.

Liabilities

Desjardins Group's total liabilities amounted to $426.3 billion as at September 30, 2024, up $37.7 billion, or 9.7%, since December 31, 2023.

Outstanding deposits grew $17.0 billion, or 6.1%. The increase in business and government deposits, which comprised 46.3% of Desjardins Group's total deposit portfolio, was largely responsible for this growth. These deposits outstanding were up $10.1 billion, or 7.9%, owing primarily to the various securities issues in the Canadian, U.S. and international markets, and growth in business member deposits in the caisse network. Personal deposits outstanding, which accounted for 53.6% of the total deposit portfolio, were up $7.3 billion, or 4.8%, mainly as a result of growth in member deposits in the caisse network. Deposits from deposit institutions were down $0.3 billion since the beginning of 2023.

Desjardins Group's insurance contract liabilities were up $1.8 billion, or 5.5%. The increase resulted mainly from the change in liabilities as a result of life and health insurance operations.

Commitments related to securities sold short and lent or sold under repurchase agreements increased $12.4 billion, or 52.4%, to a volume of $36.1 billion.

Derivative financial instrument liabilities were down $0.5 billion, or 7.9%, owing primarily to the effect of interest and exchange rate fluctuations, partially offset by the rise in stock market index options as a result of financial market developments.

Segregated fund net liabilities for investment contracts were up $3.2 billion, or 15.1%, due to an increase in the fair value of the portfolio caused by financial market developments.

Other liabilities rose $2.8 billion, or 12.8%, owing primarily to higher amounts payable to clients, brokers and financial institutions.

Subordinated notes increased $1.0 billion, or 33.3%, following an issue of $1.0 billion in Non-Viability Contingent Capital (NVCC)-eligible notes under the Canadian NVCC Subordinated Notes Program on May 15, 2024.

Equity

Equity has increased $4.0 billion, or 11.7%, since December 31, 2023 due to net surplus earnings after member dividends totalling $2.3 billion for the first nine months of 2024 and a $1.8 billion rise in other comprehensive income.

Note 23, "Capital stock," and Note 24, "Share capital," to the Annual Combined Financial Statements provide additional information about Desjardins Group’s capital stock and share capital.

CAPITAL MANAGEMENT

Capital management is crucial to the financial management of Desjardins Group with an objective to ensure the financial soundness and sustainability of the Desjardins Cooperative Group. To help safeguard a capital level and structure that maintains the confidence of members and clients and optimizes financial capital costs, the organization has a target capital structure that takes into account the banking industry regulatory requirements, Desjardins Group's objectives for maintaining its credit ratings and the risk profiles of the organization and its components. The target structure is subject to change and is updated annually by the Federation's Board of Directors based on changes in the above factors. Additional information on the Integrated Capital Management Framework can be found in Section 3.2, "Capital management," of Desjardins Group's 2023 annual MD&A.

The current situation and the forecasts show that, overall, Desjardins Group has a solid capital base that allows it to continue to be one of the best-capitalized Canadian financial institutions and meet its targets.

Regulatory framework

Desjardins Group's regulatory capital ratios are calculated in accordance with the *Capital Adequacy Guideline* issued by the AMF and applicable, in particular, to financial services cooperatives. The Guideline takes into account the global regulatory framework for more resilient banks and banking systems (Basel III) issued by the Bank for International Settlements.

Under this framework, a minimum amount of capital must be maintained on a combined basis by all the Desjardins Group components. Some of these components are subject to separate requirements regarding regulatory capital, liquidity and funding, which are set by regulatory authorities governing trusts, credit unions, insurers and securities, among other things. Desjardins Group oversees and manages the capital requirements of these entities to ensure efficient use of capital and continuous compliance with the applicable regulations.

In this regard, it should be mentioned that the life and health insurance subsidiary under provincial jurisdiction is subject to the *Capital Adequacy Requirements Guideline* (CARLI) issued by the AMF. The property and casualty insurance subsidiaries under provincial jurisdiction must comply with the *Guideline on Capital Adequacy Requirements* issued by the AMF. The property and casualty insurance subsidiaries under federal jurisdiction must comply with the OSFI's *Minimum Capital Test – Guideline* for federally regulated property and casualty insurance companies.

For the purpose of calculating capital, Desjardins Financial Corporation Inc., the holding corporation that mainly includes the insurance companies, was deconsolidated and presented as a Desjardins Group partial capital deduction under the rules for significant investments stated in the *Capital Adequacy Guideline*. Desjardins Financial Corporation Inc., is subject to the AMF's CARLI guideline.

In addition, Desjardins Group has been required to maintain a minimum loss absorbing capacity at all times in order to support its internal recapitalization (bail-in) in the event of failure. Such capacity is composed of regulatory capital instruments and unsecured external long-term debt that meets the criteria under the *Total Loss Absorbing Capacity Guideline* (TLAC Guideline) issued by the AMF.

The following table presents a summary of the target regulatory ratios set by the AMF under Basel III.

Summary of ratios regulated by the AMF under Basel III

(as a percentage)		Minimum ratio	Capital conservation buffer		Minimum ratio including capital conservation buffer	Supplement applying to D-SIFIs[(1)(2)]		Minimum ratio including capital conservation buffer and supplement applying to D-SIFIs	Capital and leverage ratios as at September 30, 2024
Tier 1A capital ratio[(3)]	>	4.5%	2.5%	>	7.0%	1.0%	>	8.0%	**21.9%**
Tier 1 capital ratio[(3)]	>	6.0	2.5	>	8.5	1.0	>	9.5	**21.9**
Total capital ratio[(3)]	>	8.0	2.5	>	10.5	1.0	>	11.5	**24.0**
TLAC ratio[(4)]	>	21.5	N/A	>	21.5	N/A	>	21.5	**32.5**
Leverage ratio[(5)]	>	3.0	N/A	>	3.0	0.5	>	3.5	**7.6**
TLAC leverage ratio[(6)]	>	6.75	N/A	>	6.75	N/A	>	6.75	**11.2**

(1) Supplement applicable to Desjardins Group as a domestic systemically important financial institution (D-SIFI).
(2) At its discretion, the AMF may also set higher target ratios when warranted by circumstances. In this regard, since March 31, 2019, the AMF could activate the countercyclical buffer when it considers that excess credit growth is associated with a build-up of system-wide risk. Based on this assessment, a countercyclical buffer requirement representing between 0% and 2.5% of total risk-weighted assets (RWA) will be put in place when circumstances warrant. This requirement will be lifted when the risk either crystallizes or dissipates.
(3) The capital ratios are expressed as a percentage of regulatory capital to risk-weighted assets.
(4) The TLAC ratio is expressed as a percentage of regulatory capital and TLAC-eligible instruments (as set out in the TLAC Guideline) compared to risk-weighted assets at the level of the resolution group, which is deemed to be Desjardins Group, excluding Caisse Desjardins Ontario Credit Union Inc.
(5) The leverage ratio is calculated by dividing Tier 1 capital by the exposure measure, which is an independent measure of risk and includes: (1) on-balance sheet exposures, (2) securities financing transaction exposures, (3) derivative exposures, and (4) off-balance sheet items.
(6) The TLAC leverage ratio is calculated by dividing the sum total of regulatory capital and TLAC-eligible instruments (as set out in the TLAC Guideline) by the exposure measure at the level of the resolution group.

Regulatory developments

Desjardins Group continues to monitor changes in capital requirements under the global standards developed by the Basel Committee on Banking Supervision (BCBS) and to assess their impact on the capital ratios and the leverage ratio. Additional information in this regard can be found in Desjardins Group's 2023 annual MD&A on page 45. The "Changes in the regulatory environment" section of this MD&A also presents additional details on regulation as it affects all Desjardins Group operations.

In February 2024, the AMF issued a new revision to its *Capital Adequacy Guideline* to harmonize the AMF's securitization risk management guidelines, adjust credit risk requirements and increase quality assurance requirements for capital statements. These changes became effective on January 1, 2024.

Compliance with requirements

As at September 30, 2024, the Tier 1A, Tier 1 and total capital ratios of Desjardins Group, calculated in accordance with Basel III requirements, were 21.9%, 21.9% and 24.0%, respectively. The leverage ratio was 7.6%.

As at September 30, 2024, the Tier 1A capital ratio was up 150 basis points compared to December 31, 2023, owing primarily to the increase in reserves and surpluses for the period.

In addition, the TLAC ratio and the TLAC leverage ratio were respectively 32.5% and 11.2% as at September 30, 2024.

Desjardins Group and all its components that are subject to minimum regulatory requirements with respect to capitalization were in compliance with said requirements as at September 30, 2024.

Regulatory capital and other TLAC instruments

The following tables present Desjardins Group's main capital components, regulatory capital balances and other TLAC instruments, as well as risk-weighted assets, regulatory ratios, and changes in regulatory capital and other TLAC instruments during the period.

Main capital components and other TLAC instruments

	Regulatory capital and other TLAC instruments – Total capital – Tier 1 capital – Tier 1A[(1)]	Tier 1 capital – Tier 1B[(1)]	Tier 2 capital	Other TLAC instruments
Eligible items	• Reserves and undistributed surplus earnings • Eligible accumulated other comprehensive income • F capital shares	• Non-controlling interests[(2)]	• Eligible portion of allowance for credit losses • NVCC subordinated notes[(3)] • Eligible qualifying shares	• TLAC senior notes
Regulatory adjustments	• Goodwill • Software • Other intangible assets • Net defined benefit plan assets • Deferred tax assets essentially resulting from loss carryforwards • Provision deficit • Gains and losses from fluctuations in the fair value of financial liabilities due to changes in the entity's credit risk • Equity investments in investment funds subject to the fallback approach			
Deductions	• Mainly significant investments in financial entities[(4)]	• Investment in preferred shares of a component deconsolidated for regulatory capital purposes	• Investment in preferred shares of a component deconsolidated for regulatory capital purposes • Subordinated financial instrument	

(1) The Tier 1A and Tier 1B ratios are the equivalent of the financial institutions' CET1 and AT1 ratios for financial services cooperatives regulated by the AMF.

(2) The amount of non-controlling interests is determined, in particular, based on the nature of the operations and the capitalization level of the investee.

(3) These notes meet the Non-Viability Contingent Capital (NVCC) requirements of the *Capital Adequacy Guideline*. To be eligible, the notes must include a clause requiring the full and permanent conversion into a Tier 1A capital instrument at the point of non-viability.

(4) Represent the portion of investments in the components deconsolidated for regulatory capital purposes (mainly Desjardins Financial Corporation Inc.) that exceeds 10% of capital, net of regulatory adjustments. In addition, when the non-deducted balance, plus deferred tax assets, net of corresponding deferred tax liabilities, exceeds 15% of the adjusted capital, the surplus is also deducted from this capital. The net non-deducted balance is subject to risk weighting at a rate of 250%.

Regulatory capital and other TLAC instruments

(in millions of dollars and as a percentage)	As at September 30, 2024	As at December 31, 2023
Capital		
Tier 1A capital	**$ 32,630**	$ 28,678
Tier 1 capital	**32,630**	28,678
Total capital	**35,712**	30,745
Total loss absorbing capacity (TLAC) available(1)	**47,188**	40,137
Risk-weighted assets		
Credit risk(2)	**$ 122,081**	$ 115,313
Market risk(2)	**3,446**	2,881
Operational risk	**23,410**	22,287
Total risk-weighted assets	**$ 148,937**	$ 140,481
Total risk-weighted assets for TLAC ratio purposes(1)	**145,004**	136,311
Leverage ratio exposure	**427,197**	390,563
TLAC leverage ratio exposure(1)	**421,041**	383,474
Ratios		
Tier 1A capital ratio	**21.9%**	20.4%
Tier 1 capital ratio	**21.9**	20.4
Total capital ratio	**24.0**	21.9
TLAC(1)	**32.5**	29.4
Leverage ratio	**7.6**	7.3
TLAC leverage ratio(1)	**11.2**	10.5

(1) Data calculated at the level of the resolution group, which is deemed to be Desjardins Group, excluding Caisse Desjardins Ontario Credit Union Inc.
(2) The data as at September 30, 2024 take into account the provisions relating to the revised market risk frameworks and the credit valuation adjustment (CVA) effective January 1, 2024.

The Federation is able to issue Non-Viability Contingent Capital-eligible instruments on Canadian, U.S. and international markets. Since the program was implemented, the Federation has issued a total amount of $4.0 billion in such securities as at September 30, 2024. Therefore, should there be a trigger event as defined in the *Capital Adequacy Guideline*, these notes would automatically and immediately be converted into Tier 1A capital of the Federation.

In addition, Desjardins Group has been issuing TLAC-eligible debt since October 1, 2019 in order to meet minimum requirements, for a total of $12.4 billion as at September 30, 2024.

Change in regulatory capital and other TLAC instruments
For the nine-month period ended

(in millions of dollars)	September 30, 2024
Tier 1A capital	
Balance at beginning of period	**$ 28,678**
Increase in reserves and undistributed surplus earnings(1)	**2,934**
Eligible accumulated other comprehensive income	**1,107**
F capital shares(2)	**(100)**
Deductions(3)	**11**
Balance at end of period	**32,630**
Total Tier 1 capital(4)	**32,630**
Tier 2 capital	
Balance at beginning of period	**2,067**
Eligible instruments	**984**
Eligible portion of allowance for credit losses	**31**
Balance at end of period	**3,082**
Total capital	**$ 35,712**
Total capital for TLAC purposes(5)	**$ 34,793**
Other TLAC instruments	
Balance at beginning of period	**10,292**
TLAC senior notes	**2,103**
Balance at end of period	**12,395**
Total loss absorbing capacity (TLAC) available(5)	**$ 47,188**

(1) Amount including the change in defined benefit pension plans.
(2) On April 29, 2024, the Federation redeemed for cancellation 10 million F capital shares held in the Trust Fund.
(3) Include contractual service margins reported as a liability in the financial statements of Desjardins Group's insurance subsidiaries. This is a new requirement of the *Capital Adequacy Guideline* as of January 1, 2024.
(4) No Tier 1B capital instrument has been issued to date.
(5) Data calculated at the level of the resolution group, which is deemed to be Desjardins Group, excluding Caisse Desjardins Ontario Credit Union Inc.

