At your side. On your side.

2023 Annual Report
Desjardins Group

Desjardins

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Note to reader
This annual report was produced by the Marketing, Communications, Cooperation and President's Office Executive Division of Desjardins Group (Corporate Communications and Change Management Division) and the Finance Executive Division of Desjardins Group (Finance Division).

Message from the president and CEO

Always working for our members and clients

In 2023, we went from a public health crisis straight into a cost-of-living crisis. So we put enormous effort into providing caring help and support to our members and clients. We dug deep and were more proactive than ever before, offering tailor-made solutions to meet their needs and stand together, side by side, in the face of a difficult economy.

A high-performance cooperative

Despite the turbulent period that's impacting economies all around the world, we posted solid results for the fiscal year that ended December 31, 2023. We brought in total net income of $12,577 million, up $2,237 million over the previous year. Every sector in our organization played a part in our $2,259 million in surplus earnings, which was $1,017 million more than in 2022. The 2022 surplus earnings figure was restated after the January 1, 2023 adoption of International Financial Reporting Standards (IFRS) 17 Insurance Contracts.[1] Our member dividends are up, while our capital base remains very strong. And we also saw net increases in Desjardins membership. In 2023, we gained 86,765 new individual members and 12,271 new business members.

A socioeconomic leader with our feet on the ground

Our size, financial stability and the significant benefits we generate make Desjardins a formidable force for socioeconomic development.

In 2023, our vast cooperative financial group reaffirmed our leadership all across Canada through a variety of major projects. Through the GoodSpark Fund, our flagship program created in 2016, we support socioeconomic development that helps communities thrive. To date, we've supported 818 projects through investments of over $182 million.

We've also multiplied our efforts during these complex economic times and enhanced the support we offer entrepreneurs. For example, our GoodSpark Grants program provided $3 million in total to help 150 small businesses in Ontario and the Atlantic and Western provinces with projects focused on innovation, job creation, community benefits or sustainability. In Quebec, our Momentum Fund supported 620 entrepreneurs with their projects to innovate, jumpstart their digital transformation or invest in energy-efficient equipment.

Committed to solidarity

The strengths of our cooperative model, combined with our excellent business performance and values, have enabled us to be a frontline leader for change. For example, while the unprecedented housing crisis was eroding the quality of life of so many individuals and families, we got into innovation and intercooperation mode with the Quebec government and our partners to offer tangible solutions.

In particular, we committed to making 1,750 affordable housing units available all across Quebec by the end of 2025. Our centralized model allowed us to quickly set up the necessary financing package, including loans, patient capital and contributions from government and community groups.

Staying current to stay sustainable

We at Desjardins have been adapting to the times for 123 years because we've always been committed to staying relevant for our members and clients. In 2023,

[1] Surplus earnings before member dividends reported for fiscal year 2022 totalled $2,050 million under IFRS 4 Insurance Contracts, the standard in effect before the adoption of IFRS 17.

the 24th Congress of the Federation was the occasion for some major updates. Delegates voted in favour of a new mission statement and changes to top-level governance for Desjardins.

First, the new mission statement is simpler and more modern. It puts the interests of our members and clients front and centre while still embodying our cooperative nature. This updated mission statement emphasizes our commitment to communities and directs us toward our utmost priority: To offer the best answers to the needs and expectations of members and clients to contribute to their financial empowerment.

Secondly, to maintain sound governance founded on best practices, delegates decided that the roles of chair of the board of directors and president and CEO of Desjardins Group will become separate at the end of the March 2024 annual general meeting.

Youth drive the future

The future is being built today. That's why youth continued to hold such an important place in what Desjardins Group did in 2023. Our Together For Our Youth program comes to mind. It enabled us to support thousands of initiatives and partnerships. And then there was Lab22, LOVE and even Academos, which I'm proud to sponsor. Once again the Desjardins Foundation proved to be an efficient and relevant vehicle for helping the next generation succeed in school. In 2023, the Foundation's activities supported 471,688 young people in Quebec, Ontario, Alberta, New Brunswick and elsewhere in Canada.

Continuing our sustainable development efforts

In terms of sustainable development, we're actively working to create a more inclusive and low-carbon economy in Quebec and across Canada. For example, we're encouraging business owners to invest with environmental, social and governance (ESG) criteria in mind thanks to the cash back program that's part of the ESG swap offer we launched at the beginning of the year. We also provided significant support to the Victoriaville region's Cité de l'innovation circulaire et durable and the Université de Sherbrooke's Chaire Desjardins en finance responsable. We also supported the Quebec financial centre's initiative during COP28 that urged businesses to adopt the International Sustainability Standards Board's ESG reporting standards.

As for our climate action, we enhanced how we're supporting business members and clients in the energy sector as they transition to greener choices. We also validated our carbon reduction targets with the Science Based Targets initiative. One way our increased support for renewable energy took shape was $350 million in financing for Alliance de l'énergie de l'Est to build wind farms. We also worked hand in hand with Boralex and Innu communities to provide financing for the Apuiat wind farm, which will provide a long-term source of clean energy to the North Shore region.

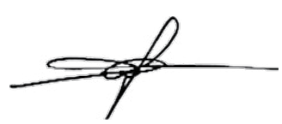
A top employer

In 2023, we were proud to receive multiple national recognitions as a top employer. Mediacorp Canada Inc. named us among the top employers in the country, the top employers for youth and the most eco-friendly employers. One thing I'm especially proud of is the Platinum Parity Certification we received from Women in Governance. As I see it, all of these recognitions speak volumes about how our approach, our practices and our innovative programs set us apart from some of the biggest organizations in Canada.

2023 was a success thanks to you!

Finally, I want to salute the extraordinary devotion of Desjardins Group, subsidiary and caisse board members as well as the commitment our employees, managers and leaders have shown all across our organization.

And to our 7.7 million members and clients, thank you for your trust. Today we're the largest cooperative financial group in North America and it's all thanks to you.



Guy Cormier
President and CEO
Desjardins Group

Our mission

As a cooperative financial group

contributing to the development of communities,

we give our members and clients the support they need to be **financially empowered.**

Highlights

2023 key figures

7.7 million members and clients

2,379
directors

56,165
employees

$538 million[1]
redistributed to members and the community

$21 million
from the GoodSpark Fund for strong, sustainable communities

20.4%[2]
Tier 1A capital ratio

$2,259 million
in surplus earnings

$23.1 billion[4]
in indivisible shared wealth held in the caisses' general reserves

$422.9 billion
in assets

$13.9 billion
in insurance premiums[3]

[1]For more information on non-GAAP financial measures, see the **Non-GAAP and other financial measures** section on pages 3 and 4 of the **Management's Discussion and Analysis**.
[2] In accordance with the *Capital Adequacy Guideline – Financial services cooperatives* issued by the Autorité des marchés financiers (AMF). See section 3.2, **Capital management**, of the **Management's Discussion and Analysis**.
[3] Direct written premiums. For more information about supplementary financial measures, see the Glossary section on pages 106 to 113 of the **Management's Discussion and Analysis**.
[4] Included in the $26.8 billion total reserves presented in Desjardins Group's combined financial statements as at December 31, 2023.

Driven by innovation

Focused on the future

The cooperative model continues to evolve. Delegates from Desjardins caisses in Quebec and Desjardins Ontario Credit Union made major decisions for the future of Desjardins Group at the 2023 annual general meeting.

Changes to the governance model for Desjardins leadership

Approximately 1,100 delegates voted to separate the role of chair of the board of directors from the role of president and CEO of Desjardins Group, a split that reflects best practices for sound governance. This change will take effect when the current president's term ends. The split will help us meet our current and future governance needs and satisfy regulatory requirements.

A new mission that reflects our commitment to members and clients

Delegates also adopted a new mission statement that provides a simple, concise expression of our purpose.

> As a cooperative financial group contributing to the development of communities, **we give our members and clients the support they need to be financially empowered**.

New benefits for members and clients

EspaceProprio: A new one-stop shop for all things real estate in Quebec

EspaceProprio is an easy way for current and prospective homeowners in Quebec to get valuable help with everything from home renovations and maintenance to buying and selling property. EspaceProprio centralizes services from DuProprio, RenoAssistance and Confia, a new agency that connects people with real estate brokers they can trust all across Quebec.

EspaceProprio provides unbiased and trustworthy information, with advice and recommendations for tools and qualified professionals to help current and prospective homeowners.

Digital proof of auto insurance now available

The Desjardins Insurance Home-Auto and The Personal apps now include digital proof of insurance.

It can be used for lots of things, like registering a vehicle, renewing registration, renting a car, filling out a report after an accident or dealing with police.

Digital proof of auto insurance is one of the latest features to be added to the wide range of solutions already available on our apps.

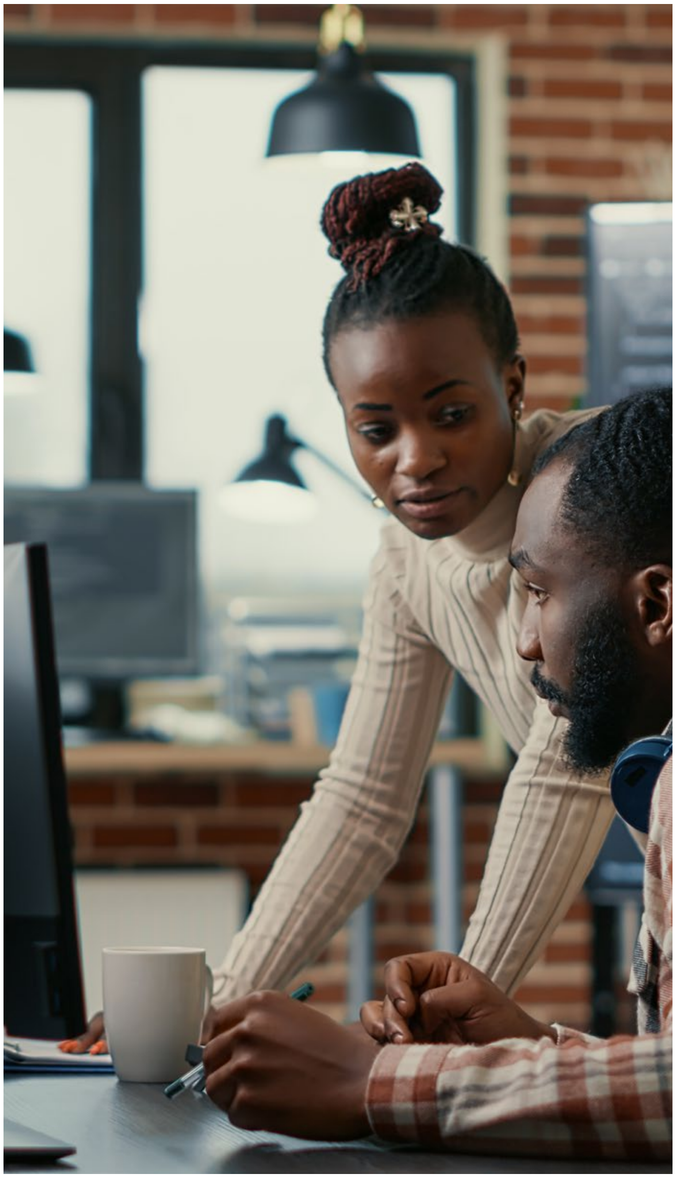
Security is our priority

An extensive cybersecurity offer for our business members

We now offer businesses the option to use physical security keys for 2-step verification to help empower business members and reduce fraud. This modern, user-friendly external device is one of the most secure authentication methods of its generation. This solution expands our range of authentication methods for AccèsD Affaires, making us a leader among Canadian financial institutions.

The physical security key complements the financing solutions we offer for businesses looking to invest in cybersecurity. We also help businesses reduce the impact of potential cyberattacks through our cyber risk insurance.

We're also a founding partner of Cybereco, an organization created in 2018. Cybereco works to democratize cybersecurity by making it accessible to all businesses. Cybereco provides all the information that businesses need to navigate the cybersecurity space through 2 free tools: a Cyberkit and a CyberDiagnostic.



Socioeconomic leadership

Driving a prosperous, inclusive, sustainable economy

Support for business owners

We help grow businesses and keep jobs in both rural and urban communities through our wide range of products and services.

We also do this through multiple programs and partnerships.

Momentum Fund

In 2023, the Momentum Fund provided $5 million to Quebec and Ontario businesses. Up to $20,000 in non-repayable funding was granted to 620 businesses to support their growth and create quality jobs, 2 key drivers of regional economic development.

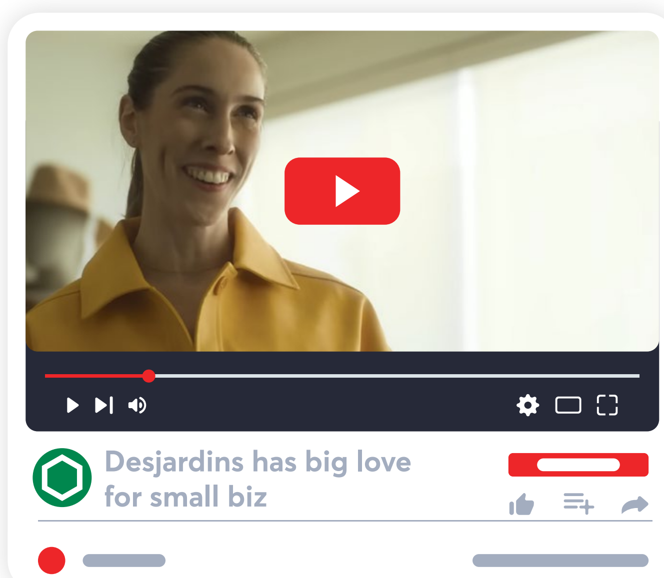
Han-Logement: Home is where the heart is

We awarded Han-Logement (in French only) a $10,000 grant to help it improve its business model. Using social housing principles, Han-Logement combines affordability with the needs of the community it serves.

Han-Logement improves living conditions for people with physical and intellectual disabilities by providing them with an affordable, adapted, safe place to live.

Desjardins GoodSpark Grants

The Desjardins GoodSpark Grants program supports small businesses' commitment to innovation, investing in their employees and sustainable development. We launched the program to stimulate economic growth in Ontario and Atlantic and Western Canada. In 2023, the program had a budget of $3 million, awarded as $20,000 grants to 150 small businesses.



Cultivating innovative entrepreneurship

Founding partner of 2 Degrés

2 Degrés is an environmental and cleantech incubator based in Quebec City. The organization guides and supports dozens of companies across Quebec that are developing innovative solutions to reduce our society's carbon footprint.

We've committed to supporting 2 Degrés by providing $400,000 in funding over 4 years. In addition to this financial support, companies working with 2 Degrés will also be able to tap into our expertise and networks to fast-track their growth. Our involvement will encourage innovation by the social impact startups participating in the incubation program.

Supporting entrepreneurship at the Université de Sherbrooke

We've been the main sponsor of Accompagnateur entrepreneurial Desjardins (AED), an initiative supporting entrepreneurship at the Université de Sherbrooke, since its creation in 2016. In May 2023, we renewed our support with a $1.5 million donation to the university. AED fosters entrepreneurship at the university by offering innovative training and learning opportunities inspired by the latest approaches to entrepreneurship. AED teaches students practical entrepreneurial skills that they can use for actual projects that open the door to multidisciplinary collaborations.