Risk-weighted assets (RWA)

Desjardins Group calculates RWA for credit risk, market risk and operational risk.

Credit risk

- Desjardins uses the Internal Ratings-Based Approach for credit risk.
- This approach is used for retail exposures – Personal as well as for most exposures in the asset classes consisting of sovereign borrowers, financial institutions, businesses and SMEs similar to other retail client exposures.
- The Standardized Approach is used to measure the credit risk of certain exposures related to components of lesser importance, as well as asset classes that are not significant in terms of amount and perceived risk profile.

Market risk

- On January 1, 2024, Desjardins Group adopted a revised standardized approach framework for the calculation of market risk RWA in accordance with the requirements of the updated *Capital Adequacy Guideline* in connection with the Basel III regulatory reforms. The internal models approach is no longer used.

Operational risk

- Desjardins Group uses the Standardized Approach to calculate operational risk.

Desjardins is also subject to an RWA floor. When the RWA modelled are lower than the RWA calculated using the Standardized Approach multiplied by a factor set by the AMF, the difference is added to the denominator of the regulatory capital ratio, as specified in the AMF's *Capital Adequacy Guideline*.

Movements in risk-weighted assets

RWA totalled $148.9 billion as at September 30, 2024, up $1.9 billion compared to the previous quarter.

For credit risk, changes in RWA for the third quarter of 2024 are divided into two segments: credit risk other than counterparty risk, and counterparty risk.
- In credit risk other than counterparty risk, the net increase amounted to $0.5 billion.
- In counterparty risk, the net increase stood at $0.6 billion.

In market risk, the net increase in RWA totalled $0.1 billion. Operational risk was also up $0.7 billion.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of operations, Desjardins Group enters into various off-balance sheet arrangements, including assets under management and under administration on behalf of its members and clients, credit instruments, guarantees and structured entities, including securitization. Additional information is included in Section 3.3, "Off-balance sheet arrangements," of Desjardins Group's 2023 annual MD&A.

Note 14, "Interests in other entities," and Note 29, "Commitments, guarantees and contingent liabilities," to Desjardins Group's Annual Combined Financial Statements contain information about structured entities, credit instruments and guarantees, while Note 9, "Derecognition of financial assets," to the Annual Combined Financial Statements provides information about the securitization of Desjardins Group's loans.

Assets under management and under administration

As at September 30, 2024, Desjardins Group administered, on behalf of its members and clients, assets totalling $591.1 billion, for an increase of $55.8 billion, or 10.4%, since December 31, 2023. Financial assets entrusted to Desjardins Group as wealth manager amounted to $93.6 billion as at September 30, 2024, up $12.1 billion, or 14.8%, since December 31, 2023. The increase in assets under management and under administration resulted primarily from a rise in assets as a result of financial markets developments, and growth in the volume of assets managed and administered.

Assets under management and under administration by Desjardins Group are composed essentially of financial assets in the form of investment funds, securities held in custody and assets accumulated by pension funds. They do not belong to Desjardins Group, but to its members and clients and, as a result, they are not recognized on the Combined Balance Sheets. The Wealth Management segment is primarily responsible for the activities related to assets under management and under administration.

RISK MANAGEMENT

RISK MANAGEMENT

Desjardins Group's objective in risk management is to optimize the risk-return trade-off by developing and applying integrated risk management strategies, frameworks, practices and procedures to all of the organization's business sectors and support functions. To this end, Desjardins developed an Integrated Risk Management Framework reflective of its business strategies and organizational risk-taking philosophy which is aimed, among other things, at giving its senior management and the Federation's Board of Directors an appropriate level of confidence and comfort regarding the understanding and management of the risks associated with the achievement of its objectives, including risks related to external factors such as climate change.

Desjardins Group is exposed to different types of risk in the normal course of its operations, including credit risk, market risk, liquidity risk, operational risk, insurance risk, strategic risk, reputational risk, environmental, social and governance risk, and regulatory risk.

Strict and effective management of these risks is a priority for Desjardins Group, its purpose being to support its major orientations, particularly regarding its financial soundness as well as its sustained and profitable growth, while complying with regulatory requirements. Desjardins Group considers risk an inextricable part of its development, and consequently strives to promote a proactive approach in which each of its business segments, employees and managers is responsible for risk management.

In the first nine months of fiscal 2024, Desjardins Group's governance structure, frameworks and practices for risk management, and the nature and description of the risks to which it is exposed (including operational risk, insurance risk, strategic risk, reputational risk, environmental, social risk and governance risk, and regulatory risk) did not change significantly from those described on pages 55 to 93 of Desjardins Group's 2023 annual MD&A. In addition to these types of risk, other risk factors, which are beyond Desjardins Group's control, could have an impact on its future results. These principal risks and emerging risks, as well as other risk factors, did not change significantly from those described on pages 52 to 54 of Desjardins Group's 2023 annual MD&A, except for the economic situation as specified in the "Economic environment and outlook" section of this MD&A.

CREDIT RISK

Credit risk is the risk of losses resulting from a borrower's or counterparty's failure to honour its contractual obligations, whether or not such obligations appear on the Combined Balance Sheets.

Desjardins Group is exposed to credit risk first through its direct personal, business and government loans. It is also exposed through various other commitments, including letters of credit and transactions involving derivative financial instruments as well as securities transactions.

Interest rate movements and geopolitical tensions continue to cause uncertainty. This situation also requires management to continue to make particularly complex judgments to estimate the loss allowance for expected credit losses.

In order to take into account the relevant risk factors of this macroeconomic environment that are not reflected in the models, management continues to apply expert credit judgments in measuring the loss allowance for expected credit losses. Expert adjustments are thus applied to certain credit risk measures and to some forward-looking information that should not be as representative of an improvement in portfolio credit quality as the historical data used in the models would otherwise suggest.

The credit portfolio remains in good shape despite the economic uncertainty.

Quality of loan portfolio

As at September 30, 2024, in accordance with Note 5, "Loans and allowance for credit losses," to the Interim Combined Financial Statements, the loss allowance for expected credit losses on loans totalled $1,162 million, and the loss allowance for off-balance-sheet items was $95 million, for a total of $1,257 million, down $16 million, compared to December 31, 2023. This change reflects the favourable impact of the updating of forward-looking information, particularly in the credit card portfolios, partially offset by the unfavourable impact of methodological changes, an increase in outstandings and higher provisions on business loan portfolios due to a migration in credit quality. For more information about the methodology and assumptions used to estimate the loss allowance for expected credit losses, please refer to Note 5, "Loans and allowance for credit losses," to the Interim Combined Financial Statements.

Gross credit-impaired loans outstanding are considered Stage 3 loans of the impairment model. The ratio of gross credit-impaired loans, as a percentage of the total gross loans and acceptances portfolio, was 0.81% for the third quarter of 2024, compared to 0.74% as at December 31, 2023. The allowance for credit losses on credit-impaired loans totalled $527 million as at September 30, 2024, resulting in a provisioning rate of 23.0% for credit-impaired loans.

The following table presents the aging of gross loans that are past due but not credit-impaired.

Gross loans past due but not credit-impaired[1]

	As at September 30, 2024			As at December 31, 2023		
(in millions of dollars)	31 to 90 days	91 days or more	Total	31 to 90 days	91 days or more	Total
Residential mortgages	$ 182	$ 107	$ 289	$ 245	$ 95	$ 340
Consumer, credit card and other personal loans	174	37	211	196	38	234
Business and government	63	107	170	41	128	169
Total	$ 419	$ 251	$ 670	$ 482	$ 261	$ 743

(1) Loans less than 31 days past due are not presented because, in general, they are not an indication that borrowers will not meet their payment obligations.

The following tables present gross credit-impaired loans by Desjardins Group borrower category and the change in gross credit-impaired loans.

Gross credit-impaired loans by borrower category

	As at September 30, 2024					As at December 31, 2023	
	Gross carrying amount						
(in millions of dollars and as a percentage)	Gross loans and acceptances	Gross credit-impaired loans[1]		Allowance for credit losses on credit-impaired loans	Net credit-impaired loans	Gross credit-impaired loans	Net credit-impaired loans
Residential mortgages	$ 175,276	$ 458	0.26%	$ 31	$ 427	$ 375	$ 351
Consumer, credit card and other personal loans	24,528	237	0.97	146	91	224	84
Business and government	84,010	1,592	1.90	350	1,242	1,365	1,034
Total	$ 283,814	$ 2,287	0.81%	$ 527	$ 1,760	$ 1,964	$ 1,469

(1) For more information on the gross credit-impaired loans/gross loans and acceptances ratio, which is a supplementary financial measure, see the Glossary on pages 51 to 58.

Change in gross credit-impaired loans

	For the three-month periods ended			For the nine-month periods ended	
(in millions of dollars)	September 30, 2024	June 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Gross credit-impaired loans at the beginning of the period	$ 2,153	$ 2,150	$ 1,476	$ 1,964	$ 1,191
Gross loans that became credit-impaired since the last period	888	871	823	2,689	2,327
Loans returned to unimpaired status	(660)	(718)	(550)	(2,023)	(1,628)
Write-offs and recoveries	(95)	(150)	(76)	(343)	(214)
Other changes	1	—	(2)	—	(5)
Gross credit-impaired loans at the end of the period	$ 2,287	$ 2,153	$ 1,671	$ 2,287	$ 1,671

In March 2024, the AMF released an updated *Residential Mortgage Lending Guideline*. As part of the update, the AMF introduced expectations for combined loan plans, reverse hypothecary loans and hypothecary loans with shared equity features. These new expectations aim to adapt the AMF's framework to current market conditions, while maintaining competitive fairness among regulated mortgage lenders. Desjardins Group continues to work on meeting these requirements.

The following tables are presented to meet the disclosure requirements of the *Residential Hypothecary Lending Guideline* issued by the AMF. They present the residential mortgage portfolio of the caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc. by product type and geographic area, as well as the corresponding loan-to-value ratios.

Residential mortgage portfolio[1]

Caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc.[2]

(in millions of dollars and as a percentage)	As at September 30, 2024							
	Guaranteed or insured loans[3]		**Uninsured loans**[4]		**Home equity lines of credit**[5]		**Total**	
Québec	**$ 30,050**	**97.7%**	**$ 94,370**	**95.2%**	**$ 6,026**	**95.0%**	**$ 130,446**	**95.8%**
Ontario	**672**	**2.2**	**4,780**	**4.8**	**317**	**5.0**	**5,769**	**4.2**
Other[6]	**19**	**0.1**	**48**	**—**	**—**	**—**	**67**	**—**
All geographic areas	**$ 30,741**	**100.0%**	**$ 99,198**	**100.0%**	**$ 6,343**	**100.0%**	**$ 136,282**	**100.0%**

(in millions of dollars and as a percentage)	As at June 30, 2024							
	Guaranteed or insured loans[3]		Uninsured loans[4]		Home equity lines of credit[5]		Total	
Québec	$ 29,556	97.8%	$ 93,135	95.2%	$ 5,891	95.0%	$ 128,582	95.8%
Ontario	625	2.1	4,723	4.8	309	5.0	5,657	4.2
Other[6]	19	0.1	46	—	—	—	65	—
All geographic areas	$ 30,200	100.0%	$ 97,904	100.0%	$ 6,200	100.0%	$ 134,304	100.0%

(in millions of dollars and as a percentage)	As at September 30, 2023							
	Guaranteed or insured loans[3]		Uninsured loans[4]		Home equity lines of credit[5]		Total	
Québec	$ 29,009	97.8%	$ 91,095	95.1%	$ 5,608	94.9%	$ 125,712	95.8%
Ontario	623	2.1	4,650	4.9	302	5.1	5,575	4.2
Other[6]	19	0.1	42	—	1	—	62	—
All geographic areas	$ 29,651	100.0%	$ 95,787	100.0%	$ 5,911	100.0%	$ 131,349	100.0%

(1) Represents all loans secured by a property with up to four units. Residential mortgages on properties with up to four units held outside of the caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc. totalled $220 million as at September 30, 2024 ($218 million as at June 30, 2024 and $219 million as at September 30, 2023).

(2) Caisse Desjardins Ontario Credit Union Inc. is not legally subject to the AMF rules but is instead subject to the Financial Services Regulatory Authority of Ontario (FSRA) rules.

(3) Term mortgages and the amortized portion of home equity lines of credit for which Desjardins Group has a full or partial guarantee or insurance from a mortgage insurer (public or private) or a government.

(4) Conventional term mortgages including the conventional amortized portion of home equity lines of credit and amortized consumer loans secured by a property with up to four units.

(5) Unamortized portion of home equity lines of credit and consumer lines of credit secured by a property with up to four units.

(6) Represents the geographic areas of Canada other than Québec and Ontario.

Average loan-to-value (LTV) ratio for uninsured residential mortgages granted during the quarter

Caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc.[1]

(average loan-to-value ratio, by geographic area)	As at September 30, 2024			As at June 30, 2024			As at September 30, 2023		
	Uninsured loans[2]	**Home equity lines of credit and related loans**[3]	**Total uninsured**	Uninsured loans[2]	Home equity lines of credit and related loans[3]	Total uninsured	Uninsured loans[2]	Home equity lines of credit and related loans[3]	Total uninsured
Québec	**62.9%**	**63.4%**	**63.3%**	64.1%	62.9%	63.3%	62.0%	63.8%	63.3%
Ontario	**64.0**	**62.2**	**62.9**	65.6	64.0	64.7	60.0	62.5	61.4
Other[4]	**53.4**	**78.3**	**67.1**	79.7	55.2	66.5	79.1	76.4	77.4
All geographic areas	**62.9%**	**63.4%**	**63.3%**	64.2%	63.0%	63.3%	61.9%	63.7%	63.3%

(1) Caisse Desjardins Ontario Credit Union Inc. is not legally subject to the AMF rules but rather to the FSRA rules.

(2) Conventional term mortgages and amortized consumer loans secured by a property with up to four units.

(3) Home equity lines of credit including related amortized loans and consumer lines of credit secured by a property with up to four units.

(4) Represents the geographic areas of Canada other than Québec and Ontario.

The following table presents Desjardins Group's residential mortgage portfolio by remaining amortization period.

Remaining amortization period for residential mortgages[1][2]
Caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc.[3]

(in millions of dollars in gross loans and as a percentage of the total by remaining amortization category)	Total amortized loans					
	As at September 30, 2024		As at June 30, 2024		As at September 30, 2023[4]	
0 to 10 years	**$ 9,320**	**7.2%**	$ 9,227	7.2%	$ 9,118	7.3%
10 to 20 years	**43,014**	**33.1**	42,394	33.1	40,973	32.7
20 to 25 years	**66,369**	**51.1**	64,806	50.6	62,328	49.6
25 to 30 years	**6,489**	**5.0**	6,145	4.8	5,391	4.3
30 to 35 years	**171**	**0.1**	169	0.1	164	0.1
35 years or more[5]	**4,576**	**3.5**	5,363	4.2	7,464	6.0
All amortization periods	**$ 129,939**	**100.0%**	$ 128,104	100.0%	$ 125,438	100.0%

(1) The caisse network's variable-rate mortgages represented 22.7% as at September 30, 2024 (23.2% as at June 30, 2024 and 24.2% as at September 30, 2023).
(2) In accordance with Desjardins Group's internal practices, the remaining amortization period for residential mortgages is limited to 30 years. However, exceeding this 30-year maximum amortization is permitted in certain exceptional situations.
(3) Caisse Desjardins Ontario Credit Union Inc. is not legally subject to the AMF rules but rather to the FSRA rules.
(4) Comparative data have been restated to conform to the current period's presentation due to a refinement in methodology.
(5) Negative amortization loans are included in the over 35 years category, which reflects the impact of interest rate hikes on the variable-rate mortgage portfolio.

International exposures

As at September 30, 2024, Desjardins Group credit risk exposures outside of Canada and the U.S. represented 1.4% of the total exposures.

Counterparty and issuer risk

Counterparty and issuer risk is a credit risk relative to different types of securities, derivative financial instrument and securities lending transactions.

The Risk Management Executive Division sets the maximum exposure for each counterparty and issuer based on quantitative and qualitative criteria. In addition, limits are set for certain financial instruments. The amounts are then allocated to different components based on their needs.

A large proportion of Desjardins Group's exposure is to the different levels of government in Canada, Québec public and parapublic entities and major Canadian banks. For most of these counterparties and issuers, the credit rating is A- or higher. Apart from the U.S. sovereign debt holdings and commitments with major international banks, Desjardins Group's exposure to foreign entities is low.

MARKET RISK

Market risk refers to the risk of loss arising from changes in the fair value of financial instruments as a result of fluctuations in the parameters affecting this value, in particular, interest rates, exchange rates, credit spreads, equity prices and their volatility.

Desjardins Group is exposed to market risk through its trading activities, which result primarily from short-term transactions conducted with the intention of profiting from current price movements or to provide arbitrage revenue. Desjardins Group is also exposed to market risk through its non-trading activities, which group together mainly asset/liability management transactions in the course of its traditional banking activities as well as investment portfolios related to its insurance operations. Desjardins Group and its components have adopted policies that set out the principles, limits and procedures to use in managing market risk.

Governance

Desjardins Group's components are primarily structured into different legal entities to deliver products and services that can be distributed to Desjardins Group members and clients. These legal entities manage financial instruments exposed to market risk and are subject to the various regulatory environments governing the banking, securities brokerage, wealth management, life and health insurance, and property and casualty insurance industries. The board of directors of these entities delegate to various committees the responsibility of setting up systems and procedures to establish measures adapted to their operations and regulatory environments. These measures, together with the appropriate follow-up procedures, are incorporated into their respective policies and guidelines. The function of the Risk Management Executive Division is to monitor these measures and ensure compliance with the said policies. The main measures used and their follow-up processes are described in the pages that follow.

Link between market risk and the Combined Balance Sheets

The following table presents the link between the main Combined Balance Sheet data and the positions included in trading activities and non-trading activities. The principal market risks associated with non-trading activities are also indicated in the table.

Link between market risk and the Combined Balance Sheets

As at September 30, 2024

(in millions of dollars)	Combined Balance Sheets	Exposed to market risk		Not exposed to market risk	Principal risks associated with non-trading activities
		Trading activities(1)(2)	Non-trading activities(3)		
Assets					
Cash and deposits with financial institutions	**$ 7,918**	**$ —**	**$ 7,918**	**$ —**	**Interest rate**
Securities					
Securities at fair value through profit or loss	**41,640**	**13,288**	**28,352**	**—**	**Interest rate**
Securities at fair value through other comprehensive income	**53,492**	**—**	**53,492**	**—**	**Interest rate, FX, price**
Securities at amortized cost	**60**	**—**	**60**	**—**	**Interest rate**
Securities borrowed or purchased under reverse repurchase agreements	**26,721**	**22,306**	**4,415**	**—**	**Interest rate**
Loans, net of allowance for credit losses	**282,652**	**—**	**282,652**	**—**	**Interest rate**
Segregated fund net assets	**28,037**	**—**	**28,037**	**—**	**Interest rate, price**
Derivative financial instruments	**6,969**	**462**	**6,507**	**—**	**Interest rate, FX, price**
Other assets	**17,188**	**—**	**—**	**17,188**	
Total assets	**$ 464,677**	**$ 36,056**	**$ 411,433**	**$ 17,188**	
Liabilities and equity					
Deposits	**$ 296,377**	**$ —**	**$ 296,377**	**$ —**	**Interest rate**
Insurance contract liabilities	**34,768**	**—**	**34,768**	**—**	**Interest rate**
Commitments related to securities sold short	**14,172**	**13,809**	**363**	**—**	**Interest rate**
Commitments related to securities lent or sold under repurchase agreements	**21,974**	**20,772**	**1,202**	**—**	**Interest rate**
Derivative financial instruments	**6,104**	**356**	**5,748**	**—**	**Interest rate, FX, price**
Segregated fund net liabilities – Investment contracts	**24,431**	**—**	**24,431**	**—**	**Interest rate, price**
Other liabilities	**24,507**	**—**	**717**	**23,790**	**Interest rate**
Subordinated notes	**3,939**	**—**	**3,939**	**—**	**Interest rate**
Equity	**38,405**	**—**	**—**	**38,405**	
Total liabilities and equity	**$ 464,677**	**$ 34,937**	**$ 367,545**	**$ 62,195**	

As at December 31, 2023

(in millions of dollars)	Combined Balance Sheets	Exposed to market risk		Not exposed to market risk	Principal risks associated with non-trading activities
		Trading activities(1)(2)	Non-trading activities(3)		
Assets					
Cash and deposits with financial institutions	$ 8,987	$ —	$ 8,987	$ —	Interest rate
Securities					
Securities at fair value through profit or loss	36,627	11,945	24,682	—	Interest rate
Securities at fair value through other comprehensive income	51,692	—	51,692	—	Interest rate, FX, price
Securities at amortized cost	46	—	46	—	Interest rate
Securities borrowed or purchased under reverse repurchase agreements	13,678	11,277	2,401	—	Interest rate
Loans, net of allowance for credit losses	265,935	—	265,935	—	Interest rate
Segregated fund net assets	24,754	—	24,754	—	Interest rate, price
Derivative financial instruments	5,861	726	5,135	—	Interest rate, FX, price
Other assets	15,360	—	—	15,360	
Total assets	$ 422,940	$ 23,948	$ 383,632	$ 15,360	
Liabilities and equity					
Deposits	$ 279,329	$ —	$ 279,329	$ —	Interest rate
Insurance contract liabilities	32,961	—	32,961	—	Interest rate
Commitments related to securities sold short	11,686	11,361	325	—	Interest rate
Commitments related to securities lent or sold under repurchase agreements	12,032	10,726	1,306	—	Interest rate
Derivative financial instruments	6,626	971	5,655	—	Interest rate, FX, price
Segregated fund net liabilities – Investment contracts	21,233	—	21,233	—	Interest rate, price
Other liabilities	21,729	—	867	20,862	Interest rate
Subordinated notes	2,954	—	2,954	—	Interest rate
Equity	34,390	—	—	34,390	
Total liabilities and equity	$ 422,940	$ 23,058	$ 344,630	$ 55,252	

(1) Trading activity positions for which the risk measure is Value at Risk (VaR).
(2) The amounts presented under trading activities take inter-company eliminations into account.
(3) Positions mainly related to non-trading banking activities and insurance activities.

Management of market risk related to trading activities – Value at Risk

The market risk of trading portfolios is managed on a day-to-day basis under specific frameworks, which set out the risk factors that must be measured and the limit for each of these factors as well as the total. Tolerance limits are also provided for various stress testing. Compliance with these limits is monitored daily and a market risk dashboard is produced on a daily basis and reported to senior management. Any limit exceeded is immediately analyzed and the appropriate action is taken.

The main tool used to measure this risk is Value at Risk (VaR). VaR is an estimate of the potential loss over a certain period of time at a given confidence level. A Monte Carlo VaR is calculated daily on the trading portfolios, using a 99% confidence level and a holding horizon of one day holding horizon. It is therefore reasonable to expect a loss exceeding the VaR figure once every 100 days. The calculation of VaR is based on historical data for a one-year interval.

The following table presents the aggregate VaR of trading activities. Equity price risk, foreign exchange risk and interest rate risk (including specific interest rate risk) are the three market risk categories to which Desjardins Group is exposed. These risk factors are taken into account in measuring the market risk of the trading portfolio. They are reflected in the VaR table presented below. The definition of a trading portfolio meets the various criteria defined in the *Capital Adequacy Guideline* (in French only) issued by the AMF.

Market risk measures for the trading portfolio

(in millions of dollars)	As at September 30, 2024	For the quarter ended September 30, 2024 Average	High	Low	For the quarters ended June 30, 2024 As at June 30, 2024	Average	September 30, 2023 As at September 30, 2023	Average
Equities	**$ 0.3**	**$ 0.3**	**$ 0.4**	**$ 0.2**	$ 0.3	$ 0.3	$ 0.3	$ 0.3
Foreign exchange	**0.7**	**0.6**	**0.9**	**0.2**	0.5	0.4	0.3	0.3
Interest rate	**7.5**	**4.6**	**7.7**	**2.6**	4.8	5.2	6.2	5.5
Diversification effect(1)(2)	**(1.0)**	**(1.0)**	**N/A(3)**	**N/A(3)**	(0.7)	(0.8)	(0.6)	(0.8)
Aggregate VaR	**$ 7.5**	**$ 4.5**	**$ 7.7**	**$ 2.6**	$ 4.9	$ 5.1	$ 6.2	$ 5.3

(1) Represents the risk reduction related to diversification, namely the difference between the sum of the VaR of the various market risks and the aggregate VaR.
(2) The diversification effect has been recalculated for the third quarter of 2023.
(3) The highs and lows of the various market risk categories can refer to different dates. It is not relevant to calculate a diversification effect.

The average of the trading portfolio's aggregate VaR was $4.5 million for the quarter ended September 30, 2024, down $0.6 million compared to the quarter ended June 30, 2024.

Aggregate VaR is an appropriate measure for a trading portfolio but must be interpreted by taking into account certain limits, in particular the following ones:
- This measure does not allow future losses to be predicted if actual market fluctuations differ markedly from those used to do the calculations.
- This measure is used to determine the potential losses for a one-day holding period, not the losses on positions that cannot be liquidated or hedged during this one-day period.
- This measure does not provide information on potential losses beyond the selected confidence level of 99%.

Given these limitations, the process of monitoring trading activities using VaR is supplemented by stress testing and by establishing limits in this regard.

Back testing

Back testing, which is a comparison of the VaR with the hypothetical and actual profits and losses (P&L) on portfolios, is performed daily to ensure the quality and accuracy of the VaR model.

Stress testing

Certain events that are considered highly unlikely and that may have a significant impact on trading portfolios may occur from time to time. For more details on our stress-testing program, see the Market Risk section of our 2023 Annual Report on page 77.

Structural interest rate risk management

Desjardins Group is exposed to structural interest rate risk, which represents the potential impact of interest rate fluctuations on net interest income and the economic value of equity. This risk is the main component of market risk for Desjardins Group's traditional non-trading banking activities, such as accepting deposits and granting loans, as well as for its securities portfolios used for long-term investment purposes and as liquidity reserves.

Interest rate sensitivity is based on the earlier of the repricing or the maturity date of the assets, liabilities and derivative financial instruments used to manage structural interest rate risk. The situation presented reflects the position on the date indicated and can change significantly in subsequent quarters depending on the preferences of Desjardins Group members and clients, and the application of policies on structural interest rate risk management.

Some Combined Balance Sheet items are considered non-interest-rate-sensitive instruments, including investments in equities, non-performing loans, non-interest-bearing deposits, non-maturity deposits with an interest rate not referenced to a specific rate (such as the prime rate), and equity. As dictated in its policies, Desjardins Group's management practices are based on prudent assumptions with respect to the maturity profile used in its models to determine the interest rate sensitivity of such instruments.

In addition to the total sensitivity gap, the main structural interest rate risk factors are:

- Trend in interest rate level and volatility.
- Changes in the shape of the interest rate curve.
- Member and client behaviour in their choice of products.
- Financial intermediation margin.
- Optionality of the various financial products offered.

In order to mitigate these risk factors, sound and prudent management is applied to optimize net interest income while reducing the negative incidence of interest rate movements. The established policies describe the principles, limits and procedures that apply to structural interest rate risk management. Stress testing is used to measure the effect of different variables on changes in net interest income and the economic value of equity. These policies specify the structural interest rate risk factors, the risk measures selected, the risk tolerance levels and the management limits as well as the procedures in the event that limits are exceeded. Structural interest rate risk is assessed at the required frequency based on portfolio volatility (daily, monthly and quarterly).