Supporting the recruitment and integration of newcomers to Canada

Given the current labour shortage, we've strengthened our partnership with Québec International to support newcomers to Canada and help them get settled. Our $1.35 million agreement will support entrepreneurs in their recruitment efforts abroad, as well as improve financial services for newcomers to Canada to help them get settled and encourage them to stay. Because many businesses are facing hiring challenges, we want to support them in their recruitment efforts and promote regional immigration.

$18.9 million[5]

invested in entrepreneurship in 2023

[5] This amount includes donations, sponsorships and partnerships, as well as commitments through our Créavenir and Desjardins Microcredit to Businesses programs.

Making sure everyone has a place to live

Committed to affordable housing

We're the only financial institution that offers a full range of financing solutions for affordable housing under one roof. This "one-stop shop" makes it easier for housing cooperatives and organizations to get their affordable housing projects off the ground.

Last year, we committed to helping community and private developers make **more than 1,750 social and affordable housing units** available in 14 regions across Quebec by the end of 2025.

In 2023, concrete plans were announced for a number of projects:

- 93 affordable housing units at Manoir Lafontaine, in the heart of Plateau-Mont-Royal (in French only)
- 56 affordable housing units in Sherbrooke (in French only)
- 720 affordable housing units at Domaine La Rousselière in Pointe-aux-Trembles, in Montreal's east end (in French only)

$1.2 million to reduce homelessness

The GoodSpark Fund pledged support to 5 organizations that help people experiencing homelessness in Montreal: La rue des Femmes, Chez Doris Women's Shelter Foundation, the new Centre de jour du Sac à dos, Projets Autochtones du Québec and the Native Women's Shelter of Montreal. The $1.2 million contribution (in French only) will fund projects that promote long-term solutions and make a difference in the lives of people experiencing homelessness and the broader community.

Because homelessness is also a reality outside major urban centres, the GoodSpark Fund also supported 2 initiatives in other areas: La HUTTE in Saint-Jérôme and Gîte Ami in Gatineau.

Contributing to community vitality

GoodSpark Fund

Through the GoodSpark Fund, we've committed to investing $250 million between 2016 and 2024 in projects that support the socioeconomic development and vitality of our communities. Since the fund was created, we've provided $182 million for 818 initiatives that support communities' priorities, like entrepreneurship, education, social responsibility, sustainable development and community involvement.

Transitional housing for survivors of intimate partner violence in Gaspésie—Îles-de-la-Madeleine

The GoodSpark Fund has provided Centre Louise-Amélie with funding to set up transitional housing for survivors of intimate partner violence. Transitional housing considerably reduces the risk that survivors will return to the home of their abuser because they have nowhere else to go.

In addition to a safe place to live temporarily, women and children will also have access to specialized post-separation family violence services to help them rebuild and regain control over their lives.

Community Development Funds

Unique to Desjardins, Community Development Funds (CDFs) are a powerful tool. They enable caisses to contribute to community development by supporting meaningful projects. During each caisse's annual general meeting, members vote on how much to put into the CDF. Thanks to the solidarity shown by our members, we redistributed $57.5 million to communities in 2023.

A major contribution to help create more childcare spaces

Caisses in Rivière-du-Loup teamed up to make a $250,000 donation from their CDFs to subsidized childcare centres in the Rivière-du-Loup regional county municipality. Over the next 3 years, the money will be used toward a number of expansion projects to create more childcare spaces.

With more than 400 children waiting for a spot in childcare centres, this coordinated response by Desjardins caisses meets a real need among families in Rivière-du-Loup.

Desjardins Cares and Shares campaign

In 2023, a total of 35,074 donors 62.3% of Desjardins employees, directors and retirees—contributed to our Cares and Shares campaign in support of the Desjardins Foundation, Centraide / United Way and the Canadian Red Cross. Between individual donations and the organization's contributions, we raised a record $9.5 million. The sense of commitment we share is helping to build inclusive communities for people in vulnerable situations and opening up a world of possibility for youth.

Game-changing generosity

We actively contribute to the sustainable development of communities by supporting a wide range of projects related to education, civic engagement, employment, entrepreneurship and healthy living.

Major support for healthcare in Quebec City

We showed our support for one of the largest university hospital centres in the province, CHU de Québec-Université Laval, with a $3.1 million donation to its foundation. The money will go toward:

- Research and innovation scholarships
- An edible garden in the heart of the new hospital complex
- Supporting the foundation's many activities, including fundraising for projects by the centre's research and healthcare teams

$126 million

in sponsorships, philanthropic partnerships and scholarships in 2023

Our solidarity-based finance programs

Through strategic partnerships with community organizations, we continued to expand our solidarity-based finance activities all across Quebec. In 2023, we invested $19.1 million in these programs.

A new format for Créavenir in Montreal

Thanks to a new partnership with École des entrepreneurs du Québec, young Montrealers will have access to personalized support and additional funding for their businesses. The new enhanced version of the Créavenir Youth Entrepreneurship Program was rolled out on the island of Montreal in November 2023. Our goal for 2026 is to help 300 young entrepreneurs with their startups.

Firmly committed to helping young people

$85 million[6] to support youth in 2023

Through our Together For Our Youth program, we help young people grow, succeed and achieve their full potential. We work together with our partners to offer young people resources and tools for 4 areas of their lives: education, employment and entrepreneurship, health and healthy lifestyles, and community involvement.

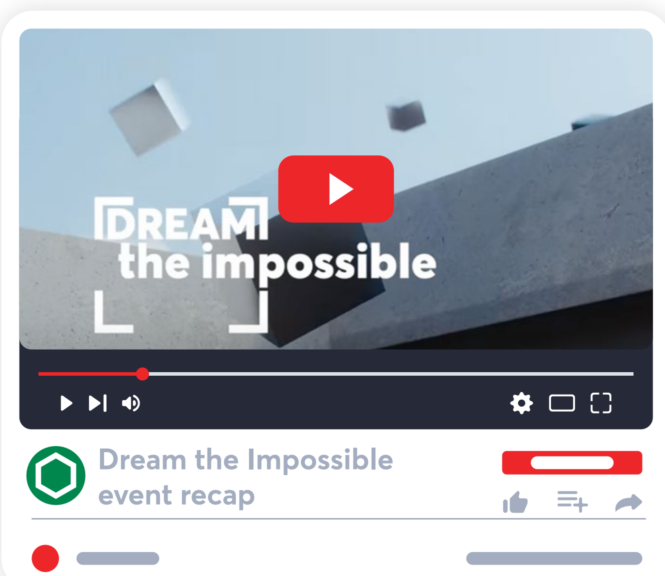
[6] Includes the amounts committed to youth (under 30 and under 35 for entrepreneurship) for all our initiatives: donations, sponsorships, scholarships, financial education initiatives, solidarity-based finance programs, support for school projects and extracurricular activities, etc.

Dream the Impossible

For 2 days in June 2023, more than 400 young people from across Canada met in Montreal to discuss, create and develop concrete solutions to some of the issues that matter the most to them: the environment, jobs, education, the economy and finances.

Hundreds more had a similar experience remotely thanks to an action-packed online program.

Dream the Impossible was a unique event that gave us the opportunity to hear the dreams, ideas and concerns of tomorrow's leaders. We hope the event will spark a movement to support youth.



CEO visits to universities

On February 2, 2023, our president and CEO, Guy Cormier, began a tour of universities to meet with students. During his 9-stop tour, he visited 8 university campuses in Quebec and 1 in Ontario.

The tour gave him the opportunity to share his personal and professional journey, listen to young people and help amplify their voices so they can fully take their place in public life.

Studies on the outlook for youth in Canada

Desjardins Economic Studies published a series of analyses on the economic challenges and opportunities facing youth in Canada. The first covered how youth are doing as they leave home to pursue an education and embark on their careers. The second report explored how affordability affects young people's life decisions. The third and final analysis examined the circumstances that will come to define this generation over the coming decades.

Our steadfast commitment to education

The Desjardins Foundation contributes to young people's academic success every year by awarding scholarships to students, prizes to schools and organizations, and donations to partner organizations. The Foundation does everything it can to encourage young people to stay in school.

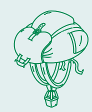
In 2023, the Desjardins Foundation awarded

$6.2 million

to 471,688 young people across the country.

4,402 hardworking scholarship winners

received support from the Desjardins Foundation, the caisse network and our business partners



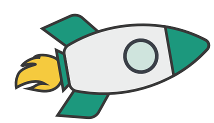
115,530 students

worked on inspiring projects thanks to the Desjardins Foundation Prizes

354,579 young people

benefited from services and resources through our partner organizations

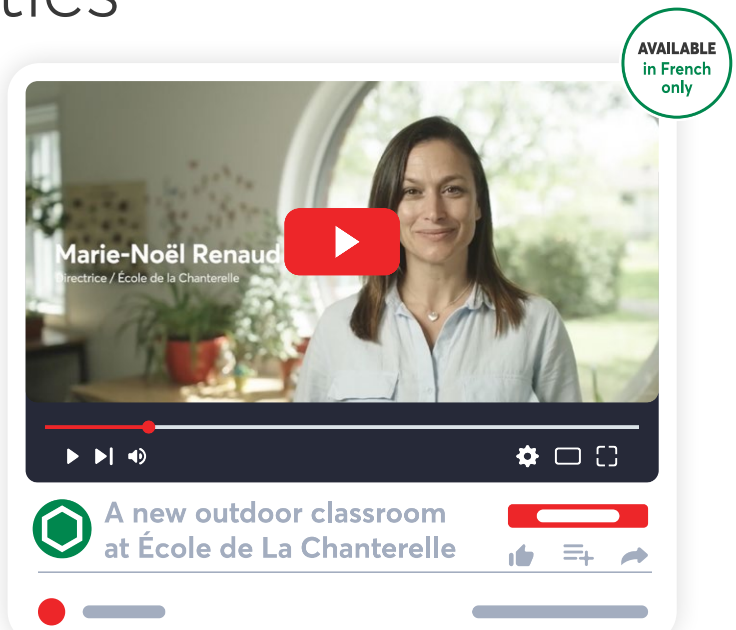
Supporting school projects and extracurricular activities



Through The Project Factory, a free fundraising platform for schools, and the Simple to Double Fund, we support school projects and extracurricular activities that motivate students and promote financial literacy.

The Project Factory in 2023:

- 242 projects completed
- 17,676 contributors
- $2.2 million raised
- 54,623 young people reached



Empowering youth through financial literacy

Promoting financial literacy and steering young people toward financial empowerment are fundamental values for our organization. Through our programs, like the School Caisse, youth dividends, Personal Finance: I'm in Charge®[7] and many more, young people can learn about saving and how to manage their money with confidence early in their financial lives.

Introducing Unforeseen, an educational game

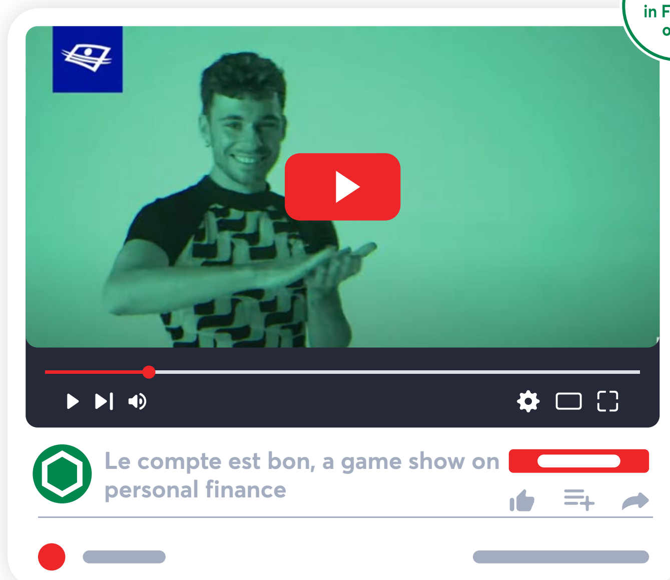
Unforeseen: The decision-making game is an educational initiative by Desjardins where life simulation meets financial management for a one-of-a-kind experience! The free app is available in English and French and targets young people ages 16–25. Through a series of fun scenarios, players learn about saving money, managing their credit, buying a home and avoiding scams. Every decision matters in this fun adventure that promotes financial literacy.

The app has been a resounding success. After its launch in October, it was downloaded 39,716 times in 2023. During the week of December 4, it was the top free simulation game on the App Store and second on Google Play!

Personal Finance: I'm in Charge marks its 10th year

Personal Finance: I'm in Charge addresses topics relevant to young people's lives, like budgeting, paying for school, staying safe online and investing responsibly. The program is run by more than 400 accredited trainers. Since its launch in 2013, the program has had 568,242 registrations.

AVAILABLE in French only



[7] ® Registered trademark of the Fédération des caisses Desjardins du Québec.

Our commitment to a fairer, more sustainable world

Climate action plan

Operational emissions: New reduction targets

Building on our net zero by 2040 climate ambition and our membership in the Business Ambition for 1.5°C coalition, in 2023, we unveiled a revised target to reduce our operational GHG emissions by 50% compared to 2020 levels by 2030.

This target includes emissions from energy consumption in buildings used by Desjardins (as an owner or as a tenant), business travel (not counting daily commutes) and paper consumption.

Renewable energy infrastructure

We continue to work toward our target of $2 billion in renewable energy infrastructure investments by 2025. Our portfolio currently totals $1.89 billion.[8]

The Desjardins shuttle is an eco-friendly option for staff travelling between Montreal and Lévis.

[8] As at September 30, 2023. Includes the Desjardins Group Pension Plan.

Responsible finance

Fast-tracking the transition to a low-carbon, circular economy

Sustainable financing

Cash back to encourage companies to invest according to ESG criteria

We introduced a new ESG swap financial product designed to cover a debt's interest rate risk and reward the company for achieving key ESG performance indicators. The cash back amount is based on the ESG impact of the commitments and the efforts required by the business to achieve them.

In April 2023, we announced our participation in one of the first projects to use this financial product in Canada, with a $125 million swap covering our portion of the financing for the Paintearth Wind Project, an onshore wind farm in Alberta. In doing so, we intend to continue playing a key role in educating and finding ways for economic players to be a part of the energy transition.

$350 million in financing to build wind farms in eastern Quebec

We're providing the Alliance de l'énergie de l'Est with up to $350 million in financing, so it can invest in renewable energy projects. The alliance is a coalition of 209 municipal and Indigenous governments representing 16 regional county municipalities in eastern Quebec, the Magdalen Islands and Wolastoqiyik Wahsipekuk First Nation.

Four wind farms, with a combined output of 922 MW, that were submitted to Hydro-Québec's request for proposals by the alliance, along with partners EDF Renewables, Invenergy, Algonquin Power & Utilities Corp. and Hydro-Québec, were accepted in March.

The unique financing structure we established is expected to have considerable economic impacts in eastern Quebec and will further establish our organization as a catalyst in the energy transition.

Financing for the Apuiat wind farm

We're acting as the coordinating lead arranger for the banking syndicate financing this project. The project is owned in equal parts by Boralex and Innu communities. This will be the first wind farm on Quebec's North Shore and will provide the region with a long-term source of clean energy for 40,000 homes. Apuiat is also expected to have a significant economic impact on Indigenous and non-Indigenous communities in the region.