The assumptions used in the stress testing are based on an analysis of historical data and on the effects of various interest rate environments on changes in such data. These assumptions concern changes in the structure of assets and liabilities, including modelling for non-maturity deposits, in member and client behaviour, and in pricing. Desjardins Group's Asset/Liability Committee (ALCO) is responsible for analyzing and approving the global matching strategy on a monthly basis while respecting the parameters defined in structural interest rate risk management policies.

The table below presents the potential impact before income taxes, with regard to structural interest rate risk management associated with banking activities, of a sudden and sustained 100-basis-point increase or decrease in interest rates on net interest income and the economic value of equity for Desjardins Group, assuming the balance sheet is stable and management takes no measures to mitigate risk.

Interest rate sensitivity (before income taxes)

	As at September 30, 2024		As at June 30, 2024		As at September 30, 2023	
(in millions of dollars)	**Net interest income(1)**	**Economic value of equity(2)(3)**	Net interest income(1)	Economic value of equity(2)(3)	Net interest income(1)	Economic value of equity(2)(3)
Impact of a 100-basis-point increase in interest rates	**$ 126**	**$ (993)**	$ 52	$ (973)	$ 23	$ (20)
Impact of a 100-basis-point decrease in interest rates	**(92)**	**871**	(45)	805	(23)	(16)

(1) Represents the interest rate sensitivity of net interest income for the next 12 months.

(2) Represents the sensitivity of the present value of assets, liabilities and off-balance sheet instruments.

(3) The sensitivity of the economic value of equity was revised in line with the update of the AMF's *Interest Rate Risk Management Guideline*. The revised measure no longer includes an equity maturity assumption. The data as at September 30, 2023 complies with the requirements of the guideline in effect on that date and has not been restated. The data as at June 30, 2024 has been restated for comparison purposes.

LIQUIDITY RISK

Liquidity risk refers to Desjardins Group's capacity to raise the necessary funds (by increasing liabilities or converting assets) to meet a financial obligation, whether or not it appears on the Combined Balance Sheets.

Desjardins Group manages liquidity risk in order to ensure that it has timely and cost-effective access to the funds needed to meet its financial obligations as they become due, in both routine and crisis situations. Managing this risk involves maintaining a sufficient level of liquid securities, ensuring stable and diversified sources of funding, monitoring indicators and having a contingency plan in the event of a liquidity crisis.

Liquidity risk management is a key component of the overall risk management strategy. Desjardins Group has established policies describing the principles, limits, risk appetite thresholds as well as the procedures that apply to liquidity risk management. These policies are reviewed on a regular basis to ensure that they are appropriate for the operating environment and prevailing market conditions. They are also updated to reflect regulatory requirements and sound liquidity risk management practices. Given that the insurance companies are subject to specific regulatory requirements, they manage their liquidity risks based on their own needs while following Desjardins Group guidelines. The securities held by these components are not taken into account in the valuation of Desjardins Group's liquidity reserves.

Desjardins Group's Treasury ensures stable and diversified sources of institutional funding by type, source and maturity. It uses a wide range of financial products and borrowing programs on various markets for its funding needs. Through these operations, the funding needs of Desjardins Group components can be satisfied under conditions comparable to those offered on financial markets.

Furthermore, Desjardins Group issues covered bonds and securitizes loans insured by Canada Mortgage and Housing Corporation (CMHC) in the course of its day-to-day operations. Desjardins Group is also eligible for the Bank of Canada's various intervention programs and loan facilities for Emergency Lending Assistance advances.

The implementation of Basel III strengthens international minimum liquidity requirements through the application of a liquidity coverage ratio (LCR), a net stable funding ratio (NSFR) and the use of Net Cumulative Cash Flow (NCCF). Under its liquidity risk management policy, Desjardins Group already produces and regularly reports on these ratios to the AMF.

Liquidity risk measurement and monitoring

Desjardins Group determines its liquidity needs by reviewing its current operations and evaluating its future forecasts for balance sheet growth and institutional funding conditions. Various analyses are used to determine the actual liquidity levels of assets and the stability of liabilities based on observed behaviours or contractual maturities. Maintaining liquidity reserves of high-quality assets is required to offset potential cash outflows following a disruption in financial markets, or events that would restrict its access to funding or result in a serious run on deposits.

The minimum liquid asset levels to be maintained by Desjardins Group are specifically prescribed by policies. Daily management of these securities and the reserve level to be maintained is centralized at Desjardins Group Treasury and is subject to monitoring by the Risk Management function under the supervision of the Desjardins Group Finance and Risk Management Committee. Securities eligible for liquidity reserves must meet high security and negotiability criteria and provide assurance of their adequacy in the event of a severe liquidity crisis. The securities held are largely Canadian government securities.

In addition to complying with regulatory ratios, a Desjardins-wide stress testing program has been set up. This program incorporates the concepts put forward by the BCBS in *Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring*. The scenarios make it possible to:
- measure the extent of potential cash outflows in a crisis situation.
- implement liquidity ratios and levels to be maintained across Desjardins Group.
- assess the potential marginal cost of such events, depending on the type, severity and level of the crisis.

Liquid assets

The following tables present a summary of Desjardins Group's liquid assets, which do not include assets held by the insurance subsidiaries because those assets are committed to covering insurance liabilities and not the liquidity needs of Desjardins Group's other components. Liquid assets constitute Desjardins Group's primary liquidity reserve for all its operations. Encumbered liquid assets mainly include liquid assets that are pledged as collateral or cannot be used due to regulatory, legal, operational or other restrictions.

Liquid assets[(1)]

As at September 30, 2024

(in millions of dollars)	Liquid assets held by Desjardins Group	Securities held as collateral – Securities financing and derivatives trading	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	**$ 6,407**	**$ —**	**$ 6,407**	**$ 573**	**$ 5,834**
Securities					
Issued or guaranteed by Canada, provinces and municipal corporations in Canada, school or public corporations in Canada, and foreign public administrations	**53,112**	**26,798**	**79,910**	**34,830**	**45,080**
Other securities in Canada	**5,508**	**1,264**	**6,772**	**1,430**	**5,342**
Issued or guaranteed by foreign issuers	**342**	**41**	**383**	**46**	**337**
Loans					
Insured residential mortgage-backed securities	**14,844**	**—**	**14,844**	**1,984**	**12,860**
Total	**$ 80,213**	**$ 28,103**	**$ 108,316**	**$ 38,863**	**$ 69,453**

As at December 31, 2023

(in millions of dollars)	Liquid assets held by Desjardins Group	Securities held as collateral – Securities financing and derivatives trading	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	$ 6,285	$ —	$ 6,285	$ 458	$ 5,827
Securities					
Issued or guaranteed by Canada, provinces and municipal corporations in Canada, school or public corporations in Canada, and foreign public administrations	50,143	14,216	64,359	22,883	41,476
Other securities in Canada	5,748	790	6,538	1,106	5,432
Issued or guaranteed by foreign issuers	233	1	234	1	233
Loans					
Insured residential mortgage-backed securities	13,022	—	13,022	2,221	10,801
Total	$ 75,431	$ 15,007	$ 90,438	$ 26,669	$ 63,769

(1) Excluding assets held by insurance subsidiaries.

Unencumbered liquid assets by entity[1]

(in millions of dollars)	As at September 30, 2024	As at December 31, 2023
Federation	$ 44,408	$ 35,264
Caisse network	21,835	24,739
Other entities	3,210	3,766
Total	$ 69,453	$ 63,769

(1) Excluding assets held by insurance subsidiaries. Substantially all unencumbered liquid assets presented in this table are issued in Canadian dollars.

Encumbered assets

In the course of its day-to-day operations, Desjardins Group pledges securities, loans and other assets as collateral, mainly with regard to financing operations, participation in clearing and payments systems and operations related to insurance contract liabilities.

The following table presents, for all assets on the Combined Balance Sheets and securities held as collateral, those that are encumbered as well as those that may be pledged as collateral as part of funding or other transactions.

Encumbered assets
As at September 30, 2024

				Breakdown of total assets			
				Encumbered assets		Unencumbered assets	
(in millions of dollars)	Combined Balance Sheet assets	Securities held as collateral	Total assets	Pledged as collateral	Other[1]	Available as collateral	Other[2]
Cash and deposits with financial institutions	$ 7,918	$ —	$ 7,918	$ 192	$ 573	$ 5,642	$ 1,511
Securities	95,192	31,288	126,480	41,892	372	47,986	36,230
Securities borrowed or purchased under reverse repurchase agreements	26,721	—	26,721	—	—	—	26,721
Loans, net of allowance for credit losses	282,652	—	282,652	37,595	—	66,768	178,289
Segregated fund net assets	28,037	—	28,037	—	—	—	28,037
Other assets	24,157	—	24,157	—	—	—	24,157
Total	$ 464,677	$ 31,288	$ 495,965	$ 79,679	$ 945	$ 120,396	$ 294,945

As at December 31, 2023

				Breakdown of total assets			
				Encumbered assets		Unencumbered assets	
(in millions of dollars)	Combined Balance Sheet assets	Securities held as collateral	Total assets	Pledged as collateral	Other[1]	Available as collateral	Other[2]
Cash and deposits with financial institutions	$ 8,987	$ —	$ 8,987	$ 186	$ 458	$ 5,641	$ 2,702
Securities	88,365	23,176	111,541	33,188	850	45,262	32,241
Securities borrowed or purchased under reverse repurchase agreements	13,678	—	13,678	—	—	—	13,678
Loans, net of allowance for credit losses	265,935	—	265,935	30,697	—	66,639	168,599
Segregated fund net assets	24,754	—	24,754	—	—	—	24,754
Other assets	21,221	—	21,221	—	—	—	21,221
Total	$ 422,940	$ 23,176	$ 446,116	$ 64,071	$ 1,308	$ 117,542	$ 263,195

(1) Assets that cannot be used for legal or other reasons.
(2) "Other" unencumbered assets include those of the insurance companies as well as other assets that in management's opinion would not be immediately available for collateral or funding purposes in their current form. Some of these other assets could eventually be assigned to the central bank as collateral.

Liquidity coverage ratio

The liquidity coverage ratio (LCR) was developed by the BCBS to promote the short-term resilience of the liquidity risk profile of financial institutions, and incorporated into the *Liquidity Adequacy Guideline* issued by the AMF. The LCR is the ratio of a stock of unencumbered high-quality liquid assets (HQLA) to net cash outflows over the next 30 days in the event of an acute liquidity stress scenario.

Under the AMF's *Liquidity Adequacy Guideline*, HQLA qualifying for the purpose of calculating the LCR consist of assets that can be converted quickly into cash at little or no loss of value on financial markets. For Desjardins Group, such high-quality liquid assets are comprised primarily of cash and highly rated securities issued or guaranteed by various levels of government. This guideline also prescribes weightings for cash inflows and outflows.

The AMF stipulates that this ratio is not to be less than the minimum requirements of 100% in the absence of stressed conditions. This ratio is proactively managed by Desjardins Group's Treasury, and an appropriate level of high-quality liquid assets is maintained for adequate coverage of the theoretical cash outflows associated with the standardized crisis scenario within the Basel III framework. Desjardins Group's main sources of theoretical cash outflows are a potential serious run on member and client deposits and a sudden drying-up of the short-term institutional funding sources used on a day-to-day basis by Desjardins Group.

The table below presents quantitative information regarding the LCR, based on the template recommended in the AMF's *Liquidity Adequacy Guideline* for disclosure requirements.

Liquidity coverage ratio[(1)]

(in millions of dollars and as a percentage)	For the quarter ended September 30, 2024 – Total non-weighted value[(2)] (average[(4)])	For the quarter ended September 30, 2024 – Total weighted value[(3)] (average[(4)])	For the quarter ended June 30, 2024 – Total weighted value[(3)] (average[(4)])
High-quality liquid assets			
Total high-quality liquid assets	**N/A**	**$ 57,802**	$ 54,684
Cash outflows			
Retail deposits and small business deposits, including:	**$ 98,693**	**7,699**	7,706
Stable deposits	**48,739**	**1,462**	1,475
Less stable deposits	**49,954**	**6,237**	6,231
Unsecured wholesale funding, including:	**44,252**	**20,805**	20,196
Operational deposits (all counterparties) and deposits in cooperative bank networks	**16,521**	**3,999**	3,804
Non-operational deposits (all counterparties)	**18,319**	**7,394**	7,463
Unsecured debt	**9,412**	**9,412**	8,929
Secured wholesale funding	**N/A**	**211**	136
Additional requirements, including:	**27,785**	**4,707**	4,745
Outflows related to exposures on derivatives and other collateral required	**1,290**	**1,285**	1,274
Outflows related to funding loss on debt products	**129**	**129**	243
Credit and liquidity facilities	**26,366**	**3,293**	3,228
Other contractual funding liabilities	**3,008**	**1,239**	1,396
Other contingent funding liabilities	**94,198**	**2,661**	2,701
Total cash outflows	**N/A**	**$ 37,322**	$ 36,880
Cash inflows			
Secured loans (e.g. reverse repurchase agreements)	**$ 15,476**	**$ 777**	$ 958
Inflows related to completely effective exposures	**3,538**	**1,769**	1,780
Other cash inflows	**16**	**16**	1
Total cash inflows	**$ 19,030**	**$ 2,562**	$ 2,739

	Total adjusted value[(5)]	Total adjusted value[(5)]
Total high-quality liquid assets	**$ 57,802**	$ 54,684
Total net cash outflows	**34,760**	34,141
Liquidity coverage ratio	**166%**	160%

(1) Excluding the insurance subsidiaries.
(2) The non-weighted values of cash inflows and outflows represent unpaid balances either maturing or falling due and payable within 30 days.
(3) Weighted values are calculated after the "haircuts" prescribed for high-quality liquid assets and the rates prescribed for cash inflows and outflows have been applied.
(4) The ratio is presented based on the average daily data for the quarter.
(5) The total adjusted value takes into account, if applicable, the caps prescribed by the AMF for high-quality liquid assets and cash inflows.

Desjardins Group's average LCR was 166% for the quarter ended September 30, 2024, up 6% from the previous quarter. The LCR remains substantially above regulatory requirements. For the quarter ended September 30, 2024, the high quality liquid asset average was approximately $57.8 billion ($54.7 billion as at June 30, 2024), of which 95% (95% as at June 30, 2024) was composed of Level 1 assets according to Basel III criteria. These include, in particular, coins and banknotes, deposits with central banks, and securities issued or secured by sovereign issuers.

Net stable funding ratio

The net stable funding ratio (NSFR) was developed by the BCBS to promote the medium- and long-term resilience of the liquidity risk profile of financial institutions, and was incorporated into the AMF's *Liquidity Adequacy Guideline*. The NSFR requires financial institutions to maintain a stable funding and capitalization profile in relation to the composition of their assets and off-balance sheet activities. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk for all on- and off-balance sheet items, and promotes funding stability.

This ratio presents the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). The amount of ASF designates the portion of capital and liabilities considered stable over a one-year horizon. Liabilities with the longest contractual maturities are the most significant contributors to the increase in the ratio. The ASF is composed mainly of capital, retail and business deposits, as well as wholesale funding liabilities. The amount of RSF is measured based on the broad characteristics of the liquidity risk profile of assets and off-balance sheet exposures. The RSF is composed mainly of mortgages, other institutional loans and, to a lesser extent, other assets and off-balance-sheet items. The amounts of ASF and RSF are weighted to reflect the degree of stability of liabilities and the liquidity of assets. According to the AMF's *Liquidity Adequacy Guideline*, this ratio should be equal to at least 100% on an on-going basis.

The table below presents quantitative information regarding the NSFR, based on the template recommended in the AMF's *Liquidity Adequacy Guideline* for disclosure requirements.

Net Stable Funding Ratio[1]

(in millions of dollars and as a percentage)	As at September 30, 2024 – Unweighted value by residual maturity – No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value	As at June 30, 2024 – Weighted value
Available Stable Funding (ASF) item						
Capital	$ 37,426	$ —	$ —	$ 3,000	$ 40,426	$ 38,504
Regulatory capital	37,426	—	—	3,000	40,426	38,504
Other capital instruments	—	—	—	—	—	—
Retail deposits and deposits from small business customers	78,508	40,871	30,017	39,938	176,045	176,311
Stable deposits	44,725	6,003	7,190	11,811	66,833	67,865
Less stable deposits	33,783	34,868	22,827	28,127	109,212	108,446
Wholesale funding	27,861	48,733	3,706	27,588	46,614	46,340
Operational deposits	15,133	—	—	—	7,566	7,558
Other wholesale funding	12,728	48,733	3,706	27,588	39,048	38,782
Liabilities with matching interdependent assets	—	891	599	14,834	—	—
Other liabilities[2]	33,601			14,949	—	—
NSFR derivative liabilities[2]	N/A			4,272	N/A	N/A
All other liabilities and equity not included in the above categories	33,601	10,677	—	—	—	—
Total ASF	N/A	N/A	N/A	N/A	$ 263,085	$ 261,155
Required Stable Funding (RSF) item						
Total NSFR high-quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	$ 612	$ 454
Deposits held by other financial institutions for operational purposes	$ —	$ —	$ —	$ —	—	—
Performing loans and securities	20,507	65,201	28,972	180,149	184,566	181,316
Performing loans to financial institutions secured by Level 1 HQLA	—	25,269	—	—	1,263	1,082
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	—	2,586	—	1,165	1,424	840
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs), of which:	14,245	29,374	10,188	73,383	91,672	89,407
Loans with a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	—	8,086	5,861	12,964	8,426	8,310
Performing residential mortgages, of which:	6,249	7,704	17,410	102,486	86,727	86,912
Loans with a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	6,249	7,704	17,410	102,486	86,727	86,912
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	13	268	1,374	3,115	3,480	3,075
Assets with matching interdependent liabilities	—	891	599	14,834	—	—
Other assets[2]	—			29,302	16,772	17,415
Physical traded commodities, including gold	—	N/A	N/A	N/A	—	—
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties[2]	N/A			405	344	299
NSFR derivative assets[2]	N/A			6,905	293	277
NSFR derivative liabilities before deduction of variation margin posted[2]	N/A			5,857	—	—
All other assets not included in the above categories	—	—	—	16,135	16,135	16,839
Off-balance sheet items[2]	N/A			119,435	3,173	3,232
Total RSF	N/A	N/A	N/A	N/A	$ 205,123	$ 202,417
Net Stable Funding Ratio	N/A	N/A	N/A	N/A	128%	129%

(1) Excluding the insurance subsidiaries.
(2) The amounts in these lines include the categories of residual maturities of less than 6 months, 6 months to less than 1 year and 1 year or more.

For the quarter ended September 30, 2024, the NSFR ratio was 128%, compared to 129% as at June 30, 2024. The increase in required stable funding, primarily driven by loan growth, was largely offset by an increase in capital.

Sources of funding

Core funding, which includes capital, long-term liabilities and a diversified deposit portfolio, is the foundation upon which Desjardins Group's liquidity position depends. The solid base of deposits from individuals combined with wholesale funding, diversified in terms of both the programs used as well as the staggering of contractual maturities, allows Desjardins Group to maintain high regulatory liquidity ratios while ensuring their stability. Total deposits, including wholesale funding, presented on the Combined Balance Sheets amounted to $296.4 billion as at September 30, 2024, up $17.0 billion since December 31, 2023. Additional information on deposits is presented in the "Balance sheet management" section of this MD&A.

Funding programs and strategies

As Desjardins Group's treasurer, the Federation meets the needs of the organization's members and clients. Its first priority is to implement appropriate strategies to identify, measure and manage risks, and these strategies are regulated by policies. In the first nine months of 2024, the Federation maintained a liquidity level sufficient to meet Desjardins Group's needs through its strict treasury policy, solid institutional funding and sustained growth in member and client savings during the period. Short-term wholesale funding is used to finance very liquid assets while long-term wholesale funding is mainly used to finance less liquid assets and to support reserves of liquid assets.

In order to secure long-term funding at the lowest cost on the market, the Federation maintains an active presence in the federally guaranteed mortgage loan securitization market under the *National Housing Act* (NHA) Mortgage-Backed Securities Program. In addition, to ensure stable funding, it diversifies its sources from institutional markets. It therefore resorts to the capital markets when conditions are favourable, and makes public and private issues of term notes on Canadian, U.S. and international markets, as required.

The main programs currently used by the Federation are as follows:

Main funding programs
As at September 30, 2024

	Maximum authorized amount
Medium-term notes (Canadian)(1)	**$10 billion**
Covered bonds (multi-currency)(1)(2)	**$26 billion**
Short-term notes (multi-currency)	**€5 billion**
Short-term notes (U.S.)	**US$20 billion**
Medium-term and subordinated notes (multi-currency)(1)	**€10 billion**
NVCC subordinated notes (Canadian)(1)	**$5 billion**
Medium-term notes (Australian)(1)	**AU$3 billion**

(1) Sustainable bonds may be issued under these funding programs in compliance with the Desjardins Sustainable Bond Framework.
(2) The maximum authorized amount remains subject to the prudential limit set by the AMF.

The following table presents the remaining terms to maturity of wholesale funding.

Remaining contractual term to maturity of wholesale funding

	As at September 30, 2024								As at December 31, 2023(1)
(in millions of dollars)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Total – Less than 1 year	1 to 2 years	Over 2 years	Total	Total
Bearer discount notes	**$ 2,074**	**$ 453**	**$ 4**	**$ 1**	**$ 2,532**	**$ —**	**$ —**	**$ 2,532**	$ 2,994
Commercial paper	**9,135**	**2,451**	**2,538**	**—**	**14,124**	**—**	**—**	**14,124**	17,038
Medium-term notes	**998**	**—**	**2,163**	**1,013**	**4,174**	**3,942**	**8,453**	**16,569**	13,662
Mortgage loan securitization	**—**	**437**	**451**	**592**	**1,480**	**1,859**	**12,903**	**16,242**	13,872
Covered bonds	**—**	**1,129**	**—**	**755**	**1,884**	**3,234**	**10,594**	**15,712**	12,922
Subordinated notes	**—**	**—**	**—**	**—**	**—**	**—**	**3,939**	**3,939**	2,954
Total	**$ 12,207**	**$ 4,470**	**$ 5,156**	**$ 2,361**	**$ 24,194**	**$ 9,035**	**$ 35,889**	**$ 69,118**	$ 63,442
Including:									
Secured	**$ —**	**$ 1,566**	**$ 451**	**$ 1,347**	**$ 3,364**	**$ 5,093**	**$ 23,497**	**$ 31,954**	$ 26,794
Unsecured	**12,207**	**2,904**	**4,705**	**1,014**	**20,830**	**3,942**	**12,392**	**37,164**	36,648

(1) Data have been reclassified to conform to the current period's presentation.

Desjardins Group's total wholesale funding shown in the table above was carried out by the Federation. Total wholesale funding rose $5.7 billion compared to December 31, 2023, resulting primarily from increases in the issuance of medium-term notes, covered bonds and mortgage loan securitization, partially offset by a decline in commercial paper. Desjardins Group does not foresee any event, commitment or requirement that could have a major impact on its ability to raise funds through wholesale funding or its members' deposits.

In addition, Desjardins Group diversifies its funding sources in order to limit its reliance on a single currency. The "Wholesale funding by currency" table presents a breakdown of borrowings on markets and subordinated notes by currency. These funds are obtained primarily through short- and medium-term notes, mortgage loan securitization, covered bonds and subordinated notes.

Wholesale funding by currency

(in millions of dollars and as a percentage)	As at September 30, 2024		As at December 31, 2023	
Canadian dollars	**$ 29,103**	**42.1%**	$ 25,419	40.1%
U.S. dollars	**23,584**	**34.1**	25,440	40.1
Euros	**10,521**	**15.2**	10,040	15.8
Other	**5,910**	**8.6**	2,543	4.0
Total	**$ 69,118**	**100.0%**	$ 63,442	100.0%

Moreover, the Federation participated in new issues under the NHA Mortgage-Backed Securities Program for a total amount of $3.9 billion in the first nine months of 2024. The Federation also made the following issues:

- On January 17, 2024, an issue totalling €1.0 billion, subject to the bail-in regime, under its multi-currency medium-term note program.
- On January 26, 2024, an issue totalling US$1.0 billion, subject to the bail-in regime, under its multi-currency medium-term note program.
- On April 12, 2024, an issue totalling £750 million under its legislative covered bond program.
- On April 18, 2024, an issue totalling 440 million Swiss francs under its legislative covered bond program.
- On May 15, 2024, an issue totalling C$1.0 billion in notes eligible as Non-Viability Contingent Capital under its Canadian NVCC subordinated notes program.
- On May 30, 2024, an issue totalling €1.0 billion under its legislative covered bond program.
- On September 5, 2024, an issue totalling €500 million, subject to the bail-in regime, under its multi-currency medium-term note program and in compliance with the Desjardins Sustainable Bond Framework.
- On September 11, 2024, an issue totalling 230 million Swiss francs, subject to the bail-in regime, under its multi-currency medium-term note program.
- On September 24, 2024, an issue totalling C$1,250 million, subject to the bail-in regime, under its Canadian medium-term note program.

Outstanding notes issued under the Federation's medium-term funding programs amounted to $48.5 billion as at September 30, 2024, compared to $40.5 billion as at December 31, 2023. The outstanding notes for these issues are presented under "Deposits – Business and government" on the Combined Balance Sheets.

Overall, these transactions made it possible to adequately meet the liquidity needs of Desjardins Group, to better diversify its sources of funding and to further extend the average term.

Credit ratings of securities issued and outstanding

Desjardins Group's credit ratings affect its ability to access sources of funding on capital markets, as well as the conditions of such funding. They are also a factor considered in certain Desjardins Group transactions involving counterparties.

Rating agencies assign credit ratings and related ratings outlooks based on their own proprietary methodology, which includes a number of analytical criteria, including factors that are not under Desjardins Group's control. The rating agencies evaluate Desjardins Group on a combined basis and recognize its capitalization, its consistent financial performance, its significant market shares in Québec and the quality of its assets. Consequently, the credit ratings of the Federation, a reporting issuer, are backed by Desjardins Group's financial strength.

The Federation has first-class credit ratings that are among the best of the major Canadian and international banking institutions.

Highlighted decisions by rating agencies concerning Desjardins Group's instruments:

- On March 28, 2024, Moody's maintained the ratings of the instruments issued by the Federation and their outlook as "stable."
- On June 14, 2024, Fitch maintained the ratings of the instruments issued by the Federation and their outlook as "stable."
- On July 12, 2024, DBRS maintained the ratings of the instruments issued by the Federation and their outlook as "stable."

These rating decisions reflect Desjardins Group's strength in Québec, where it has leading market shares in multiple industries.

The following table shows the different credit ratings assigned to the Federation's financial instruments.

Credit ratings of securities issued and outstanding

	DBRS	FITCH	MOODY'S	STANDARD & POOR'S
Fédération des caisses Desjardins du Québec				
Counterparty/Deposits(1)	**AA**	**AA**	**Aa1**	**A+**
Short-term debt	**R-1 (high)**	**F1+**	**P-1**	**A-1**
Medium- and long-term debt, senior excluded from bail-in regime(2)	**AA**	**AA**	**Aa2**	**A+**
Medium- and long-term debt, senior(3)	**AA (low)**	**AA-**	**A1**	**A-**
NVCC subordinated notes	**A (low)**	**A**	**A2**	**BBB+**
Covered bonds	**—**	**AAA**	**Aaa**	**—**
Outlook	**Stable**	**Stable**	**Stable**	**Stable**

(1) Represents Moody's long-term deposit rating and counterparty risk rating, S&P's issuer credit rating, DBRS's long-term deposit rating, and Fitch's long-term issuer default rating, long-term deposit rating and derivative counterparty rating.
(2) Includes issuable senior medium- and long-term debt that would be excluded from the bail-in regime applicable to Desjardins Group.
(3) Includes issued senior medium- and long-term debt that qualifies for the bail-in regime applicable to Desjardins Group.