$1.25 million contribution to Cité de l'innovation circulaire et durable

Through this substantial contribution, we're helping this organization become a key player in circular innovation and sustainable development. The organization leads major projects to help put Victoriaville and local businesses at the forefront of the new economy. The initiative is a natural fit with our climate action plan and our goal to help businesses speed up the transition to a more sustainable economy.

$500 million in sustainable bonds

We issued $500 million in sustainable bonds, the net proceeds of which will be used to fund loans for social (40%) and environmental (60%) projects. This was the second issue of sustainable bonds since the program launched in September 2021, for a total of $1 billion.

Responsible investment

With 74 responsible investment product options in total for our clients, including group retirement savings and institutional clients, we're one of Canada's leaders in the field. As at December 31, 2023, we had $13.8 billion in RI assets under management.

We've launched a number of initiatives to educate members and clients on responsible investment and explain the benefits and positive environmental and community impacts of responsible investment. To learn more, read the 2023 Annual Report on Responsible Investment.

Sustainable finance training with Finance Montréal

We became the first financial institution in Quebec to adopt the Introduction to Sustainable Finance program offered by Finance Montréal. The goal of the program is to educate business advisors about sustainable finance so that they can raise awareness and help business members and clients incorporate ESG criteria into their activities and business models.

Sustainable Finance Summit

We were a partner of the 2023 Sustainable Finance Summit in Montreal. President Guy Cormier took part in a discussion with Mark Carney, former Governor of the Bank of Canada and the Bank of England, and UN Special Envoy on Climate Action and Finance.

During the talk, they discussed the key role that financial institutions play in promoting sustainable finance and the transition to a sustainable economy. They also talked about the challenges and opportunities presented by sustainable finance, financial innovation and mobilization, and the importance of transparency and reporting.

Prizes and awards

Desjardins Group

Desjardins Global Asset Management was named one of the world's 50 largest institutional infrastructure investors in *Infrastructure Investor* magazine's **Global Investor 50** list. The ranking reaffirms Desjardins Global Asset Management's position as a Canadian leader in institutional asset management and responsible investment.

We earned top honours at PMI-Montréal's **Gala Élixir**, which celebrates the best in project management.

- The Project Factory won the Palmarès award for its quality execution, innovative nature and contribution to society.
- The First Nations Home Ownership Program won the jury's choice award.

Our marketing teams won a slew of **Summit Creative Awards**. Our teams took home 8 awards from this prestigious international competition honouring the best web, design, video, advertising, interactive, mobile and social marketing from creative agencies.

Products and services

We took home 5 trophies at **Fundata's annual FundGrade A+® Awards** ceremony: 1 mutual fund, 2 guaranteed investment funds and 2 exchange-traded funds won awards for their excellent performance and high level of stability in 2023.

We took home 5 awards, the most awards of any Canadian financial institution, at the **2023 SRP Americas Awards**:

- Best House, Canada for the fourth year in a row—the most prestigious award for a Canadian issuer
- Best House, Capital Protection, Americas
- Best Capital Protected Distributor, Americas
- Deal of the Year, Canada for the Responsible Option Aggressive Guaranteed Portfolio
- Best Educational Initiative for our market-linked guaranteed investments online experience

We also won the award for Canada's **Best GIC Issuer** at the **SPi Awards for Excellence**, now in its second year.

We received 4 awards during the annual **LSEG Lipper Fund Awards**.

- For the third consecutive year, the Desjardins SocieTerra Cleantech Fund was recognized as the best mutual fund in Canada in the Global Small/Mid Cap Equity category.
- The Desjardins RI Emerging Markets Multifactor - Net-Zero Emissions Pathway ETF was recognized for the second time in the Emerging Markets Equity category.
- The Desjardins Overseas Equity Fund won in the International Equity category.
- The Desjardins Floating Rate Income Fund took home the best fund award in the Multi-Sector Fixed Income category.

Desjardins Online Brokerage earned the prestigious honour of ranking highest in investor satisfaction among self-directed brokerage firms according to **J.D. Power**.

For the second year running, we were named Life & Health Insurer of the Year at the **Insurance Business Canada Awards** for our commitment to quality products and services, financial literacy and exemplary client service. We were also nominated for Excellence in Diversity, Equity and Inclusion.

Employer

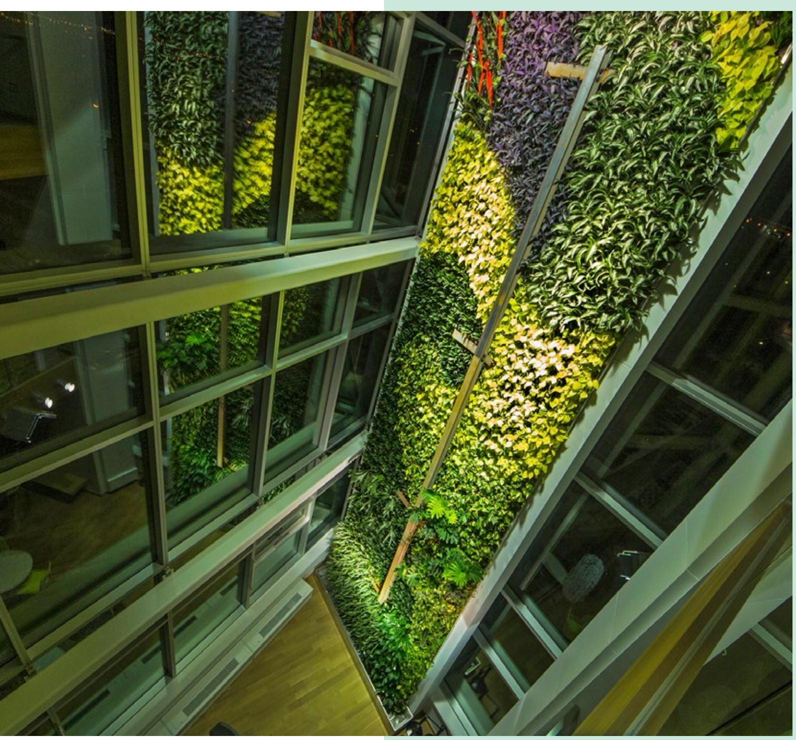
We were once again named one of **Canada's Top 100 Employers** by Mediacorp Canada Inc. We've made the list every year since 2011.

Mediacorp Canada Inc. also rated us one of **Canada's Top Employers for Young People**.

We earned **Platinum Parity Certification** from Women in Governance, the highest honour awarded by the organization. This certification recognizes the exemplary steps we're taking toward achieving equal representation of women at every level of the organization.

We won the **Maurice Pollack Award for corporations**. This award recognizes the exceptional actions taken by an organization to foster ethnocultural diversity.

We're the first private company in Quebec to receive the **Prix d'excellence - Milieux de travail alliés contre la violence conjugale**, a prize awarded by the Regroupement des maisons pour femmes victimes de violence conjugale for work done to support survivors of intimate partner violence.



Sustainable development

Two Desjardins buildings were recognized by **BOMA Quebec** in 2023 for significantly reducing their energy consumption over the previous 12 months.

Mediacorp Canada Inc. has recognized us as one of **Canada's Greenest Employers** every year since 2015.

For the 16th year in a row, we're on ***Corporate Knights*** magazine's list of the **Best 50 Corporate Citizens in Canada**.

Our people

Guy Cormier was named the **Top des leaders de l'industrie financière** by *Finance et Investissement* in the category for **national financial services institutions**. He earned this recognition for his leadership at the helm of a systemically important financial institution in Quebec that is performing well. He was also lauded for his work on ESG factors and his personal commitments, particularly to youth and the environment.

Guy Cormier was recognized as **an outstanding individual from Quebec's business community** at Portage's **Soirée des Grands Philanthropes**. They paid tribute to him for his outstanding contribution to the well-being of people and communities, his support for the business community, his commitment to socioeconomic development in Quebec and across Canada, his support for youth and his work promoting the place of women in organizations.

Alain Leprohon, Executive Vice-President, Finance and Chief Financial Officer, was awarded the title of **Fellow of the Quebec CPA Order**. This prestigious designation is awarded annually to a small number of CPAs whose careers are distinguished by their commitment and exceptional dedication to their profession.

Luc Boucher, Vice-President and Chief Legal Officer, received the **Prix Chef des affaires juridiques de l'année du Québec** for 2023 at the Prix des Conseillers juridiques du Québec awards gala. Every year, the award is presented to someone who exemplifies the legal profession and who demonstrates excellence in their work, proficiency in their area of expertise and the ability to overcome challenges.

Steeve Talbot, Desjardins Group's Chief Monitoring Officer, was honoured by the Montreal chapter of the Institute of Internal Auditors with a **Prix Reconnaissance** in the category for **internal audit executives and managers**. Jury members gave him this award to recognize his commitment to moving the profession forward and his professional achievements, vision, sense of innovation and tenacity.

Valérie Sapin, Vice-President, Marketing Centre of Expertise, was named one of Canada's 4 **Marketers of the Year** by *strategy*. The title recognizes her career achievements, particularly as a leader in marketing transformations, and the visibility she's gained our organization outside Quebec in recent months.

Enhanced Disclosure Task Force recommendations index

On October 29, 2012, the Enhanced Disclosure Task Force (EDTF), established by the Financial Stability Board, released its report, "Enhancing the Risk Disclosures of Banks", in which it issued 32 recommendations aimed at improving risk disclosure and transparency.

Information regarding the EDTF recommendations is presented in the Management Discussion and Analysis (MD&A), the Financial Statements as well as in "Supplemental Financial Information" report and "Pillar 3 Report", which are available on Desjardins Group's website at www.desjardins.com/ca/about-us/investor-relations. The "Supplemental Financial Information" report and "Pillar 3 Report" are not incorporated by reference in the 2023 MD&A.

Below is a summary of disclosures under the EDTF recommendations and the location of the disclosures (page number):

Type of risk	Recommen-dation	Disclosure	2023 Annual Report	Supplemental Financial Information	Pillar 3 Report
General	1	Summary of risk information	Current page		
	2	Risk terminology, risk measures and key parameters	55-60, 106-113	11	110-112
	3	Top and emerging risks	44, 45, 52-54, 60-86		
	4	New regulatory ratios	44, 45, 47, 79, 81-83, 225, 226		
Risk governance, risk management and business models	5	Organizational risk management structure	55-60		
	6	Risk management culture	56-60		
	7	Risks from business model and risk appetite	10, 25, 30, 34, 37, 43, 44, 48, 49, 55-61		
	8	Stress testing	43, 44, 56, 60, 61, 75-77		
Capital adequacy and risk-weighted assets	9	Minimum regulatory capital requirements	44, 45		14-16, 103, 104
	10	Reconciliation of the accounting balance sheet and the regulatory balance sheet	46-48, 225, 226		18, 19, 30, 31, 103
	11	Movements in regulatory capital	45, 47, 48		
	12	Capital management and planning	43-50		
	13	Risk-weighted assets by business segments	49, 61		7-10
	14	Breakdown of capital requirements by type of risk and by calculation method	48, 49, 62, 63, 66, 67, 75-77		7-9, 11
	15	Credit risk	48-50		71, 75-77, 80
	16	Movements in risk-weighted assets by type of risk	49, 50		7-11, 71
	17	Back testing and validation of credit models	66		72-74, 80
Liquidity	18	Management of liquidity needs and reserve	79-83		
Funding	19	Encumbered and unencumbered assets	80-86, 230, 231		
	20	Residual contractual maturities of assets, liabilities and off-balance sheet commitments	82-84, 232-236		
	21	Funding sources and strategies	42, 43, 79, 83-85		
Market risk	22	Reconciliation of market risk measures to balance sheet	74, 75		
	23	Market risk factors	74-78, 207-211		
	24	Assumptions, limitations and validation procedures for market risk models	75-77		
	25	Extreme loss measures	43, 44, 56, 75-77		
Credit risk	26	Credit risk profile	42, 53, 54, 56, 66, 67, 69-74	6-10	34-80
	27	Policy for identifying gross credit-impaired loans	68, 127-149		
	28	Reconciliation of gross credit-impaired loans and allowance for credit losses	42, 68-74, 127-149, 163-170		40, 57-70
	29	Counterparty risk related to derivatives	73, 74, 213-222		81-93
	30	Credit risk mitigation techniques	67, 68, 73, 74, 213-222		42-46, 48-50
Other risks	31	Management of other risks	48-50, 52-54, 58-61, 86-93		
	32	Publicly known risk events	86-88, 230, 231		

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 February 21, 2024, presents the analysis of the results of and main changes to Desjardins Group's balance sheet for the year ended December 31, 2023, in comparison to prior fiscal years. 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 regulations. 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 instead 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 is to 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 Section 5.0, "Additional information", of this MD&A.

The MD&A should be read in conjunction with Desjardins Group's Combined Financial Statements, including the Notes thereto, as at December 31, 2023.

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 the first quarter of 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. More 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 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 in Québec, which do not differ from IFRS. IFRS represent Canadian generally accepted accounting principles (GAAP). Desjardins Group modified certain accounting policies following the adoption of IFRS 17, "Insurance Contracts", as at January 1, 2023. For more information about the accounting policies used and changes in accounting policies, see Note 2, "Accounting policies", to the Combined Financial Statements. The adoption of this standard resulted in major changes to Desjardins Group's Combined Financial Statements. Certain comparative figures for the year ended December 31, 2022, have been restated, and a restated opening Balance Sheet as at January 1, 2022, is presented in the Combined Financial Statements to reflect this new standard.

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 Combined Financial Statements.

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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. Such 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 the MD&A include those discussed in Section 4.0, "Risk management", of this MD&A and, in particular, credit, market, liquidity, operational, insurance, strategic and reputation risk, as well as 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 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 about these factors is found in Section 4.0, "Risk management", of this MD&A.

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 about these and other factors is found in Section 4.0, "Risk management", of this MD&A.

The significant economic assumptions underlying the forward-looking statements in this MD&A are described in Section 1.5, "Economic environment and outlook", of this MD&A and can be updated in the interim MD&As subsequently filed. 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, which is a non-GAAP ratio, is used to measure the profitability of interest-bearing assets, net of financing cost. It is equal to net interest income expressed as a percentage of average interest-bearing assets.

Average interest-bearing assets and average interest-bearing liabilities are non-GAAP financial measures that reflect Desjardins Group's financial position and are used to exclude non-interest-bearing assets and liabilities from average assets and average liabilities. They are equal to the average of month-end balances for the year. Average interest-bearing assets include securities, cash and deposits with financial institutions, as well as loans. Average interest-bearing liabilities include deposits, subordinated notes and other interest-bearing liabilities. Average interest-bearing assets and liabilities exclude life and health insurance and property and casualty insurance assets and liabilities as well as all other assets and liabilities not generating any net interest income.

The table below presents the reconciliation between average assets presented in accordance to GAAP and average interest-bearing assets used to calculate the net interest margin as well as the reconciliation between average liabilities presented in accordance to GAAP and average interest-bearing liabilities.

Table 1 – Average interest-bearing assets and liabilities
For the years ended December 31

(in millions of dollars and as a percentage)	2023	2022 Restated
Average assets – as presented	**$ 409,820**	$ 399,913
Less: Assets not generating net interest income	**101,505**	103,201
Average interest-bearing assets	**$ 308,315**	$ 296,712
Net interest income	**$ 7,033**	$ 6,330
Net interest margin	**2.28%**	2.13%
Average liabilities – as presented	**$ 376,594**	$ 366,984
Less: Liabilities not generating net interest income	**104,748**	112,159
Average interest-bearing liabilities	**$ 271,846**	$ 254,825

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

These non-GAAP ratios, which are net of reinsurance, are used to measure the performance of the Property and Casualty Insurance segment and more specifically:
- Loss ratio: 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: 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 are a non-GAAP financial measure, which is used to exclude the effect of policy costs and acquisition costs, as well as the effect of the loss component on onerous contracts, and to include in the indicators the effect of reinsurance held.

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 expenses and certain 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 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 following table presents the reconciliation of non-GAAP financial measures and GAAP financial measures 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 ratio for the Property and Casualty Insurance segment.

Table 2 – Loss ratio – Expense ratio – Ratio of losses on onerous contracts – Combined ratio
For the years ended December 31

(in millions of dollars and as a percentage)	2023	2022 Restated
Insurance revenue – as presented	**$ 6,642**	$ 6,225
Less: Premiums paid related to reinsurance activities[1]	**306**	192
Net insurance revenue	**$ 6,336**	$ 6,033
Insurance service expenses – as presented	**$ 5,775**	$ 5,738
Less: Policy costs and acquisition costs	**1,302**	1,286
Less: Effect of loss component on onerous contracts	**(54)**	216
Less: Claims incurred and costs of ceded claims[1]	**237**	162
Net claims expenses	**$ 4,290**	$ 4,074
Gross non-interest expense – as presented	**$ 1,025**	$ 988
Less: Non-interest expense related to claims[2] and certain items[3]	**433**	429
Plus: Acquisition costs and certain policy costs included in insurance service expenses	**1,066**	1,043
Non-interest expense excluding non-interest expense related to claims and certain items	**$ 1,658**	$ 1,602
Effect of loss component on onerous contracts	**$ (54)**	$ 216
Less: Effect of loss component on ceded onerous contracts[1]	**2**	18
Effect of loss component on net onerous contracts	**$ (56)**	$ 198
Loss ratio	**67.7%**	67.5%
Expense ratio	**26.2**	26.6
Ratio of losses on onerous contracts	**(0.9)**	3.3
Combined ratio	**93.0**	97.4

(1) These items are included under "Net reinsurance service income (expenses)".
(2) Represents non-interest expense directly related to claims adjustments, which are presented under "Insurance service expenses".
(3) From investment management expenses and certain other specific items.

Giving back 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 Table 3, "Financial highlights", in this MD&A.

Supplementary financial measures

In accordance with Regulation 52-112, supplementary financial measures are used to depict historical or expected future financial performance, financial position or cash flow. 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 106 to 113.

REGULATORY ENVIRONMENT

Regulatory environment

The *Act respecting financial services cooperatives* and other applicable legislation

Desjardins Group's operations are governed in particular by the *Act respecting financial services cooperatives* (AFSC) and the *Insurers Act*. The Minister of Finance of Québec is responsible for the application of the AFSC and the AMF is responsible for its administration. The AMF is the main government agency that oversees and monitors deposit-taking institutions (other than banks) and insurance companies that do business in Québec and are governed by Québec law, including the caisses and the Federation and some of its insurance subsidiaries. Other federal and provincial regulations, in addition to those of regulators, may also govern some operations of Desjardins Group's entities, such as the Office of the Superintendent of Financial Institutions (OSFI) related to property and casualty insurance, and custodial and trust services. The AFSC prescribes, among other things, the rules for organizing a network of financial services cooperatives and a financial group, and the rules for issuing capital shares and investment shares.

The AFSC includes a chapter concerning the *Groupe coopératif Desjardins* (the Cooperative Group), which comprises the Desjardins caisses in Québec, the Federation and the *Fonds de sécurité Desjardins* (FSD) and specifies the financial solidarity mechanisms within the Cooperative Group. Under the AFSC, the Federation's mission includes, in particular, to provide Desjardins Group’s risk and capital management and see to the financial health of the Cooperative Group and its sustainability. To this end, the Federation and the FSD have special powers of supervision and intervention regarding the protection of creditors, including depositors. As well, the Federation may, in accordance with its mission and when it considers that the financial position of the Cooperative Group so warrants, give written instructions to any caisse or order it to adopt and apply a recovery plan. Apart from the annual assessments required from the caisses, set by resolution of the Federation’s Board of Directors under the AFSC and its internal By-laws, the Federation may set, under the AFSC and by resolution of its Board of Directors, the assessments it considers necessary for the pursuit of its missions.

For its part, the FSD is required, in particular, to ensure the distribution of capital and other assets among the components of the Cooperative Group so that each one can fulfill its obligations to its depositors and other creditors in full, correctly and without delay. Under the AFSC, it is empowered, in particular, to set and collect assessments from the entities of the Cooperative Group. The FSD requests and collects assessments from the Québec caisses every year. It is also required to intervene with a component of the Cooperative Group each time it appears necessary to do so in order to protect the component’s creditors. The FSD may, in such circumstances, order the sale of any part of the business of a caisse, order the amalgamation or dissolution of caisses or establish a legal entity to facilitate the liquidation of a caisse’s bad assets. Furthermore, the FSD mutualizes the cost of its interventions among the components belonging to the Cooperative Group. In addition, if it considers that its financial resources are inadequate to carry out its mission, it may set a special assessment and require any component of the Cooperative Group to pay it.

The AFSC also provides that all the Québec caisses, the Federation and the FSD may be amalgamated into a single legal entity to be wound up, as these entities cannot be wound up in any other manner. As a result, in the event of liquidation, the Cooperative Group’s capital and assets in their entirety (and, indirectly, of Desjardins Group) are available to satisfy all the Cooperative Group’s debt.

Under the AFSC, the directors and officers of a financial services cooperative that is part of the Cooperative Group are duty-bound toward these cooperatives and the FSD, in the performance of their functions, to act with prudence and diligence, as well as with honesty and loyalty and in the interest of the Cooperative Group, and not only in the interest of the cooperative. When the cooperative’s interest is not that same as that of the Cooperative Group, they must promote the interest of the latter. In determining whether something is in the Cooperative Group’s interest, the Cooperative Group must be considered to be a single legal person comprising the cooperatives (including the Federation and the Québec caisses) and the FSD that is included in this group.

The assessment and intervention powers of the Federation and the FSD, combined with the primacy of the Cooperative Group's interest and the universal amalgamation/winding-up operation, as described earlier, are the fundamental principles of financial solidarity mechanisms, which constitute one of the key elements of Desjardins Group’s and the Cooperative Group’s financial structure.

The *Deposit Institutions and Deposit Protection Act* also provides for recovery and resolution mechanisms in the event of failure of deposit-taking institutions that are part of the Cooperative Group. For more details, see "Internal recapitalization (bail-in) regime and total loss absorbing capacity" below.

Regulatory governance requirements

As mentioned on page 1, Desjardins Group reports financial information in compliance with *Regulation 52-109 respecting Certification of Disclosure in Issuers’ Annual and Interim Filings*, as prescribed by the CSA. Desjardins Group’s financial and corporate governance are discussed on pages 93 and 94 of this MD&A and in the "Corporate governance" section of the 2023 Desjardins Group Annual Report.

Domestic systemically important financial institution

In June 2013, the AMF determined that Desjardins Group met the criteria to be designated a domestic systemically important financial institution (D-SIFI), which subjects Desjardins Group to higher capital requirements and enhanced disclosure requirements, among other things, as instructed by the AMF. Desjardins Group globally incorporates the recommendations issued by the Enhanced Disclosure Task Force (EDTF) of the Financial Stability Board contained in the document "Enhancing the Risk Disclosures of Banks", into its risk management disclosure framework. Desjardins Group also continues to adapt its disclosure to comply with the principles of risk data aggregation and risk reporting (RDARR), which aim to strengthen governance as well as risk data aggregation and risk reporting capabilities. Furthermore, Desjardins Group developed a living will, detailing the actions it would take to restore its financial position in the event of a severe crisis.

Internal recapitalization (bail-in) regime and total loss absorbing capacity

The *Deposit Institutions and Deposit Protection Act* and its regulations, as well as certain other laws, regulations and guidelines, collectively provide for a resolution process and internal recapitalization (bail-in) regime for domestic systemically important financial institutions belonging to a Cooperative Group. The objective of resolution operations, including the bail-in regime, is to ensure the sustainability of the operations of deposit-taking institutions belonging to a cooperative group despite their failure, without resorting to public funds, and to have holders of contributed capital securities and creditors absorb losses, thereby minimizing taxpayer exposure to the losses.

Among other resolution operations, the AMF may, in particular, (i) amalgamate the Cooperative Group and have it continued as one Québec savings company, (ii) establish a bridge institution in order to have it assume the liabilities, in relation to deposits of money, of deposit-taking institutions belonging to the Cooperative Group, (iii) establish an asset management company with a view to transferring any part of the assets or liabilities of a legal entity belonging to the Cooperative Group to such asset management company, except liabilities in relation to deposits of money, and/or (iv) transfer the assets and liabilities of a legal entity belonging to the Cooperative Group to any acquirer.

In addition, in the event that any deposit-taking institution belonging to the Cooperative Group becomes non-viable, the AMF may convert any part of the capital shares issued by the deposit-taking institutions belonging to the Cooperative Group (such as Class F capital shares) and/or of certain other debt securities prescribed by regulation issued by the Federation into contributed capital securities of the Federation, of a deposit-taking institution belonging to the Cooperative Group, or of another legal entity constituted for such purpose or resulting from the resolution process of the Cooperative Group. Covered bonds, certain derivatives and structured notes, senior unsubordinated debt instruments that (i) have a maturity of less than 400 days (including explicit or embedded extension options) or (ii) are not assigned an international securities identification number (ISIN) or other similar designation for the purposes of trading and settlement, and subordinated notes that are non-viability contingent capital instruments are all excluded from the application of the bail-in regime. Holders of converted capital shares or debt instruments may be eligible for indemnification, as set forth under applicable regulations.

The AMF released, on March 21, 2019, the *Notice relating to the bail-in power set out in the second paragraph of section 40.50 of the Deposit Insurance Act*, which specifies the AMF's current intention with respect to the application of the bail-in regime. In this context, the AMF plans to propose to the resolution board that it convert negotiable and transferable unsecured debt into capital shares of the Federation in accordance with the conversion measures set out in the regulations. The AMF would then propose to the resolution board that it carry out an amalgamation/continuance operation, the purpose of which would be to amalgamate the entities belonging to the Cooperative Group and have them continued as one Québec savings company. This operation would result in the capital shares issued by the amalgamating entities being converted into common shares of the savings company.

The bail-in regime applicable to Desjardins Group is essentially similar to the Canadian federal regime to which Canadian banks are subject. In addition, the bail-in regime is not retroactive in respect of debt instruments and does not apply to any debt instruments issued prior to March 31, 2019. The bail-in regime could adversely affect the Federation's cost of funding.

Furthermore, the AMF's *Total Loss Absorbing Capacity Guideline* (the TLAC Guideline) applies to and establishes standards for Desjardins Group in this regard. As a result, since April 1, 2022, Desjardins Group has been required to maintain at all times a minimum loss absorbing capacity composed of unsecured external long-term debt that meets the prescribed criteria or regulatory capital instruments to support its recapitalization in the event of a failure. Additional information can be found under "Regulatory framework" in Section 3.2, "Capital management".

U.S. regulations

Desjardins Bank, National Association, a wholly owned subsidiary of Desjardins FSB Holdings, Inc., is authorized to carry on banking operations as a national banking organization under the charter issued to it by the Office of the Comptroller of the Currency of the United States (OCC), an independent office of the United States Department of the Treasury and the regulator that oversees it. The U.S. operations of Desjardins FSB Holdings, Inc., as a bank holding company and wholly owned subsidiary of the Federation, are subject to the supervisory and regulatory authority of the Federal Reserve Bank of Atlanta. The Federation also operates a branch in Florida, namely Desjardins Florida Branch (DFLB), that has been given the status of a Limited Federal Branch of a Foreign Banking Organization by the OCC. DFLB is subject to regulation by the International Banking Supervision division of the OCC's Large Banks Supervision department. Desjardins Group is governed by the U.S. *Bank Holding Company Act,* as amended by the *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010* (Dodd-Frank Act), and the U.S. Federal Reserve regulations. On October 22, 2015, the Board of Governors of the U.S. Federal Reserve System determined that Desjardins Group could be treated as a Financial Holding Company (FHC).

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, privacy protection, money laundering, terrorist financing, and domestic and international economic sanctions in order to mitigate any negative impact on its operations, and aims to comply with best practices in this regard. Further information on regulatory capital developments is provided in Section 3.2, "Capital management".

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 on July 10, 2019, June 1, 2020 and June 1, 2021, while those relating to the reporting requirement came or will come into force, as applicable, on October 2023, April 2024 and June 2024. After the publication of these regulatory changes, a project was implemented within Desjardins Group so that its systems, processes and procedures would be amended accordingly. On June 7, 2023, the Department of Finance Canada launched a consultation on the parliamentary review of the PCMLTFA, which must be carried out every five years. Reporting entities and stakeholders had until August 1, 2023 to comment, which Desjardins Group did in a brief that it produced. New regulatory changes were published in the *Canada Gazette on* October 11, 2023, which came or will come into force, as applicable, on September 26, 2023, January 1, 2024, July 1, 2024 and October 11, 2024. After analysis, the only change affecting Desjardins Group's reporting entities is 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, registration applications and banking correspondent relations. Analyses and work are under way to implement the new regulatory changes that will come into force in July and October 2024. 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.

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* is being phased in over a three-year period. After complying with the requirements that came into force on September 22, 2022, Desjardins Group has continued working to meet the requirements effective on September 22, 2023 and 2024.

On May 23, 2023, the *Commission d'accès à l'information* also published its general framework for the application of administrative monetary penalties, which describes the process for imposing penalties and the factors taken into account to establish the amount of the penalty. On October 31, 2023, the Commission d'accès à l'information also issued its *Lignes directrices sur les critères de validité du consentement* (guidelines on criteria for valid consent). These guidelines are in line with Desjardins Group's approach to consent and the processing of personal information. Finally, on December 20, 2023, the Québec government published a draft regulation on anonymization in the *Gazette officielle du Québec*, as provided for in section 23 of the *Act respecting the protection of personal information in the private sector.* Teams of the *Bureau du Chef de la protection des renseignements personnels* (BCPRP) are taking part in the consultations being held on this regulation. 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. Furthermore, on October 11, 2023, the Office of the Privacy Commissioner of Canada launched a public consultation on its *Draft Guidance for processing biometrics*. The BCPRP will produce a brief containing its comments, recommendations and observations within the prescribed time limit. Lastly, following the announcement of the federal government's intention to implement legislative measures and a governance framework for an open banking system, developments in this file are also being closely monitored to analyze the impact on Desjardins Group's operations.