Desjardins Group regularly monitors the additional level of obligations that its counterparties would require in the event of a credit rating downgrade for the Federation. This monitoring enables Desjardins Group to assess the impact of such a downgrade on its funding capabilities and its ability to perform transactions in the normal course of its operations as well as ensure that it has the additional liquid assets and collateral to meet its obligations. Currently, Desjardins Group is not obliged to provide additional collateral in the event of its credit rating being lowered three notches by one or more credit rating agencies.

Contractual maturities of on-balance sheet items and off-balance sheet commitments

The following table presents assets and liabilities recorded on the Combined Balance Sheets and off-balance sheet commitments at their carrying amount and classified according to their residual contractual maturities. The classification of maturities is an information source for liquidity and funding risk, but it differs from the analysis performed by Desjardins Group to determine the expected maturity of the items for liquidity risk management purposes. Many factors other than contractual maturity are taken into consideration to measure expected future cash flows and liquidity risk.

The value of the credit commitments presented in this table represents the maximum amount of additional credit that Desjardins Group could be required to grant if the commitments were fully used. The value of guarantees and standby letters of credit amounts to the maximum cash outflows that Desjardins Group could be required to make in the event of complete default of the parties to the guarantees, without taking any possible recovery into account. These commitments and guarantees do not necessarily represent future liquidity needs because a large portion of these instruments will expire or be cancelled without giving rise to any cash outflows.

Residual contractual maturities of on-balance sheet items and off-balance sheet commitments

As at September 30, 2024

(in millions of dollars)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No stated maturity	Total
Assets										
Cash and deposits with financial institutions	$ 7,554	$ 359	$ —	$ —	$ —	$ —	$ —	$ —	$ 5	$ 7,918
Securities										
Securities at fair value through profit or loss[(1)]	313	939	1,945	1,225	1,875	2,693	6,470	20,898	5,282	41,640
Securities at fair value through other comprehensive income[(1)]	438	1,180	2,608	1,477	2,905	8,477	23,018	11,711	1,678	53,492
Securities at amortized cost	11	6	—	—	—	2	6	35	—	60
Securities borrowed or purchased under reverse repurchase agreements	23,196	2,037	554	858	76	—	—	—	—	26,721
Loans										
Residential mortgages[(2)]	3,124	4,408	7,020	10,378	10,834	43,521	85,165	3,581	7,245	175,276
Consumer, credit card and other personal loans[(2)]	53	77	135	181	211	1,109	4,779	8,401	9,582	24,528
Business and government[(2)]	26,542	8,607	6,223	6,867	5,581	9,481	9,820	1,885	9,004	84,010
Allowance for credit losses	—	—	—	—	—	—	—	—	(1,162)	(1,162)
Segregated fund net assets	—	—	—	—	—	—	—	—	28,037	28,037
Derivative financial instruments	278	360	293	663	269	1,174	3,622	310	—	6,969
Amounts receivable from clients, brokers and financial institutions	3,338	23	—	—	—	—	—	—	780	4,141
Reinsurance contract assets	111	116	86	73	59	215	405	900	150	2,115
Right-of-use assets	—	—	—	—	—	—	—	—	458	458
Investment property	—	—	—	—	—	—	—	—	803	803
Property, plant and equipment	—	—	—	—	—	—	—	—	1,495	1,495
Goodwill	—	—	—	—	—	—	—	—	596	596
Intangible assets	—	—	—	—	—	—	—	—	1,217	1,217
Investments in companies accounted for using the equity method	—	—	—	—	—	—	—	—	1,246	1,246
Net defined benefit plan assets	—	—	—	—	—	—	—	—	728	728
Deferred tax assets	—	—	—	—	—	—	—	—	974	974
Other assets – Other	1,457	262	198	77	28	35	56	6	1,296	3,415
Total assets	$ 66,415	$ 18,374	$ 19,062	$ 21,799	$ 21,838	$ 66,707	$ 133,341	$ 47,727	$ 69,414	$ 464,677
Liabilities and equity										
Deposits										
Individuals[(3)]	$ 7,071	$ 5,620	$ 6,664	$ 13,806	$ 15,257	$ 17,860	$ 20,852	$ 678	$ 71,000	$ 158,808
Business and government[(3)]	16,022	7,009	8,868	2,011	2,988	10,401	25,049	8,580	56,366	137,294
Deposit-taking institutions[(3)]	5	4	2	1	4	—	1	—	258	275
Insurance contract liabilities	876	857	923	751	647	2,338	5,070	19,380	3,926	34,768
Commitments related to securities sold short[(4)]	144	273	1,872	274	100	1,485	4,332	5,657	35	14,172
Commitments related to securities lent or sold under repurchase agreements	21,970	4	—	—	—	—	—	—	—	21,974
Derivative financial instruments	315	276	299	649	279	979	3,129	178	—	6,104
Amounts payable to clients, brokers and financial institutions	2,425	2	—	—	—	—	—	—	8,572	10,999
Lease liabilities	7	12	17	19	19	72	165	225	—	536
Reinsurance contract liabilities	—	—	—	1	1	2	4	30	—	38
Segregated fund net liabilities – Investment contracts	—	—	—	—	—	—	—	—	24,431	24,431
Net defined benefit plan liabilities	—	—	—	—	—	—	—	—	717	717
Deferred tax liabilities	—	—	—	—	—	—	—	—	417	417
Other liabilities – Other	4,174	1,088	1,210	1,077	411	598	975	167	2,100	11,800
Subordinated notes	—	—	—	—	—	—	—	3,939	—	3,939
Total equity	—	—	—	—	—	—	—	—	38,405	38,405
Total liabilities and equity	$ 53,009	$ 15,145	$ 19,855	$ 18,589	$ 19,706	$ 33,735	$ 59,577	$ 38,834	$ 206,227	$ 464,677
Off-balance sheet commitments										
Credit commitments[(5)]	$ 1,526	$ 1,295	$ 890	$ 1,303	$ 1,460	$ 7,986	$ 13,831	$ 704	$ 109,560	$ 138,555
Documentary letters of credit	1	7	4	2	1	—	—	—	—	15
Guarantees and standby letters of credit	320	550	292	484	666	114	73	61	33	2,593

See next page for footnotes.

Residual contractual maturities of on-balance sheet items and off-balance sheet commitments (continued)
As at December 31, 2023

(in millions of dollars)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No stated maturity	Total
Assets										
Cash and deposits with financial institutions	$ 7,388	$ 1,593	$ —	$ —	$ —	$ —	$ —	$ —	$ 6	$ 8,987
Securities										
Securities at fair value through profit or loss(1)	214	372	1,139	1,256	1,207	2,860	5,509	19,223	4,847	36,627
Securities at fair value through other comprehensive income(1)	867	1,658	1,682	1,473	1,468	8,221	22,192	12,619	1,512	51,692
Securities at amortized cost	1	—	—	—	1	1	6	37	—	46
Securities borrowed or purchased under reverse repurchase agreements	10,613	1,689	1,376	—	—	—	—	—	—	13,678
Loans										
Residential mortgages(2)	3,207	4,698	7,864	4,991	6,530	34,523	93,329	3,693	7,023	165,858
Consumer, credit card and other personal loans(2)	39	72	163	161	205	1,069	4,646	8,499	9,385	24,239
Business and government(2)	22,160	6,613	5,726	4,609	6,493	8,547	12,831	2,255	7,784	77,018
Allowance for credit losses	—	—	—	—	—	—	—	—	(1,180)	(1,180)
Segregated fund net assets	—	—	—	—	—	—	—	—	24,754	24,754
Derivative financial instruments	249	364	649	349	434	1,229	2,386	201	—	5,861
Amounts receivable from clients, brokers and financial institutions	2,345	19	—	—	—	—	—	—	437	2,801
Reinsurance contract assets	7	70	60	49	46	152	319	834	139	1,676
Right-of-use assets	—	—	—	—	—	—	—	—	476	476
Investment property	—	—	—	—	—	—	—	—	974	974
Property, plant and equipment	—	—	—	—	—	—	—	—	1,549	1,549
Goodwill	—	—	—	—	—	—	—	—	563	563
Intangible assets	—	—	—	—	—	—	—	—	1,186	1,186
Investments in companies accounted for using the equity method	—	—	—	—	—	—	—	—	1,477	1,477
Net defined benefit plan assets	—	—	—	—	—	—	—	—	46	46
Deferred tax assets	—	—	—	—	—	—	—	—	1,244	1,244
Other assets – Other	1,079	438	277	38	31	12	35	3	1,455	3,368
Total assets	$ 48,169	$ 17,586	$ 18,936	$ 12,926	$ 16,415	$ 56,614	$ 141,253	$ 47,364	$ 63,677	$ 422,940
Liabilities and equity										
Deposits										
Individuals(3)	$ 4,911	$ 6,288	$ 17,222	$ 6,685	$ 9,348	$ 19,596	$ 16,631	$ 422	$ 70,416	$ 151,519
Business and government(3)	19,455	8,816	4,469	2,587	4,254	9,712	21,016	5,585	51,325	127,219
Deposit-taking institutions(3)	314	1	5	7	7	3	—	—	254	591
Insurance contract liabilities	869	803	812	692	665	2,159	4,771	18,508	3,682	32,961
Commitments related to securities sold short(4)	69	72	623	99	66	817	3,691	6,229	20	11,686
Commitments related to securities lent or sold under repurchase agreements	11,681	351	—	—	—	—	—	—	—	12,032
Derivative financial instruments	510	480	653	393	441	1,422	2,487	240	—	6,626
Amounts payable to clients, brokers and financial institutions	5,056	2	—	—	—	—	—	—	4,292	9,350
Lease liabilities	7	12	17	20	18	66	169	244	—	553
Reinsurance contract liabilities	—	—	1	1	1	1	4	30	—	38
Segregated fund net liabilities – Investment contracts	—	—	—	—	—	—	—	—	21,233	21,233
Net defined benefit plan liabilities	—	—	—	—	—	—	—	—	867	867
Deferred tax liabilities	—	—	—	—	—	—	—	—	252	252
Other liabilities – Other	3,461	1,766	1,181	427	333	488	837	156	2,020	10,669
Subordinated notes	—	—	—	—	—	—	—	2,954	—	2,954
Total equity	—	—	—	—	—	—	—	—	34,390	34,390
Total liabilities and equity	$ 46,333	$ 18,591	$ 24,983	$ 10,911	$ 15,133	$ 34,264	$ 49,606	$ 34,368	$ 188,751	$ 422,940
Off-balance sheet commitments										
Credit commitments(5)	$ 1,050	$ 1,046	$ 1,580	$ 1,739	$ 1,133	$ 4,886	$ 13,375	$ 774	$ 105,465	$ 131,048
Indemnification commitments related to securities lending	—	—	—	—	—	—	—	—	2,875	2,875
Documentary letters of credit	3	2	9	1	1	1	—	—	—	17
Guarantees and standby letters of credit	199	259	483	754	444	58	40	40	4	2,281

(1) Equity securities are classified under "No stated maturity."
(2) Amounts repayable on demand are classified under "No stated maturity."
(3) Deposits payable on demand or after notice are considered as having "No stated maturity."
(4) Amounts are presented by remaining contractual maturity of the underlying security.
(5) Includes personal lines of credit, lines of credit secured by real or immovable property, and credit card lines for which the amounts committed are unconditionally revocable at any time at Desjardins Group's discretion. These are classified under "No stated maturity."

ADDITIONAL INFORMATION

CONTROLS AND PROCEDURES

During the nine-month period ended September 30, 2024, Desjardins Group made no changes to its policies, procedures or other processes with regard to internal control that materially affected, or may materially affect internal control over financial reporting. The parties involved and their responsibilities regarding such internal control are described on pages 93 and 94 of the Desjardins Group's 2023 annual MD&A.

RELATED PARTY DISCLOSURES

In the normal course of operations, Desjardins Group offers financial services to related parties, including its associates, joint ventures and other related companies, and enters into agreements for operating services with them. It also pays its key management personnel compensation on terms similar to those offered to unrelated parties.

Furthermore, Desjardins Group provides its financial products and services to its directors, its key management personnel and the persons related to them on terms similar to those offered to unrelated parties.

Desjardins Group has set up a process to obtain assurance that all transactions with its officers and the persons related to them have been carried out on terms similar to those offered to unrelated parties and in compliance with the legislative framework for its various components. These policies and procedures have not changed significantly since December 31, 2023.

Additional information on related party transactions is provided in Note 32, "Related party disclosures," to the Annual Combined Financial Statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A description of the accounting policies used by Desjardins Group is essential to understanding the Annual and Interim Combined Financial Statements. The significant accounting policies are described in Note 2, "Accounting policies," to Desjardins Group's Annual Combined Financial Statements on pages 127 to 149 of the 2023 Annual Report.

Some of these policies are of particular importance in presenting Desjardins Group's financial position and operating results because they require management to make judgments as well as estimates and assumptions that affect the reported amounts of some assets, liabilities, income and expenses, as well as related information. Explanations of the significant accounting policies that have required management to make difficult, subjective or complex judgments, often about matters that are inherently uncertain, are provided on pages 94 to 100 of the 2023 annual MD&A. No significant changes were made to these accounting policies during the first nine months of 2024.

FUTURE ACCOUNTING CHANGES

Accounting standards issued by the IASB but not yet effective as at December 31, 2023 are described in Note 2, "Accounting policies," to Desjardins Group's Annual Combined Financial Statements, on page 149 of the 2023 Annual Report. The IASB has since issued the following new standards and amendments:

IFRS 7, *"Financial Instruments: Disclosures,"* and IFRS 9, *"Financial Instruments"*

In May 2024, the IASB issued amendments to IFRS 7, *"Financial Instruments: Disclosures,"* and IFRS 9, "*Financial Instruments,"* following the post-implementation review of the requirements in IFRS 9 and the related requirements in IFRS 7.