Pillar 3 financial disclosure requirements

Desjardins Group continues to monitor changes in financial disclosure requirements under global standards developed by the Basel Committee on Banking Supervision (BCBS). These Pillar 3 requirements aim to enhance comparability with other financial institutions, transparency and disclosure with regard to regulatory capital adequacy and risk exposure. Desjardins Group has been issuing a Pillar 3 Report since December 31, 2018 in order to comply with Pillar 3 requirements. In January 2022, the AMF issued an update to the *Pillar 3 Disclosure Requirements Guideline*, which clarifies the implementation of provisions and incorporates new requirements that address, in particular, risk-weighted asset modelling, encumbered assets and compensation. In December 2023, the AMF released a new update to this guideline, effective January 1, 2024, which provides clarifications on disclosures in certain templates and tables.

Interest rate benchmark reform

Interest rate benchmark reform is a global initiative that includes Canada and is being led by the central banks and regulatory authorities. Its objective is to improve benchmark indices by making sure they comply with robust international standards. The gradual withdrawal of certain interest rate benchmarks began on May 17, 2021, with the discontinuation of the six-month and 12-month Canadian Dollar Offered Rate (CDOR), followed by the official cessation of the publication of the London Interbank Offered Rate (LIBOR) after December 31, 2021 for all currencies except certain USD LIBOR settings, which ceased publication on June 30, 2023. Subsequently, on May 16, 2022, Refinitiv Benchmark Services (UK) Limited (RBSL), CDOR's administrator, announced that it would cease publishing all tenors of CDOR after June 28, 2024. This announcement triggered the two-stage transition period recommended by the Canadian Alternative Reference Rate (CARR) Working Group in its December 2021 White Paper. At the end of the first stage of the transition plan, which occurred on June 30, 2023, the CARR Working Group expected that CDOR would be replaced by the Canadian Overnight Repo Rate Average (CORRA) for new derivative products (except in certain specific circumstances) and for securities. At the end of the second stage of the transition plan, which should occur on June 28, 2024, CDOR-based loan contracts will have to have transitioned to the CORRA rate or any alternative reference rate available at the cessation date. For certain maturities, the use of Term CORRA, which has been available since September 5, 2023, is restricted to loans and derivative financial instruments associated with ancillary hedging strategies. On July 27, 2023, the CARR Working Group announced that lenders would no longer be able to offer new CDOR loans after November 1, 2023. The task force on interest rate benchmark reform, which was set up internally to ensure a seamless transition from benchmark interest rates, continues to manage the discontinuation of CDOR, including the impact on hedging relationships, and is pursuing its work as scheduled in its transition plan.

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 draft *Regulation respecting the language of commerce and business* was published for comment on January 10, 2024 in the *Gazette Officielle du Québec*. 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 final regulation will come into force on June 1, 2025, except for certain provisions, including those for contracts of adhesion, which will come into force on the fifteenth day following the date of the final publication in the *Gazette Officielle du Québec.* Desjardins Group continues to closely 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

In 2023, regulatory and standard-setting authorities continued to clarify their ESG expectations by developing frameworks and standards:
- In March 2023, the OSFI issued Guideline B-15, *Climate Risk Management*, which concerns governance and risk management expectations and climate-related financial disclosures. It will be phased in during fiscal years 2024 to 2026, depending on the organizations and data concerned. The OSFI also held two consultations on climate in 2023, on which Desjardins commented. The first one was related to climate risk returns (collecting climate-related emissions and exposure data). Then, in December 2023, the topic was its standardized climate scenario analysis exercise.
- 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.
- Internationally, the International Sustainability Standards Board (ISSB), established by the IFRS Foundation, issued Sustainability-related Disclosure Requirements (IFRS S1), and Climate-related Disclosure Requirements (IFRS S2) in June 2023. Three consultations were also conducted during the second and third quarters of 2023 in order to revise the disclosure standards of the Sustainability Accounting Standards Board (SASB), to prioritize future topics of interest to ISSB, such as biodiversity, human rights and human capital, and to define a digital Sustainability Disclosure Taxonomy.
- The second reading in the Senate of the bill regarding climate-aligned finance (S-243) has been completed. The aim of the bill is to require banks to increase capital risk weights and capital reserve requirements for financing exposed to acute transition risks.
- In November 2023, the AMF issued a draft *Climate Risk Management Guideline* for consultation, in which Desjardins participated. The AMF's expectations in this guideline concern governance, integrated risk management, climate scenarios and stress testing, capital and liquidity adequacy, fair treatment of clients and disclosure of climate-related financial risks. IFRS S1 and IFRS S2 could be subsequently taken into consideration, resulting in an update to this guideline.

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), the Sustainability Accounting Standards Board (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", and detailed in the "Climate action at Desjardins – 2023 TCFD report on Climate change-related risks and opportunities" report.

Canadian tax measures

On November 30, 2023, the Government of Canada tabled 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*. This bill provides, in particular, for a new rule to deny the "dividend received deduction" to financial institutions for dividends received by such institutions after December 31, 2023 on Canadian shares (except for certain preferred shares) that are mark-to-market property for tax purposes. These proposals, if enacted, will increase the amount of income tax payable by Desjardins Group as of 2024. The final impact of this proposed measure will depend on the final legislation that is enacted.

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). Desjardins Group continues to monitor this file closely and will respond, where appropriate, to consultations on this subject directly or through industry associations.

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

On August 10, 2023, the AMF issued a draft regulation proposing to amend 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 would increase from 5 to 7.5 basis points of the amount of the deposits held by Desjardins Group and guaranteed by the AMF. The draft regulation is scheduled to come into force on April 30, 2024, subject to Ministerial approval. Interested persons had until October 9, 2023 to submit their comments, and Desjardins participated in this consultation. Desjardins Group continues to be on the look-out for changes to this draft regulation, and the impact on the premium paid by Desjardins will depend on the final regulation to be passed.

1.0 Desjardins Group

1.1 Profile and structure

WHO WE ARE

Desjardins Group is the largest financial cooperative group in North America, with assets of $422.9 billion. As at December 31, 2023, the organization grouped together 208 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 close to 56,200 employees and the commitment of nearly 2,380 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 (comprised of the Desjardins caisse network in Québec, the Federation and the *Fonds de sécurité Desjardins*), pursuant to the 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-winding-up 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 Section 5.5, "Additional information required pursuant to the AMF's Decision No. 2021-FS-0091".

WHAT MAKES US DIFFERENT

Desjardins Group takes pride in its cooperative nature because it provides the necessary leverage to always work in the interests of members and clients. The resulting mission and values are the driving force for its directors, managers and employees. They are echoed in its orientations, and help Desjardins Group achieve its vision of sustainable prosperity within the communities it serves. Since the first caisse was founded in 1900 in Lévis, Desjardins Group has always been a key player in financial literacy, and it believes that the cooperative business model is more relevant now than ever in a greatly changing world.

Desjardins Group continues to make progress in acting on its commitments and taking concrete measures to integrate environmental, social and governance (ESG) factors into its business model and in managing its operations, as well as to combat and adapt to climate change and biodiversity loss. It does this, in particular, through financial literacy and solidarity-based finance, as well as by offering products and services that meet all the financial needs of members and clients.

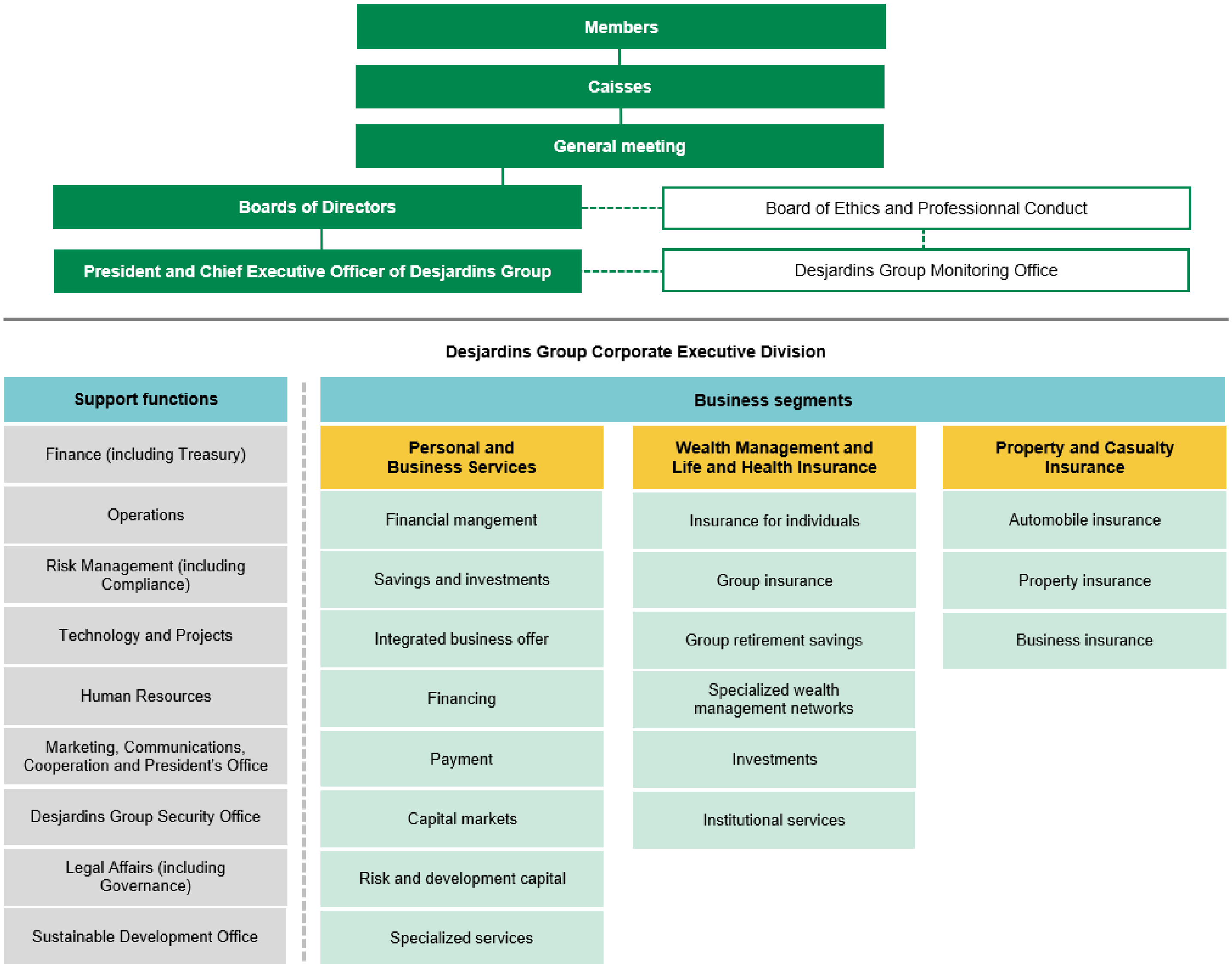
Desjardins Group's goal is to be everyone's #1 choice. Thanks to its varied distribution channels, numerous intermediary networks and personnel who strive to always work in the interests of members and clients, Desjardins Group stays close to its members and their communities. In order to best meet members' increasingly diverse needs, Desjardins Group pays special attention to the caisse network and its range of service delivery methods. This process is also part of Desjardins Group's continued commitment to the vitality of cooperation at the caisse level in terms of democratic life, representation, education and training, cooperation with other cooperatives and support for community development.

Another hallmark of Desjardins Group is its modern, grassroots-level democratic governance, based on the active participation of directors elected by caisse members. This participation is expressed in working together and in terms of governance. Community collaboration groups are active in various areas where the caisses are present, and the Desjardins Collaboration Forum serves a similar purpose at the caisse network level. In terms of governance, the caisses' elected officers participate at the annual general meeting, at orientation congresses and on the Board of Directors of the Federation and its subsidiaries and its various commissions.

STRUCTURE OF DESJARDINS GROUP

Desjardins Group's structure has been designed to take into account the needs of its members and clients, as well as the markets in which it operates. As a result, the Federation and its subsidiaries, the caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc. have the support of three main business segments (Personal and Business Services, Wealth Management and Life and Health Insurance, and Property and Casualty Insurance), which enhances their ability to build on their products and services.

Additional information on the business segments, particularly their profile, operations, 2023 achievements, the industry in which they operate, and their strategies and priorities for 2024 may be found in Section 2.3, "Analysis of business segment results".



1.2 Financial highlights

Table 3 – Financial highlights

As at December 31 and for the years ended December 31

(in millions of dollars and as a percentage)	2023	2022[1][2] Restated
Results		
Net interest income	**$ 7,033**	$ 6,330
Insurance service result	**1,366**	1,058
Net insurance finance result	**691**	8
Net insurance service income (loss)	**2,057**	1,066
Other income	**3,487**	2,944
Total net income	**12,577**	10,340
Provision for credit losses	**529**	277
Non-interest expense		
Gross non-interest expense	**10,217**	9,525
Non-interest expense included in insurance service expenses[3]	**(985)**	(1,023)
Net non-interest expense	**9,232**	8,502
Income taxes on surplus earnings	**557**	319
Surplus earnings before member dividends	**$ 2,259**	$ 1,242
Contribution to surplus earnings by business segment[4]		
Personal and Business Services	**$ 1,162**	$ 1,020
Wealth Management and Life and Health Insurance	**581**	313
Property and Casualty Insurance	**494**	(35)
Other	**22**	(56)
	$ 2,259	$ 1,242
Amount returned to members and the community[5]		
Member dividends	**$ 412**	$ 403
Sponsorships, donations and scholarships[6]	**126**	115
	$ 538	$ 518
Indicators		
Net interest margin[5]	**2.28%**	2.13%
Return on equity[7]	**6.8**	3.8
Credit loss provisioning rate[7]	**0.20**	0.11
Gross credit-impaired loans/gross loans and acceptances[7]	**0.74**	0.48
Liquidity coverage ratio[8]	**154**	140
Net stable funding ratio[8]	**124**	126
Productivity index – Personal and Business Services[7][9]	**76.3**	79.2
Insurance and annuity premiums – Wealth Management and Life and Health Insurance[7]	**$ 6,313**	$ 5,806
Total contractual service margin (CSM) – Wealth Management and Life and Health Insurance[10]	**2,595**	2,627
Direct written premiums – Property and Casualty Insurance[7]	**6,856**	6,205
On-balance sheet and off-balance sheet		
Assets	**$ 422,940**	$ 403,944
Net loans and acceptances	**265,935**	249,695
Deposits	**279,329**	259,836
Equity	**34,390**	32,407
Assets under administration[7]	**535,264**	447,312
Assets under management[7]	**81,551**	76,169
Average assets[7]	**409,820**	399,913
Average interest-bearing assets[5]	**308,315**	296,712
Capital measures		
Tier 1A capital ratio[11]	**20.4%**	20.2%
Tier 1 capital ratio[11]	**20.4**	20.2
Total capital ratio[11]	**21.9**	21.9
TLAC ratio[12]	**29.4**	28.7
Leverage ratio[11]	**7.3**	7.6
TLAC leverage ratio[12]	**10.5**	10.6
Risk-weighted assets[11]	**$ 140,481**	$ 139,311
Other information		
Number of employees	**56,165**	58,774

(1) The data have been adjusted to conform to the current year's presentation notwithstanding IFRS 17, which was adopted on January 1, 2023.
(2) Surplus earnings before member dividends for fiscal 2022 were $2,050 million under IFRS 4, "Insurance Contracts", the standard in force prior to the adoption of IFRS 17.
(3) Represents the non-interest expense directly related to the fulfillment of insurance contracts presented under "Insurance service result".
(4) The breakdown by line item is presented in Note 31, "Segmented information", to the Combined Financial Statements.
(5) For more information about non-GAAP financial measures and non-GAAP ratios, see "Non-GAAP and other financial measures" on pages 3 and 4.
(6) Including $57 million in 2023 from the caisses' Community Development Fund ($46 million in 2022).
(7) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.
(8) In accordance with the *Liquidity Adequacy Guideline* issued by the AMF, see Section 4.0, "Risk management".
(9) Following the transition to IFRS 17, Desjardins Group now presents the productivity index of the Personal and Business Services segment, which is a supplementary financial measure, replacing Desjardins Group's productivity index, which was a non-GAAP financial measure.
(10) Total CSM of $2,813 million ($2,884 million as at December 31, 2022) presented net of reinsurance for a total of $218 million ($257 million as at December 31, 2022). Included in the line items "Insurance contract liabilities" and "Reinsurance contract assets (liabilities)" on the Combined Balance Sheets. For more information, see Note 17, "Insurance and reinsurance contracts", to the Interim Combined Financial Statements.
(11) In accordance with the *Capital Adequacy Guideline* issued by the AMF for financial services cooperatives in particular, see Section 3.2 "Capital management".
(12) 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 Section 3.2, "Capital management".

2023 Desjardins Group highlights

Surplus earnings before member dividends	Total net income	Net loans and acceptances outstanding	Direct written premiums[2] – Life and Health Insurance	Direct written premiums[2] – P&C Insurance	Tier 1A capital ratio	Member dividends
$2,259 million[1]	**$12,577 million**	**$265.9 billion**	**$7.0 billion**	**$6.9 billion**	**20.4%**	**$412 million**
+ 81.9%	**+ 21.6%**	**+ 6.5%**	**+ 9.5%**	**+ 10.5%**	**+ 0.2%**	**+ 2.2%**

Comparison of 2023 to 2022

- Surplus earnings before member dividends of $2,259 million, up $1,017 million compared to fiscal 2022, restated following the adoption as of January 1, 2023 of IFRS 17, "Insurance Contracts"[1].
- Total net income of $12,577 million, up $2,237 million, or 21.6%:
  - Net interest income of $7,033 million, up $703 million, or 11.1%, due to increased interest income from loans and liquidities because of the higher interest rate environment, and to growth in average residential mortgages and business loans outstanding, partly offset by the increase in the interest expense on deposits.
  - Insurance service result of $1,366 million, up $308 million, or 29.1%, mainly due to an improvement in the Property and Casualty Insurance segment.
  - Net insurance finance result of $691 million, up $683 million. In 2022, this result was adversely affected by a downturn on financial markets and a significant rise in interest rates.
  - Other income of $3,487 million, up $543 million or 18.4%, mainly due to $409 million in income related to operations acquired from Worldsource[3].
- Provision for credit losses of $529 million, up $252 million compared to 2022, mainly due to the increase in the provision for credit losses on business loan portfolios, as a result of a migration in credit quality.
- Gross non-interest expense of $10,217 million, up $692 million, or 7.3%:
  - $416 million in expenses related to operations acquired from Worldsource.
  - Other items included in gross non-interest expense increased $276 million, or 2.9%, due in particular to wage indexation and increased spending on technology. The increase in costs was limited by measures taken to improve efficiency and effectiveness.
- $538 million returned to members and the community[4], including a provision for member dividends of $412 million and sponsorships, donations and scholarships of $126 million, up $20 million, or 3.9%.
- Commitments of $21 million made in 2023 under the GoodSpark Fund to support in particular regional social and economic activities. Since 2017, Desjardins Group has made total commitments of $182 million.

Other highlights

- Tier 1A capital ratio of 20.4%, compared to 20.2% as at December 31, 2022.
- Total capital ratio of 21.9%, unchanged from December 31, 2022.
- Growth of 4.7% in total assets since December 31, 2022, for a total of $422.9 billion as at December 31, 2023.
- In 2023, the Federation made various securities issues on Canadian, U.S. and International markets. For more information, see the "Sources of financing" section on pages 83 to 85.

ESG highlights

- In August 2023, Desjardins issued $500 million in sustainable bonds. The net proceeds from this issue will be used to finance loans for social and environmental projects. This is the second sustainable bond issue since the program was initiated in September 2021, for a cumulative total of $1 billion.
- In line with its 2040 climate target, and given its commitment in joining the international Business Ambition for 1.5°C in 2021, Desjardins had its science-based greenhouse gas emission reduction targets validated by a third party, *Science Based Targets Initiative.*
- Desjardins has set out how it will support its members and clients in the energy sector by setting specific targets from now until 2030 to speed up the transition to renewable energies as well as targets for decarbonizing the oil and gas sector for its financing and investment portfolios in this industry.
- Desjardins has set a new target for its operational emissions, such as paper consumption, business travel and emissions related to its buildings, at -50% by 2030 compared to 2020.
- Guy Cormier, President and CEO of Desjardins Group, continued to promote responsible finance at a number of forums in Canada and internationally, in particular at the Sustainable Finance Summit in Montréal.
- Desjardins has supported the adoption of common standards for responsible finance, particularly through the Québec Financial Centre's open letter, an initiative led by Finance Montréal during COP 28, which called for the adoption of ISSB standards for ESG disclosure.

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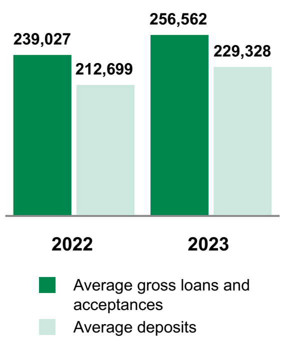
(1) Surplus earnings before member dividends posted for 2022 totalled $2,050 million under IFRS 4, "Insurance contracts", the standard in effect before the adoption of IFRS 17.
(2) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.
(3) On March 1, 2023, 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" hereinafter).
(4) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 3 and 4.

2023 segment highlights

Personal and Business Services

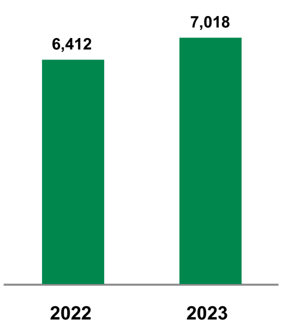
Average gross loans and acceptances and average deposits(1)
(in millions of dollars)



- Québec's leader in residential mortgages and a major player in consumer loans in Québec, with estimated market shares of 38%(2) and 26%(2), respectively.
- 4th largest credit card issuer in Canada (based on 2022 outstandings).
- Leader in farm credit in Québec, with a market share of about 42%(2).
- Major player in Québec in the commercial and industrial niche, with an estimated market share of 21%(2).
- Leader in personal savings in Québec, especially in on-balance sheet personal savings products, with a market share in this industry estimated at approximately 38%(2).
- Surplus earnings before member dividends totalled $1,162 million, up 13.9% compared to 2022 due to growth in net interest income, partly offset by an increase in the provision for credit losses primarily on business loan portfolios, as well as by wage indexation and increased spending on technology.
- Growth of $17.5 billion, or 7.3%, in the average outstandings for the entire gross loans and acceptances portfolio, compared to 2022.

Wealth Management and Life and Health Insurance

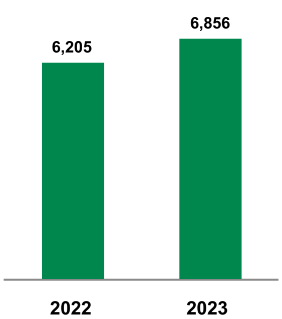
Direct written premiums(1)
(in millions of dollars)



- No. 5 life and health insurer in Canada and No. 3 in Québec (based on direct written premiums in 2022).
- No. 1 in Canada and in Québec for market-linked guaranteed investments (based on 2022 assets under management).
- Desjardins stood out at the Insurance Business Canada Awards by winning, for a second consecutive year, the award for Life & Health Insurer of the Year, which recognizes Desjardins's commitment to its products and services, to financial literacy and to its exemplary customer service approach.
- Desjardins Online Brokerage ranked first in independent investor satisfaction by JD Power.
- Closing of the acquisition of Worldsource, which specializes in independent insurance, mutual fund and securities distribution operations.
- Net surplus earnings of $581 million, up 85.6%, compared to 2022, mainly due to the increase in the net insurance finance result(3) and the higher insurance service result, partly offset by the increased spending on personnel and technology in order to enhance services to members and clients.
- Solid performance in group insurance for the second year in a row.
- Significant sales of $1.2 billion in annuities paid.

Property and Casualty Insurance

Direct written premiums(1)
(in millions of dollars)



- No. 3 property and casualty insurer in Canada and Ontario, and No. 2 in Québec (based on direct written premiums in 2022).
- Direct written premiums grew by $651 million, or 10.5%, compared to 2022.
- For the 31st consecutive year, positive insurance service result or subscription profits (prior to the transition to IFRS 17).
- Deployment of a free anti-theft tracking system for the most at-risk car models in Ontario and Québec.
- Finalization of a minority interest in the Insurance Company of Prince Edward Island (ICPEI), which offers property, automobile and commercial insurance products.
- Net surplus earnings of $494 million, compared to a net deficit of $35 million for fiscal 2022, due to an increase in the net insurance finance result, higher insurance revenue in property and automobile insurance, and the more favourable effect of the loss component on onerous contracts, contrary to the negative effect in 2022. The increase in surplus earnings was partly offset by higher claims expenses for the current year, mainly on account of property and automobile insurance.

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(1) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.
(2) These market shares are compiled according to a methodology developed by Desjardins and based on several external sources, including: the Bank of Canada, Statistics Canada and Investor Economics.
(3) As permitted by IFRS 17, Desjardins Group has chosen to recognize the impact of the reclassification of its investments related to insurance activities as at January 1, 2023 and, consequently, not to restate the comparative year for this item. This could therefore limit the comparability of the results with the prior year.

1.3 Significant events

Adoption of IFRS 17, "Insurance Contracts"

Desjardins Group adopted IFRS 17, "Insurance Contracts", on January 1, 2023, restating comparative data for fiscal 2022. This new standard was introduced to increase the transparency and comparability of insurance companies, and may lead to volatility in Desjardins Group's results from one period to the next[(1)]. This does not, however, change the economic value that will be created by insurance contracts. The standard only introduces changes to the presentation and timing of the recognition of results, so it has no impact on the results and returns generated over the life of insurance contracts. It should be noted that certain financial statement headings have been modified to reflect the new naming convention required by IFRS 17. For more information on the changes to accounting policies, please refer to Note 2, "Accounting policies", to the Combined Financial Statements. For further information on certain concepts introduced by IFRS 17, please consult the Glossary in this 2023 MD&A.

Changes to the Desjardins Group governance model

At the Federation's last annual general meeting, held on March 24 and 25, 2023, the delegates of the Desjardins caisse networks in Québec and Ontario approved the separation of the roles of Chair of the Board of Directors and President and Chief Executive Officer of Desjardins Group.

On June 22, 2023, the Board of Directors of the Federation announced that Guy Cormier would assume the role of President and CEO starting in March 2024, when this separation of leadership roles at the head of Desjardins Group will come into effect. In addition to assisting the Board of Directors with its work to split the leadership roles between March 2024 and March 2026 at the latest, Mr. Cormier will continue to lead and develop Desjardins Group during this period, with the full powers granted to him as President and CEO. At the end of the period for implementing the separation of roles, meaning no later than March 2026, the Board of Directors will select the person who will succeed Mr. Cormier as President and CEO of Desjardins Group. It should be noted that Mr. Cormier will not be eligible for this position. Meanwhile, the new Chair of the Board of Directors will be elected by peers on the Board of Directors of the Federation in May 2024.

1.4 Strategic orientations and financial objectives

STRATEGIC ORIENTATIONS

Fiscal 2023 was the third year of the 2021-2024 Strategic Plan. To achieve Desjardins's goal of being everyone's #1 choice, the organization continues to work on implementing the following seven strategic orientations:
- Continue implementing the culture change.
- Enhance proficiency in our operations.
- Affirm our commitment to security.
- Make a member-client shift a reality.
- Capitalize more on our integrated offer in Québec.
- Grow beyond our present footprint.
- Modernize our systems.

Three foundations support the strategic orientations to ensure that Desjardins Group has a solid base:
- Ensure human and organizational transformation in the digital age.
- Assume strong socio-economic leadership.
- Anchor our business practices in data and analytics.

In 2023, the 2021-2024 Strategic Plan was updated to 2027. Starting in 2024, the organization will implement the following 10 strategic orientations, which are for the most part in line with the 2021-2024 Strategic Plan orientations:
- Continue implementing the culture change.
- Make a member-client shift a reality, in particular by developing our distribution network.
- Achieve our full growth potential in wealth management, business services, and commercial property and casualty insurance, capitalizing on the synergies between insurance and banking.
- Achieve adequate profitability to ensure Desjardins Group's competitiveness and sustainability.
- Optimize our end-to-end operations.
- Modernize our systems and make them resilient.
- Anchor our business practices in data and analytics.
- Affirm our commitment to security.
- Fast track support to our people in work transformation.
- Make our ESG ambitions a reality.

These strategic orientations contribute to depicting Desjardins Group as a simple, human, modern and efficient cooperative for its members and clients, as well as its directors, managers and employees.

(1) As permitted by IFRS 17, Desjardins Group has chosen to recognize the impact of the reclassification of its investments related to insurance activities as at January 1, 2023 and, consequently, not to restate the comparative year for this item. This could therefore limit the comparability of the results with the prior year.

FINANCIAL OBJECTIVES

Desjardins Group sets financial objectives that provide it with the means of realizing its goals for members and clients by ensuring a profitability level that allows it to achieve its objectives of giving back to the community, ensuring its sustainability and supporting its growth. Owing, in particular, to its outstanding financial strength and high level of capitalization, it continues to actively support its members and clients, and the community.

The organization's performance is measured using key indicators aligned with Desjardins's goals, in accordance with the orientations of the Strategic Plan. Desjardins's goal is to be everyone's #1 choice by constantly working in the best interests of members and clients in order to enrich the lives of people and communities. It is therefore essential to focus on achieving the medium-term financial performance objectives as this helps make available the leverage needed to achieve this goal.

In recent years, Desjardins Group has invested significantly in initiatives to support its growth, the development of innovative technology platforms, privacy, security and the improvement of business processes. These decisions, which were in line with the Strategic Plan and backed by excellent capitalization, nevertheless had an impact on the organization's financial performance in fiscal 2021 and 2022 for certain key performance indicators. As for fiscal 2023, it was marked by concrete steps to improve efficiency and productivity in order to continue to achieve strategic goals. Desjardins-wide actions taken have led to improvements in a number of key financial performance indicators, and this trend will continue over the next few years.