The IASB has amended IFRS 9 to clarify the recognition and derecognition date for certain financial assets and liabilities, with a new exception for certain financial liabilities settled in cash through an electronic payment system, as well as to clarify and include additional guidance for assessing whether the cash flows of a financial asset are solely payments of principal and interest on the principal amount outstanding.

The IASB has amended IFRS 7 to add new disclosures for certain instruments whose contractual terms could change cash flows as well as to improve the disclosures about equity instruments designated as at fair value through other comprehensive income.

Desjardins Group is currently assessing the impact of adopting the amendments to IFRS 7 and IFRS 9, which will be effective for years beginning on or after January 1, 2026. Regulatory authorities have stated that early adoption of these amendments will not be permitted, unless they indicate otherwise.

IFRS 18, *"Presentation and Disclosure in Financial Statements"*

In April 2024, the IASB issued IFRS 18, "Presentation and Disclosure in Financial Statements," which will replace the current IAS 1, "Presentation of Financial Statements."

IFRS 18 introduces three new items to improve the presentation of information disclosed in financial statements. It introduces three new categories of revenue and expenses (operating, investing and financing) to improve the comparability of the income statement between companies. In addition, IFRS 18 intends to enhance the transparency of management-defined performance measures. Lastly, IFRS 18 provides guidance on how to present information in financial statements.

Desjardins Group is currently assessing the impact of adopting IFRS 18, which will be effective for years beginning on or after January 1, 2027.

ADDITIONAL INFORMATION REQUIRED PURSUANT TO THE AMF'S DECISION NO. 2021-FS-0091

In addition to the entities comprising the Desjardins Cooperative Group (as defined under "Desjardins Group profile") and the subsidiaries of such entities, Desjardins Group's Combined Financial Statements include Caisse Desjardins Ontario Credit Union Inc. (CDO). The CDO's financial information compared to that of Desjardins Group is presented in the table below.

CDO financial information

	As at September 30, 2024			As at December 31, 2023		
(in millions of dollars and as a percentage)	**CDO**	**Desjardins Group Combined Balance Sheets**	**% proportion**	CDO	Desjardins Group Combined Balance Sheets	% proportion
Total assets	**$ 13,574**	**$ 464,677**	**2.9%**	$ 11,922	$ 422,940	2.8%
Total liabilities	**12,735**	**426,272**	**3.0**	11,107	388,550	2.9
Total equity	**839**	**38,405**	**2.2**	815	34,390	2.4

	For the three-month periods ended									**For the nine-month periods ended**					
	September 30, 2024			June 30, 2024			September 30, 2023			**September 30, 2024**			September 30, 2023		
(in millions of dollars and as a percentage)	**CDO**	**Desjardins Group Combined Statements of Income**	**% propor-tion**	CDO	Desjardins Group Combined Statements of Income	% propor-tion	CDO	Desjardins Group Combined Statements of Income	% propor-tion	**CDO**	**Desjardins Group Combined Statements of Income**	**% propor-tion**	CDO	Desjardins Group Combined Statements of Income	% propor-tion
Total net revenue	**$ 46**	**$ 3,385**	**1.4%**	$ 54	$ 3,753	1.4%	$ 52	$ 3,133	1.7%	**$ 155**	**$ 10,702**	**1.4%**	$ 147	$ 9,039	1.6%
Surplus earnings before member dividends	**1**	**757**	**0.1**	6	918	0.7	7	614	1.1	**16**	**2,530**	**0.6**	12	1,509	0.8
Net surplus earnings (deficit) for the period after member dividends	**(2)**	**675**	**(0.3)**	4	837	0.5	4	536	0.7	**8**	**2,286**	**0.3**	5	1,273	0.4

GLOSSARY

Acceptance
Short-term debt security traded on the money market, guaranteed by a financial institution for a borrower in exchange for a stamping fee.

Advanced Internal Ratings-Based Approach
Approach under which risk weighing is based on the type of counterparty (individuals, small or medium-sized business, large corporation, etc.) and risk-weighting factors determined using internal parameters: the borrower's probability of default, loss given default, applicable maturity and exposure at default.

Allowance for credit losses
The loss allowance for expected credit losses reflects an unbiased amount, based on a probability-weighted present value of cash flow shortfalls, and takes into account reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

Amortized cost
For a financial asset or a financial liability, represents the historical cost at initial recognition, decreased or increased by amortization and any differences that made it fluctuate from initial recognition to maturity.

Annuity premium
Amount invested by a policyholder in order to receive annuity payments, immediately or after an accumulation period.

Assets under administration
Assets administered by a financial institution that are beneficially owned by its members or clients and are therefore not recognized on its Combined Balance Sheet. Services provided in respect of such assets are administrative in nature, such as custodial services, collection of investment income and settlement of buy and sell transactions.

Assets under management
Assets managed by a financial institution that are beneficially owned by its members or clients and are therefore not recognized on its Combined Balance Sheet. Services provided in respect of assets under management include selecting investments and offering investment advice. Assets under management may also be administered by the financial institution. In such case, they are included in assets under administration.

***Autorité des marchés financiers* (AMF)**
Organization whose mission is to enforce the laws governing the financial industry, particularly in the areas of insurance, securities, deposit-taking institutions and financial product and service distribution.

Average assets
Average of assets presented in the Combined Financial Statements at the end of the quarters calculated from the quarter preceding the relevant period.

Average deposits
Average of deposits presented in the Combined Financial Statements at the end of the quarters calculated from the quarter preceding the relevant period.

Average equity – Group's share
Average equity –Group's share presented in the Combined Financial Statements at the end of the quarters calculated from the quarter preceding the relevant period.

Average gross loans and acceptances
Average of loans, including clients' liability under acceptances, presented in the Combined Financial Statements at the end of the quarters calculated from the quarter preceding the relevant period.

Average interest-bearing liabilities
Include deposits, subordinated notes and other interest-bearing liabilities, and exclude life and health insurance and property and casualty insurance liabilities as well as all other liabilities not generating any net interest income.

Average liabilities
Average of liabilities presented in the Combined Financial Statements at the end of the quarters calculated from the quarter preceding the relevant period.

Average net loans and acceptances
Average of loans, including clients' liability under acceptances, net of the allowance for credit losses presented in the Combined Financial Statements at the end of the quarters calculated from the quarter preceding the relevant period.

Average core interest-bearing assets
Include securities, cash and deposits with financial institutions, as well as loans, and exclude life and health insurance and property and casualty insurance assets and assets related to trading activities, and other assets not generating net interest income. Average of quarter-end balances calculated from the quarter preceding the relevant period.

Average core interest-bearing assets – Personal and Business Services

Include securities, cash and deposits with financial institutions, as well as loans, and excludes assets related to trading activities as well as assets related to capital market and liquidity management activities, and all other assets not generating net interest income – Personal and Business Services. Average of quarter-end balances calculated from the quarter preceding the relevant period.

Basis point

Unit of measure equal to one one-hundredth of a percent (0.01%).

Bond

Certificate evidencing a debt under which the issuer promises to pay the holder a specified amount of interest for a specified period of time, and to repay the borrowing at maturity. Generally, assets are pledged as security for the borrowing, except in the case of government or corporate bonds. This term is often used to describe any debt security.

Capital ratios

Ratios determined by dividing regulatory capital by risk-weighted assets. These measures are defined in the *Capital Adequacy Guideline* issued by the AMF.

Capital shares

Equity security offered to Desjardins caisse members.

Catastrophe and notable event

– Catastrophe
  In property and casualty insurance, group of claims caused by one or multiple close events arising from, among others, natural or other than natural causes, for which the cost is deemed significant since it reaches a minimum threshold, established annually Desjardins Group's management, for the reinsurance program retention.
  - Natural catastrophes can take many forms and include, but are not limited to, hurricanes, tornados, windstorms, hailstorms, heavy rainfalls, ice storms, floods, extreme weather conditions and wildfires.
  - Catastrophes other than natural catastrophes include, but are not limited to, terrorist acts, riots, explosions, crashes, train wrecks, large-scale cyber attacks.

– Notable event
  In property and casualty insurance, group of claims caused by one or multiple close events arising from, among others, natural or other than natural causes, for which the impact on the loss ratio and claims frequency is deemed significant by Desjardins Group's management.

Commitment

– Direct commitment
  Any agreement entered into by a Desjardins Group component with a natural or legal person creating an on- or off-balance sheet exposure, either disbursed or non-disbursed, revocable or irrevocable, with or without condition, that may lead to losses for the component if the debtor is unable to meet its obligations.

– Indirect commitment
  Any financial receivable creating a credit exposure that is acquired by a Desjardins Group component in connection with a purchase on the market or the delivery of a financial asset pledged as collateral by a client or a counterparty, whose value may change in particular as a result of the deterioration of the creditworthiness of the counterparty associated to this receivable or changes in market prices.

Contractual service margin (CSM)

For insurance contracts that are not measured using the premium allocation approach, represents the unearned profit that will be recognized under "Insurance revenue," in the Combined Statements of Income, as insurance contract services are provided.

Countercyclical buffer

The countercyclical buffer aims to ensure that capital requirements take account of the macro-financial environment in which Desjardins Group operates. The AMF could deploy this buffer when it judges that excessive credit growth is associated with a build-up of system-wide risks and, as such, would provide a buffer of capital to absorb potential losses.

Covered bond

Full recourse on-balance sheet bond issued by a financial institution and secured by assets, comprised mainly of mortgage loans, over which investors enjoy a priority claim in the event of an issuer's insolvency or bankruptcy. These assets are separated from the issuer's assets in the event of the issuer's insolvency or bankruptcy and belong to a bankruptcy remote structured entity that guarantees the bond.

Credit commitment

Unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit, whose primary purpose is to ensure that members and clients have funds available, when necessary, for variable maturity terms and under specific conditions.

Credit instrument

Credit facility offered in the form of a loan or other financing vehicle recognized in the Combined Balance Sheets or in the form of an off-balance sheet product. Credit instruments include credit commitments, documentary letters of credit as well as guarantees and standby letters of credit.

Credit loss provisioning rate

Provision for credit losses on loans and off-balance sheet items expressed as a percentage of average gross loans and acceptances.

Credit risk
Risk of losses resulting from a borrower's or counterparty's failure to honour its contractual obligations, whether or not such obligations appear on the Combined Balance Sheets.

Credit valuation adjustment
Adjustment representing the market value of a potential loss on over-the-counter derivatives due to counterparty and issuer risk.

Defined benefit pension plan
Pension plan guaranteeing each participant a defined level of retirement income that is often based on a formula set by the plan in terms of the participant's salary and years of service.

Derivative financial instrument, or derivative
Financial contract whose value fluctuates based on an underlying asset, but that does not require holding or delivering the underlying asset itself. Derivatives are used to transfer, modify or reduce current or expected risks, including risks related to interest and exchange rates and financial indexes.

Desjardins Group (Desjardins) component
Cooperative or subsidiary that is part of Desjardins Group.

Direct written premiums
In property and casualty insurance, the premiums stipulated in insurance policies issued and in force during the year. In life and health insurance, insurance or annuity premiums for the policies or certificates issued during the year.

Documentary letter of credit
Instrument issued for a member or a client that represents Desjardins Group's agreement to honour drafts presented by a third party upon completion of certain activities, up to a set maximum amount. Desjardins Group is exposed to the risk that the client does not ultimately pay the amount of the drafts. However, the amounts used are secured by the related goods.

Economic capital
Amount of capital that an institution must maintain, in addition to anticipated losses, to ensure its solvency over a certain horizon and at a high confidence level.

Effective interest rate
Rate determined by discounting total future cash flows, including those related to commissions paid or received, premiums or discounts and transaction costs.

Effective tax rate
Income tax expense on surplus earnings expressed as a percentage of operating surplus earnings.

Environmental, social and governance (ESG) risk factors
Refer to all environmental, social and governance (ESG) considerations that Desjardins Group and its entities must take into account as part of their operations, financing, investing or insurance activities and which could result, in particular, in credit risks, insurance risks, asset value losses or non-financial risks such as damage to the organization's reputation.

Exposure at default (EAD)
Estimate of the amount of a given exposure at time of default. For balance sheet exposures, it corresponds to the balance as at observation time. For off-balance sheet exposures, it includes an estimate of additional draws that may be made between observation time and default.

Exposures related to residential mortgage loans
In accordance with the regulatory capital framework, risk category that includes mortgage loans and credit margins secured by real property granted to individuals.

Fair value
Price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at the measurement date.

Fair value measurement
Measurement to determine the approximate value at which financial instruments could be traded in a current transaction between willing parties.

Forward contract
Contractual commitment to sell or purchase a determined quantity of a specified underlying asset on a future specified date and at a predetermined price. These contracts, which are derivatives, are tailored and traded over the counter.

Forward exchange contract
Contractual commitment to sell or purchase a fixed amount of foreign currency on a specified future date and at a predetermined exchange rate.

Foundation Internal Ratings-Based Approach
Approach under which risk weighing is based on the type of counterparty (individuals, small or medium-sized business, large corporation, etc.) and risk-weighting factors determined using internal parameters: the borrower's probability of default, applicable maturity and exposure at default. The regulator prescribes the loss given default parameters.

Fraud and financial crime risk

Risk associated with acts conducted illegally by internal or external parties with the intent to cause harm, benefit from them or misappropriate assets belonging to Desjardins Group, members or clients, or the risk associated with non-compliance by Desjardins Group with obligations arising from the anticipation, interpretation or application of a legislative or regulatory provision regarding financial crimes.

Futures contract

Contractual commitment to sell or purchase a determined quantity of a specified underlying asset on a future specified date and at a predetermined price. These contracts, which are derivatives, are standardized and exchange-traded.

Gross credit-impaired loan

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated cash flows of that financial asset have occurred. A financial asset is therefore considered credit-impaired when it is in default, unless the detrimental impact on the estimated future cash flows is considered insignificant. The definition of default is associated with an instrument for which contractual payments are 90 days past due, or certain other criteria.