The following table presents financial objectives for the medium term, which is the period covered by the Strategic Plan, as well as the results achieved in 2023 for each of the indicators. It is important to keep in mind that the medium-term key indicators presented below do not factor in the repercussions that extraordinary events could have on Desjardins Group's ability to achieve them.

Key indicators	Medium-term objectives	2023 results
Operating leverage(1)	**> 0%**	**13.0%**
Tier 1A capital ratio(2)	**High level**	**20.4%**
Return on equity(1)	**> 8%**	**6.8%**

Overall performance in 2023

This section provides the results achieved in relation to the objectives set for 2023 and presented in the 2022 annual MD&A. Surplus earnings before member dividends for 2023 totalled $2,259 million, up compared to the prior year, despite an economic slowdown, persistent inflation and rapidly rising interest rates, adding upward pressure on the provision for credit losses, expenses related to insurance operations and non-interest expense. Under such circumstances and in order to help improve Desjardins Group's financial performance, measures were taken to improve efficiency and effectiveness, affecting in particular spending on personnel, professional fees, technology and communications. The improvement in the operating leverage and productivity index demonstrates the significant impact of the measures taken so that Desjardins Group could maintain excellent financial strength and a high level of capitalization in order to continue to support members and clients, and their communities.

2023 key indicators

Growth in total net income:
A measure of growth in Desjardins Group's operations.

Results achieved in 2023:
Growth was 21.6%, which was above the target of 5% to 8%(3). Given the changes in certain financial statement headings in order to reflect the new naming convention required following the adoption of IFRS 17 on January 1, 2023, with restatement of the comparative data for 2022 only, the data for calculating this indicator using the new naming convention are not available for the fiscal years preceding 2022.

Operating leverage(1):
A measure of sustainability and profitability.

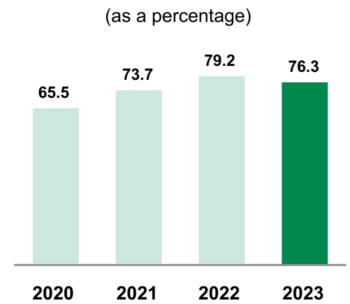
Results achieved in 2023:
The operating leverage was 13.0%, which was on target for being more than 0%. As previously mentioned, given the changes in certain financial statement headings in order to reflect the new naming convention required following the adoption of IFRS 17, the data for calculating this indicator using the new naming convention are not available for the fiscal years preceding 2022.

For footnotes, see next page.

2023 key indicators	Trend

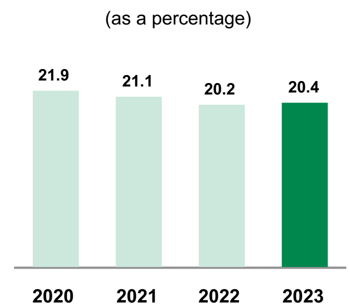
Productivity index – Personal and Business Services(1):
A measure of efficiency.

Results achieved in 2023:
The productivity index was 76.3%, which does not match the target productivity index of under 75%(4), mainly due to wage indexation and increased technology spending. As a result of strict cost control, including the continued implementation of initiatives to promote efficiency and effectiveness, this indicator improved compared to 2022.



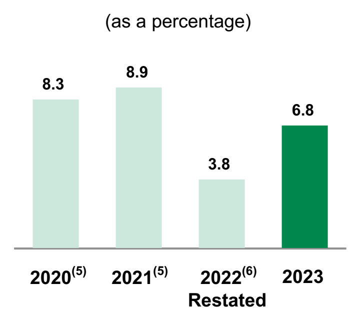
Tier 1A capital ratio(2):
A measure of Desjardins Group's financial strength.

Results achieved in 2023:
As at December 31, 2023, this ratio was 20.4%, a high level compared with regulatory requirements.



Return on equity(1):
A measure of profitability resulting in value creation for members and clients.

Results achieved in 2023:
This indicator was 6.8%, which does not meet the target of over 8%, mainly due to wage indexation, a rise in technology spending and an increase in the provision for credit losses, which more than offset the increase in total net income. Desjardins Group continues to be highly capitalized.



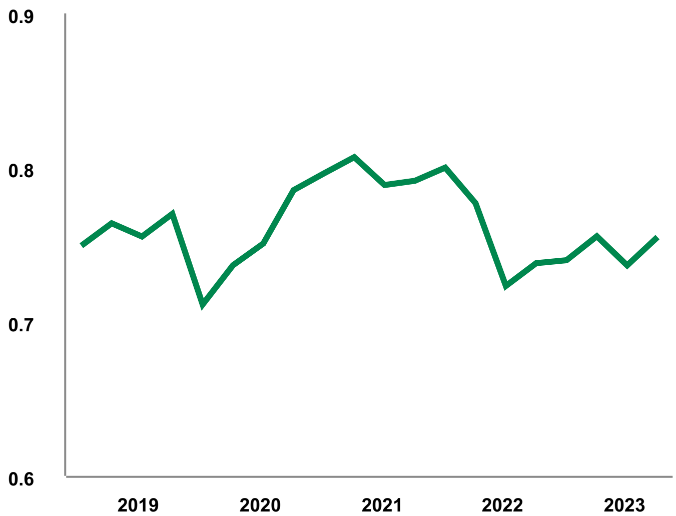
(1) For more information about supplementary financial measures, see the Glossary on pages 106 to 113.
(2) In accordance with the *Capital Adequacy Guideline* issued by the AMF. See Section 3.2, "Capital management".
(3) Represents the target set in the 2022 annual MD&A for growth in operating income, an indicator that was established before the transition to IFRS 17 and is comparable to the growth in the total net income indicator.
(4) Represents the target set in the 2022 annual MD&A for Desjardins Group's productivity index, an indicator that was established before the transition to IFRS 17 and is comparable to the productivity index indicator for the Personal and Business Services segment.
(5) The information presented for fiscal 2021 and 2020 has been prepared according to the standards that were in force before Desjardins Group retrospectively adopted IFRS 17, "Insurance Contracts", on January 1, 2023, with restatement of fiscal 2022.
(6) As permitted by IFRS 17, Desjardins Group has chosen to recognize the impact of the reclassification of its investments related to insurance activities as at January 1, 2023 and, consequently, not to restate fiscal 2022 for this item. This could therefore limit the comparability of the results.

FINANCIAL OUTLOOK

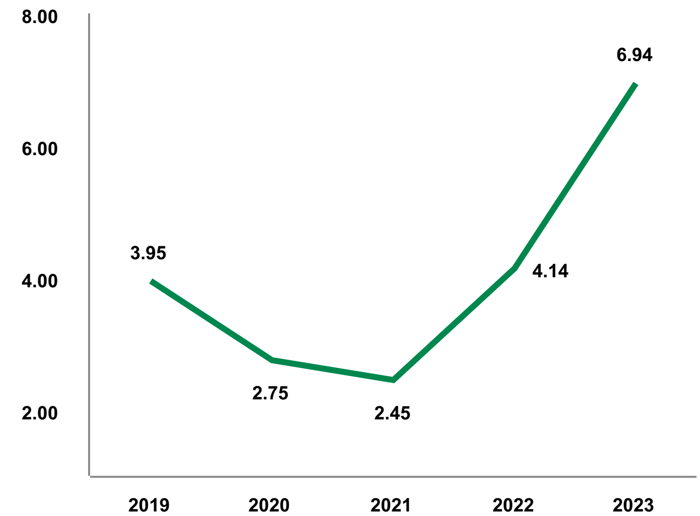
Desjardins Group's performance over the past few years has been positive overall, enabling it, in particular, to maintain its Tier 1A capital ratio above the industry average. In 2024, households and businesses will continue to be affected by high interest rates even if interest rates are expected to decrease gradually starting in 2024. The economic slowdown could have an impact on Desjardins Group's financial performance. Despite all this, strict cost control, including the continued implementation of initiatives to promote efficiency and effectiveness as well as optimal capital management, will allow Desjardins Group to maintain a significant level of investments and to capitalize on the profits generated for the benefit of members and the community.

1.5 Economic environment and outlook

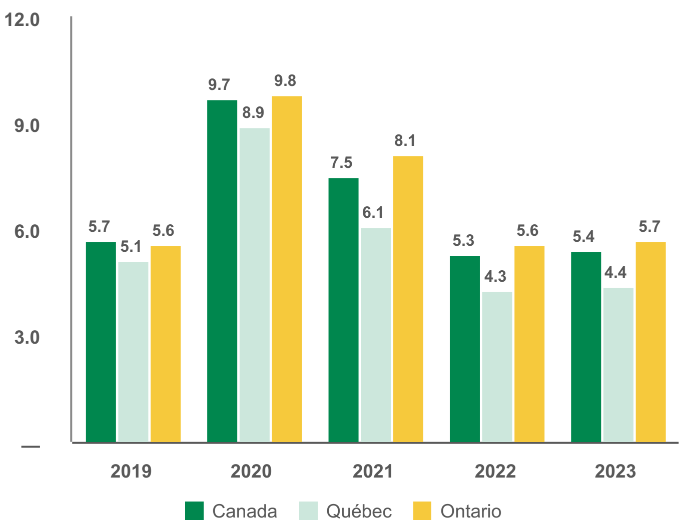
Changes in the Canadian dollar vs. the U.S. dollar (at quarter end)
(in U.S. dollars / Canadian dollars)



Changes in the prime rate (annual average)
(as a percentage)



Changes in the unemployment rate (annual average)
(as a percentage)



Annual growth in GDP
(as a percentage)

Global economy

In 2023, the global economy slowed after two strong years of post-pandemic growth. Global real GDP grew 3.0%, down from 3.5% in 2022 and 6.4% in 2021. There was also a marked drop in inflation. The causes of a period of sharply rising prices that peaked in 2022 – notably problems in supply chains and surging energy prices – eased significantly over the course of the year. In most countries, inflation came close to, but did not reach, central bank targets. However, some measures of inflation remained high after excluding food and energy. Rising interest rates caused activity in the major economies to slow during the year. The eurozone economy was virtually stagnant. The UK economy performed better at the start of 2023, but real GDP growth had dissipated completely by the third quarter. In China, the rally that followed the reopening of major cities at the end of 2022 proved to be short-lived. Growth in real GDP slowed starting in the second quarter of 2023, and inflation turned negative over the course of the year.

Under the weight of high interest rates, the global economy should continue to grow relatively slowly in the first half of 2024, allowing inflation to fall even further. The situation is expected to improve later in 2024, due in particular to the main central banks beginning to cut their key interest rates. Global real GDP is expected to grow by 2.8% in 2024. The world's main stock market indexes began 2024 on an upward trend, fuelled by falling inflation and a slower pace in rate hikes by central banks. The outlook for corporate earnings deteriorated slightly due to high interest rates and a more moderate pace of economic growth, but some sectors, such as technologies related to artificial intelligence, continue to generate optimism among investors. However, improved economic data, particularly in the United States, and a moderation in inflation drove stock markets up and government bond yields down at the end of the year.

United States

The US economy proved particularly resilient throughout 2023. A number of challenges, such as the rising cost of living, skyrocketing interest rates, tighter credit conditions (notably following a banking crisis in March), political pitfalls and labour unrest could have led to even greater problems. All the same, US GDP rose 2.5% in 2023. Certain measures taken by the Biden administration have had a positive impact, including some to encourage the construction of factories involved in the electrification of the transportation sector and high technology. The labour market managed to create over 3 million jobs in 2023, even though the unemployment rate rose slightly. The housing market experienced some difficulties due to high mortgage rates, but the decline in activity was nevertheless contained. Inflation slowed sharply from its peak in 2022, allowing the US Federal Reserve to stop raising rates in the second half of the year.

Somewhat slower growth in US real GDP on an annualized basis is anticipated in 2024 as households and businesses continue to adapt to high interest rates. Quarterly changes in real GDP are expected to reflect a slowdown in the first half of the year, but not enough to cause major job losses. The inflation rate will also continue to fall. This will allow the Federal Reserve to begin cutting its key interest rates over the summer. Growth in US real GDP of 2.1% is forecast in 2024.

Canada

The restrictive effects of interest rate hikes continued to accumulate throughout 2023, so Canadian real GDP growth slowed markedly in 2023. Particularly affected were those sectors most sensitive to interest rate hikes, such as the housing market and consumer spending on certain durable goods. These problems should culminate in a mild recession in Canada at the start of 2024. This should bring supply and demand into better balance, allowing inflation to continue to fall. It should be recalled that the inflation rate was 6.3% at the end of 2022, and all indications are that it was approximately 3.4% at the end of 2023. This downward trend is set to continue, with inflation expected to return close to the median target (2%) toward the end of 2024. The Bank of Canada has left its key interest rate at 5.00% since July 2023, so it may begin to gradually ease monetary policy beginning in the second quarter of 2024. For 2023 as a whole, Canadian real GDP is expected to grow by just 1.1%, with inflation averaging 3.9%. After a brief period of contraction, Canadian real GDP should begin growing again in the second half of 2024. For 2024 as a whole, Canadian real GDP is expected to grow by approximately 0.2%, with inflation averaging 2.6%.

The risks, however, remain high. The interest rate hikes could prove more constraining, especially since many households will be renewing their mortgages at higher rates over the next few years. This is true even if a gradual reduction in interest rates should begin in 2024. Inflation could also be harder to tame if the upward pressure on some prices is slow to abate. Geopolitical tensions could also have major economic repercussions, particularly if the price of oil were to rise sharply.

Québec

Québec's economy has been much weaker than Canada's since the start of 2023. The province’s annualized real GDP grew 1.7% in the first quarter, compared with 2.5% nationally. In the second quarter, the 1.5% decline in economic activity in Québec was much more pronounced than the 1.4% contraction in Canada, and the province recorded another decline in real GDP, which was down 0.8% in the third quarter. Québec is expected to be among the provinces with the weakest economic growth in 2023. However, the gap between Québec and the country as a whole should narrow in 2024 as the economic problems in some other provinces intensify.

Two factors in particular explain the weakness of Québec’s economy in 2023. First, despite the fact that the province has experienced its fastest population growth in 50 years, it still falls short of that in almost all the other provinces. The economy is therefore less supported by households. Second, the pace of residential construction has fallen by almost 40% since the start of 2023, for one of the sharpest declines in Canada. Until last year, rental apartments accounted for close to 60% of new housing starts in Québec. This sector has been particularly hard hit by rising interest rates, as builders of rental apartments have had more difficulty securing financing. The cycle of interest rate cuts that we expect to begin in 2024, combined with $1.8 billion of federal and provincial investments in social and affordable housing over the next five years, should help to revive housing starts in Québec. Ultimately, after falling by 0.2% in 2023, Québec's real GDP could grow 0.7% in 2024.

Changes in the markets in which Desjardins Group operates are described in the corresponding analyses in Section 2.3, "Analysis of business segment results".

2.0 Review of financial results

2.1 Impact of significant transaction

Acquisition of independent insurance, mutual fund and securities distribution operations

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" hereinafter). Worldsource specializes in independent insurance, mutual fund and securities distribution operations. This acquisition enabled Desjardins Group to consolidate its independent distribution position across Canada and strengthen its growth strategy in the entire Canadian market.