Gross credit-impaired loans/gross loans and acceptances

Gross credit-impaired loans expressed as a percentage to total gross loans and acceptances.

Group insurance premium

Payment that the insurance policyholder is required to make to maintain the contract in force. This payment represents the cost of insurance. The premium is directly proportional to the number of insured persons and the coverage chosen by the policyholder.

Guarantee and standby letter of credit

Irrevocable commitment by a financial institution to make payments in the event that a member or client cannot meet financial obligations to third parties. Desjardins Group's policy with respect to collateral received for these instruments is generally the same as for loans.

Hedge fund

Investment fund offered to accredited investors. A hedge fund manager enjoys great latitude with respect to the investment strategies to be used, which may include selling short, leverage, program trading, swaps, arbitrage and derivatives.

Hedging

Transaction designed to reduce or offset Desjardins Group's exposure to one or more financial risks that involves taking a position exposed to effects that are equivalent, but of opposite direction, to the effects of market fluctuations on an existing or forecasted position.

Indemnification commitment related to securities lending

Commitment made to members and clients with whom Desjardins Group entered into securities lending agreements and intended to ensure that the fair value of the securities lent will be reimbursed if the borrower does not return the borrowed securities or if the fair value of assets held as collateral is insufficient to cover the fair value of the securities lent. These commitments usually mature before being used.

Individual insurance premium

Payment that the insurance policyholder is required to make to maintain the contract in force. This payment represents the cost of insurance and can sometimes include a savings component. The cost of insurance portion of the premium is directly proportional to the amount of risk underwritten by the insurer.

Insurance contract

Insurance contracts are contracts that transfer a significant insurance risk to an insurer upon their issuance. An insurance risk is transferred when the insurance subsidiaries agree to compensate a contract holder if a specified uncertain future event adversely affects the contract holder. In certain situations, an insurance contract may also transfer a financial risk.

Insurance contract liabilities

Obligation representing the amount of an insurance company's commitments toward all insureds and beneficiaries, including in particular an amount to cover the payment of benefits and claims.

Insurance premium

Payment that the insurance policyholder is required to make to maintain the contract in force. This payment represents the cost of insurance and can sometimes include a savings component. The premium is directly proportional to the amount of risk underwritten by the insurer.

Insurance risk

- Life and health insurance risk refers to the risk that the amount and timing of benefits and expenses payable on life insurance, health insurance or annuity contract products differ from those expected.
- Property and casualty insurance risk is the risk that benefits payable on property and casualty insurance products differ from the amounts estimated when designing, pricing or measuring actuarial reserves.

Insurance sales

Metric used to measure growth in Wealth Management and Life and Health Insurance segment operations. It is equal to annualized gross new premiums under group and individual insurance policies.

Large loss

In property and casualty insurance, single claim having a significant cost.

Legal and regulatory risk
Risk associated with the non-compliance by Desjardins Group with obligations arising from the anticipation, interpretation or application of a legislative or regulatory provision or a contractual commitment, which could have an impact on the conduct of its operations, its reputation, its strategies and its financial objectives.

Leverage ratio
Ratio calculated as the capital measure, which is Tier 1 capital, divided by the exposure measure. The exposure measure includes:
- on-balance sheet exposures;
- securities financing transaction exposures;
- derivative exposures; and
- off-balance sheet items.

Liquidity coverage ratio
Ratio determined by dividing the stock of unencumbered HQLA by the amount of net cash outflows for the next 30 days assuming an acute liquidity stress scenario.

Liquidity risk
Risk related to Desjardins Group's capacity to raise the necessary funds (by increasing liabilities or converting assets) to meet a financial obligation, whether or not it appears on the Combined Balance Sheets.

Loss given default (LGD)
Economic loss that may be incurred should the borrower default, expressed as a percentage of exposure at default.

Loss on onerous contracts
When a group of insurance contracts is onerous on initial recognition or subsequently becomes onerous, a loss on onerous contracts is recognized as insurance service expenses and a loss component is added to the liability for remaining coverage. Subsequent changes in the loss component related to future service are recognized as losses and reversals of losses on onerous contracts under "Insurance service expenses" in the Combined Statements of Income.

Market risk
Risk of loss arising from changes in the fair value of financial instruments as a result of fluctuations in the parameters affecting this value, in particular, interest rates, exchange rates, credit spreads, equity prices and their volatility.

Master netting agreement
Standard agreement developed to reduce the credit risk of multiple derivative transactions by creating a legal right to set off the obligations of a counterparty in the event of default.

Matching
Process of adjusting asset, liability and off-balance sheet item maturities in order to reduce risks related to interest or exchange rates and financial indexes. Matching is used in asset/liability management.

Member dividend
As a cooperative financial group, Desjardins Group distributes to its members a portion of its surplus earnings for a given year, taking into account its financial capacity. This distribution, called member dividend, is paid by the caisses and tailored to each member based on the use they make of their cooperative's financial services.

Morbidity rate
Probability that a person of a given age will suffer an illness or disability. The accident/health insurance premium paid by a person belonging to a particular age group is based on this group's morbidity rate.

Mortality rate
Rate of death in a particular group of persons. The life insurance premium paid by a person belonging to a particular age group is based on this group's mortality rate.

Mortgage-backed security
Security created through the securitization of a pool of residential mortgage loans under the *National Housing Act*.

Net interest income
Difference between what a financial institution receives on assets such as loans and securities and what it pays out on liabilities such as deposits and subordinated notes.

Net interest income on core assets
Net interest income excluding net interest income generated by non-core assets.

Net interest income on core assets – Personal and Business Services
Net interest income – Personal and Business Services excluding net interest income generated by non-core assets – Personal and Business Services.

Net interest margin
Net interest income on core assets expressed as a percentage of average core interest-bearing assets.

Net interest margin – Personal and Business Services
Net interest income on core assets – Personal and Business Services expressed as a percentage of average core interest-bearing assets – Personal and Business Services.

Net sales of savings products
Metric used to measure growth in Wealth Management and Life and Health Insurance segment operations. It is equal to sales of group and individual savings products manufactured and distributed by segment entities, and is comprised of on- or off-balance sheet deposits, less redemptions.

Net stable funding ratio (NSFR)
Ratio determined by dividing available stable funding, designated by capital and liabilities, by required stable funding, designated by assets.

Notional amount
Reference amount used to calculate payments for instruments such as forward rate agreements and interest rate swaps. This amount is called "notional" because it does not change hands.

NVCC subordinated notes
Securities that meet the non-viability contingent capital (NVCC) requirements set out in the *Capital Adequacy Guideline* issued by the AMF, in particular securities issued by the Federation with a clause providing for their automatic conversion into capital shares of the Federation upon the occurrence of a trigger event as defined in the guideline.

Off-balance sheet exposure
Includes guarantees, commitments, derivatives and other contractual agreements whose total notional amount may not be recognized on the balance sheet.

Office of the Superintendent of Financial Institutions (OSFI)
Organization whose mission is to enforce all laws governing the financial industry in Canada, particularly as concerns banks, insurance companies, trust companies, loan companies, cooperative credit associations, fraternal companies and private pension plans subject to federal oversight.

Operational risk
Risk of inadequacy or failure attributable to processes, people, internal systems or external events and resulting in losses or failure to achieve objectives, and takes into consideration the impact of failures to achieve the strategic objectives of the component concerned or Desjardins Group, if applicable.

Operating leverage
Represents the difference between the growth rate for total net revenue and the growth rate for net non-interest expense.

Option
Contractual agreement that grants the right, but not the obligation, to sell (put option) or to buy (call option) a specified amount of a financial instrument at a predetermined price (the exercise or strike price) on or before a specified date.

Other retail client exposures
In accordance with the regulatory capital framework, risk category that includes all loans granted to individuals except for exposures related to residential mortgage loans and qualifying revolving retail client exposures.

Pension plan
Contract under which participants receive retirement benefits under certain terms starting at a given age. A pension plan is funded through contributions made either by the employer alone or by both the employer and the participants.

Privacy risk
Risk associated with inadequate handling of personal information (theft or breach, loss, collection, consent management, use, disclosure, retention, destruction or infringement of the rights of individuals related to their personal information), through intentional or unintentional actions (internal threat, error, negligence or omission). The key consequences of privacy risk deal with Desjardins Group's reputation, compliance and potential financial losses.

Probability of default (PD)
Probability that a borrower defaults on his obligations over a period of one year.

Productivity index – Personal and Business Services
Gross non-interest expense for the Personal and Business Services segment expressed as a percentage of total net revenue for the Personal and Business Services segment.

Provision for credit losses
Amount recognized in profit or loss to bring the allowance for credit losses to a level determined appropriate by management. It includes provisions for credit losses on unimpaired and impaired financial assets.

Qualifying revolving retail client exposures
In accordance with the regulatory capital framework, risk category that includes credit card loans and unsecured credit margins granted to individuals.

Regulatory capital
In accordance with the definition set out in the *Capital Adequacy Guideline* issued by the AMF, the regulatory capital under Basel III comprises Tier 1A capital, Tier 1 capital and Tier 2 capital. The composition of these various tiers is presented in the "Capital management" section of the Management's Discussion and Analysis.

Regulatory funds
Funds needed to cover unexpected losses, calculated according to parameters and methods prescribed by regulatory authorities.

Reinsurance contract
Contract whereby one insurer assumes all or part of a risk undertaken by another insurer. Despite such a contract, the original insurer remains fully liable to its policyholders for the insurance obligations.

Repurchase agreement
Agreement involving both the sale of securities for cash and the repurchase of these securities for value at a later date. This type of agreement represents a form of short-term financing.

Reputation risk
Risk that a negative perception by the stakeholders, whether or not justified, of Desjardins Group's practices, actions or lack of action could have a material unfavourable impact on revenues and equity or may significantly affect the confidence of its members and clients or, more broadly, public opinion.

Return on equity
Return on equity is equal to surplus earnings before member dividends, excluding the non-controlling interests' share, expressed as a percentage of average equity – Group's share.

Reverse repurchase agreement
Agreement involving both the purchase of securities for cash and the sale of these securities for value at a later date. This type of agreement represents a form of short-term financing.

Risk adjustment for non-financial risk
Represents the compensation that the insurance subsidiaries require for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risks when they fulfill insurance contracts.

Risk-weighted assets
Assets adjusted based on a risk-weighting factor prescribed by regulations to reflect the level of risk associated with items presented in the combined balance sheets. Some assets are not weighted, but rather deducted from capital. The calculation method is defined in the guidelines issued by the AMF. For more details, see the "Capital management" section of the Management's Discussion and Analysis.

Securitization
Process by which financial assets, such as mortgage loans, are converted into asset-backed securities.

Security borrowed or purchased
Security typically borrowed or purchased to cover a short position. The borrowing or purchase usually requires that an asset, taking the form or cash or highly rated securities, be pledged as collateral by the borrower.

Security lent or sold
Security typically lent or sold to cover a short position of the borrower. The loan or sale usually requires that an asset, taking the form or cash or highly rated securities, be pledged as collateral by the borrower.

Security sold short
Commitment by a seller to sell a security it does not own. Typically, the seller initially borrows the security to deliver it to the purchaser. At a later date, the seller buys an identical security to replace the borrowed security.

Segregated fund
Type of fund offered by insurance companies through a variable contract that provides the contract holder with a number of guarantees, such as principal repayment upon death. Segregated funds encompass a range of categories of securities and are designed to meet a variety of investment objectives. Segregated fund deposits represent amounts invested by clients. Segregated funds are comprised of investment funds with capital guaranteed upon death or at maturity.

Segregated fund deposits
Amounts paid by annuity contract holders in order to invest in segregated funds. Individual annuity contracts provide for a guarantee of the principal on death or at maturity.

Standardized Approach
- Credit risk
  Default approach used to calculate risk-weighted assets. Under this method, the entity uses valuations performed by external credit assessment institutions recognized by the AMF to determine the risk-weighting factors related to the various exposure categories.
- Market risk
  Default approach used to calculate risk-weighted assets for the market risk classes: interest rate risk, credit spread risk, equity risk, foreign exchange risk, commodity risk and default risk.
- Operational risk
  Standardized Approach for operational risk based on two main components: a Business Indicator Component (BIC), which is based on financial statements, and a Loss Component (LC), from which an Internal Loss Multiplier (ILM) is calculated using average historical losses. The operational risk capital requirement is calculated by multiplying the BIC and the ILM, and risk-weighted assets for operational risk are equal to this capital requirement multiplied by 12.5.

Strategic risk
Risk of loss attributable to the occurrence of external and internal events or the implementation of inappropriate strategies or actions that may prevent Desjardins Group from achieving its strategic priorities.

Structural interest rate risk
Risk related to the potential impact of interest rate fluctuations on net interest income and the economic value of equity.

Structured entity
Entity that has been designed so that voting rights or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: restricted activities, a narrow and well-defined objective, insufficient equity to permit it to finance its activities without subordinated financial support, or financing in the form of multiple contractually linked instruments to investors.

Subordinated note
Unsecured note whose repayment in the event of liquidation is subordinated to the prior repayment of certain other creditors.

Subsidiary
Company controlled by the Federation.

Swap
Derivative financial instrument under which two parties agree to exchange interest rates or currencies for a specified period according to predetermined rules.

TLAC leverage ratio
Ratio determined by dividing the total loss absorbing capacity by the exposure measure. The exposure measure is independent from risk and includes:
- on-balance sheet exposures;
- securities financing transaction exposures;
- derivative exposures; and
- off-balance sheet items.

TLAC ratio
Ratio determined by dividing the total loss absorbing capacity (TLAC) by risk-weighted assets.

Total loss absorbing capacity – TLAC
Regulatory capital and instruments that meet the eligibility criteria set out in the Total Loss Absorbing Capacity Guideline issued by the AMF.

Unused exposure
Amount of credit authorizations offered in the form of margins or loans that is not yet used.

Used exposure
Amount of funds invested in or advanced to a member or client.

Value at Risk (VaR)
Potential loss that could occur by the next business day in normal market conditions and at a confidence level of 99% (approximate loss that could occur once every 100 days).