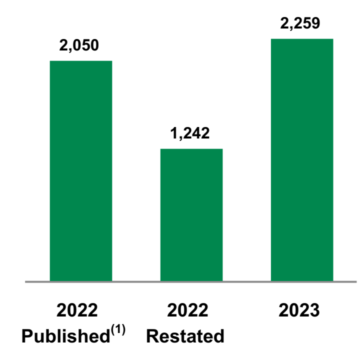
The following table presents the impact of this acquisition on Desjardins Group's financial results, included in the Wealth Management and Life and Health Insurance segment.

Table 4 – Impact of the acquisition of Worldsource
For the year ended December 31

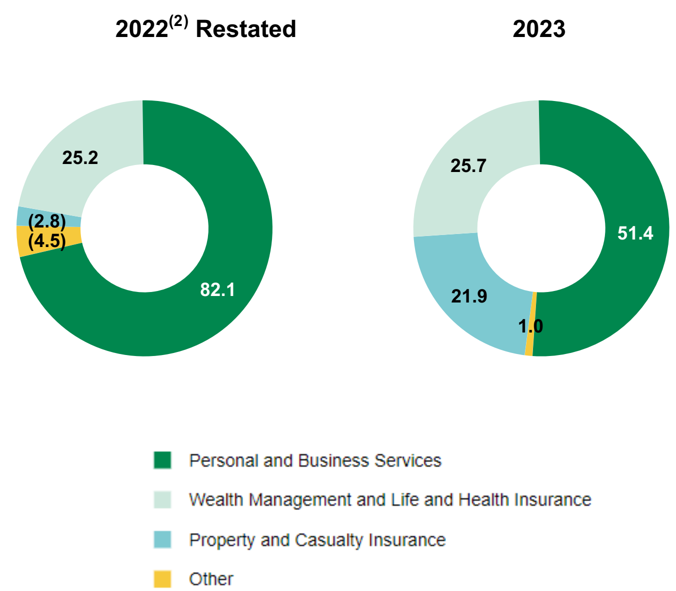
(in millions of dollars)	2023
Other income	$ 409
Total net income	**409**
Net non-interest expense	**416**
Income taxes on surplus earnings	**(1)**
Net deficit for the year	**$ (6)**

2.2 Analysis of 2023 results

Surplus earnings before member dividends
(in millions of dollars)



Segment contributions to surplus earnings before member dividends
(as a percentage)



(1) Surplus earnings before member dividends posted for fiscal 2022 totalled $2,050 million under IFRS 4, "Insurance contracts", the standard in effect before the adoption of IFRS 17.
(2) The data have been adjusted to conform to the current year's presentation notwithstanding IFRS 17, which was adopted on January 1, 2023.

2023 SURPLUS EARNINGS

For fiscal 2023, Desjardins Group reported surplus earnings before member dividends of $2,259 million, up $1,017 million compared to fiscal 2022, restated following the adoption as of January 1, 2023 of IFRS 17, "Insurance Contracts"[(1)]. As permitted by this standard, Desjardins Group has chosen to recognize the impact of the reclassification of its investments related to insurance activities as at January 1, 2023 and, consequently, not to restate fiscal 2022 for this item. In addition, the asset and liability portfolios were not managed under the new standards. As a result, these items limit the comparability of the 2023 results with the restated 2022 results. Remember that the surplus earnings posted for 2022 were $2,050 million under IFRS 4, the standard in force before the adoption of IFRS 17. The growth in surplus earnings was due to increases in net insurance service income and net interest income. It was partly offset by a higher provision for credit losses compared to 2022, wage indexation and increased spending on technology.

As mentioned above, Desjardins Group adopted IFRS 17, "Insurance Contracts", on January 1, 2023, restating comparative data for fiscal 2022. This new standard was introduced to increase transparency and improve the comparability of insurance companies, and may lead to volatility in Desjardins Group's results from one period to the next[(2)]. This does not, however, change the economic value created by insurance contracts. The standard only introduces changes to the presentation and timing of results, so it has no impact on the results and returns generated over the life of insurance contracts. It should be noted that certain financial statement headings have been modified to reflect the new naming convention required by IFRS 17. For more information on the changes to accounting policies, please refer to Note 2, "Accounting policies", to the Combined Financial Statements. For more information on certain concepts introduced by IFRS 17, please consult the Glossary in this Management's Discussion and Analysis for 2023.

By its very nature as a cooperative financial group, Desjardins Group's goal is to improve the economic and social well-being of people and communities, which it continued during fiscal 2023.

- A total of $538 million was returned to members and the community[(3)], compared to $518 million for fiscal 2022.
  - Provision for member dividends of $412 million, up $9 million, compared to 2022.
  - An amount of $126 million was given back in the form of sponsorships, donations and scholarships, compared to $115 million for the previous year, with $57 million in 2023 and $46 million in 2022 from the caisses' Community Development Fund.
- Commitments of $21 million made in 2023 under the GoodSpark Fund to support, in particular, regional social and economic activities. Since 2017, Desjardins Group has made total commitments of $182 million.

- **Contribution of business segments to surplus earnings:**
  - Personal and Business Services: **Surplus earnings of $1,162 million,** up $142 million, or 13.9%, compared to 2022, due to growth in net interest income. This increase was partially offset by the following:
    - Higher provision for credit losses compared to 2022, mainly due to changes in business loan portfolios.
    - Wage indexation and increased spending on technology.
  - Wealth Management and Life and Health Insurance: **Surplus earnings of $581 million,** up $268 million, or 85.6%, compared to 2022, mainly on account of:
    - Increase in the net insurance finance result[(2)], particularly as a result of the following:
      - Gains realized by a joint venture on the sale of its real estate portfolio.
      - Favourable adjustment to the liability discount curve parameters in the second quarter of 2023.
    - Higher insurance service result due, in particular, to the overall favourable experience, partly offset by the unfavourable effect of the updating of actuarial assumptions.
    - Partly offset by the increase in spending on personnel and technology to enhance member and client services.
  - Property and Casualty Insurance: **Surplus earnings of $494 million,** compared to a deficit of $35 million, for fiscal 2022. The change was due to the following:
    - Increase in the net insurance finance result.
    - Higher insurance service income in property and automobile insurance.
    - Favourable impact of the loss component on onerous contracts, compared to an unfavourable effect recorded in 2022.
    - Partly offset by higher claims expenses for the current year, mainly as a result of automobile and property insurance.

- **Return on equity was 6.8%,** compared to 3.8% for 2022, primarily due to the increase in surplus earnings, as previously explained.

The following table shows return on equity.

Table 5 – Return on equity
For the years ended December 31

(in millions of dollars and as a percentage)	2023	2022 Restated
Surplus earnings before member dividends	**$ 2,259**	$ 1,242
Non-controlling interests' share	**(71)**	(18)
Group's share before member dividends	**$ 2,188**	$ 1,224
Average equity before non-controlling interests' share	**$ 32,335**	$ 32,014
Return on equity[(1)]	**6.8%**	3.8%

(1) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.

(1) Surplus earnings before member dividends posted for 2022 totalled $2,050 million under IFRS 4, "Insurance contracts", the standard in effect before the adoption of IFRS 17.
(2) As permitted by IFRS 17, Desjardins Group has chosen to recognize the impact of the reclassification of its investments related to insurance activities as at January 1, 2023 and, consequently, not to restate the comparative year for this item. This could therefore limit the comparability of the results with the prior year.
(3) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 3 and 4.

NET INTEREST INCOME

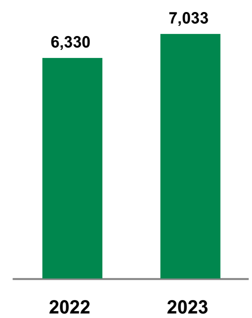
Net interest income is the difference between interest income earned on assets, such as loans and securities, and the interest expense related to liabilities, such as deposits and subordinated notes. It is sensitive to interest rate fluctuations, funding and matching strategies, as well as the composition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

For analysis purposes, Table 6 shows the changes in net interest income for the main interest-bearing asset and liability classes, while Table 7 details how net interest income was affected by changes in volume and interest rates for the different interest-bearing assets and liabilities.

Net interest income totalled $7,033 million, up $703 million, or 11.1%. This increase resulted from the following:
- Increase in the interest income on loans as a result of the higher interest rate environment.
- Growth in average residential mortgages outstanding and average business loans outstanding.
- Rise in interest income from liquidities, also resulting from the higher interest rate environment.
- Increase in average interest-bearing assets and liabilities outstanding in credit card payment activities.

This increase was offset in part by:
- Higher interest expense on deposits, mainly as a result of rising interest rates and the migration of depositors to term products with higher rates.
- Growth in the financing cost for credit card payment activities.

Net interest income
(in millions of $)



- **Net interest margin of 2.28%** in 2023, up 15 basis points compared to 2022, mainly because of higher interest rates coupled with an increase in average loan volume.

- **Interest income of $13,967 million,** up $4,582 million, or 48.8%, largely due to the following:
  – Increase of $4,072 million in interest income related to rising interest rates, mainly on loans.
  – Increase in average volume of total interest-bearing assets, mainly loans, which led to a $510 million increase in interest income.

- **Interest expense of $6,934 million,** up $3,879 million, or 127.0%, primarily as a result of:
  – Increase of $3,678 million in interest expense, linked to the growth in interest rates mainly on deposits.
  – Growth in the average volume of total interest-bearing liabilities, mainly from deposits, resulting in a $201 million increase in interest expense.

Table 6 – Net interest income on average interest-bearing assets and liabilities
For the years ended December 31

	2023			2022 Restated		
(in millions of dollars and as a percentage)	**Average volume**	**Interest**	**Average rate**	Average volume	Interest	Average rate
Total assets	**$ 409,820**			$ 399,913		
Interest-bearing assets(1)						
Securities, cash and deposits with financial institutions	**$ 52,455**	**$ 2,067**	**3.94%**	$ 59,034	$ 1,107	1.88%
Loans	**255,860**	**11,900**	**4.65**	237,678	8,278	3.48
Total interest-bearing assets	**308,315**	**13,967**	**4.53**	296,712	9,385	3.16
Total liabilities	**$ 376,594**			$ 366,984		
Interest-bearing liabilities(1)						
Deposits	**$ 264,013**	**$ 6,459**	**2.45%**	$ 247,105	$ 2,829	1.14%
Subordinated notes	**2,972**	**139**	**4.68**	2,325	78	3.35
Other liabilities	**4,861**	**336**	**6.91**	5,395	148	2.74
Total interest-bearing liabilities	**271,846**	**6,934**	**2.55**	254,825	3,055	1.20
Net interest income		**$ 7,033**			$ 6,330	
Net interest margin(1)			**2.28%**			2.13%

(1) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 3 and 4.

Table 7 – Impact of changes in volumes and rates on net interest income
For the years ended December 31

	2023/2022			Increase (decrease)	
(in millions of dollars and as a percentage)	Change in average volume	Change in average rate	Interest	Average volume	Average rate
Interest-bearing assets[1]					
Securities, cash and deposits with financial institutions	$ (6,579)	2.06%	$ 960	$ (123)	$ 1,083
Loans	18,182	1.17	3,622	633	2,989
Change in interest income			4,582	510	4,072
Interest-bearing liabilities[1]					
Deposits	$ 16,908	1.31%	$ 3,630	$ 194	$ 3,436
Subordinated notes	647	1.33	61	22	39
Other liabilities	(534)	4.17	188	(15)	203
Change in interest expense			3,879	201	3,678
Change in net interest income			$ 703	$ 309	$ 394

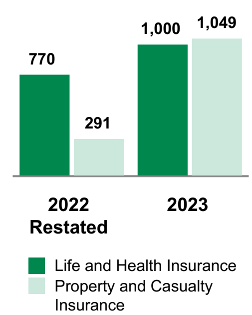
(1) For more information about non-GAAP ratios, see "Non-GAAP and other financial measures" on pages 3 and 4.

NET INSURANCE SERVICE INCOME

Net insurance service income stood at $2,057 million[1], up $991 million, or 93.0%, from 2022. The change in this heading, which consists of the insurance service result and the net insurance finance result, can be explained by the items from the following segments:

Wealth Management and Life and Health Insurance

Net insurance service income
(in millions of $)



- Insurance service result of $586 million, up $23 million, or 4.1%, mainly due to the following:
  - Increase in income from contracts to which the general model is applied, due to the following factors:
    - Favourable effect of the updating of actuarial assumptions in group retirement savings.
    - Less unfavourable effect of the loss component of onerous contracts in group retirement savings.
  - Increase in income from insurance contracts measured using the premium allocation approach, particularly in group insurance for long-term disability and accident and health coverage.
  - Partly offset by higher insurance and reinsurance service expenses, largely due to the following:
    - Higher expenses for insurance contracts measured using the premium allocation approach, mainly in group insurance, as a result of business growth.
    - More unfavourable effect of the loss component of onerous contracts in group insurance.
    - Less favourable experience in credit and direct insurance, chiefly for disability and life loan insurance.
    - Unfavourable effect of the updating of actuarial assumptions, primarily in credit and direct insurance, partly offset by the favourable effect in group insurance.
    - Partially offset by a more favourable group insurance experience, particularly in long-term disability and life insurance coverage, partially offset by the unfavourable experience in accident and health insurance.
- Net insurance finance result[2] of $414 million, up $207 million, or 100.0% mainly due to the following:
  - Gains realized by a joint venture on the sale of its real estate portfolio.
  - Favourable adjustment to rate curve parameters in the second quarter of 2023.

Property and Casualty insurance

- Insurance service result of $800 million, up $325 million, or 68.4%.
  - Insurance revenue of $6,642 million, up $417 million, or 6.7%. By including ceded insurance revenue of $306 million presented under "Net reinsurance service income (expenses)", the increase was $303 million, or 5.0%, mainly due to premium growth in property insurance and automobile insurance.
  - Insurance service expenses of $5,775 million, up $37 million, or 0.6%. By including ceded insurance service expenses of $239 million presented under "Net reinsurance service income (expenses)", there was a decrease of $22 million, or 0.4%, due to the following:
    - Favourable effect of the loss component on onerous contracts, whereas an unfavourable effect had been recognized in 2022, mainly attributable to automobile insurance.
    - Partially offset by higher expenses related to claims compared with 2022 due to higher claims-related expenses for the current year compared to those recognized in 2022. This increase was mainly attributable to automobile insurance, in particular as a result of the increase in the average cost of claims due to the impact of inflation and the increase in car thefts, as well as to property insurance.

(1) The difference between total results and the sum of business segment results is due to intersegment transactions, which are eliminated in the Other category.
(2) As permitted by IFRS 17, Desjardins Group has chosen to recognize the impact of the reclassification of its investments related to insurance activities as at January 1, 2023 and, consequently, not to restate the comparative year for this item. This could therefore limit the comparability of the results with the prior year.

- Net insurance finance result of $249 million, up $433 million.
  - Net insurance investment income of $561 million, compared to losses of $385 million in fiscal 2022. The change was essentially due to the following:
    - Positive change in the fair value of matched bonds, whereas a negative change had been recognized in 2022, in particular due to a slight decline in market interest rates for fiscal 2023, whereas in 2022 the fair value had been affected by a significant rise in interest rates.
    - Net gains on shares, while net losses were recorded in fiscal 2022.
    - Higher interest income on fixed income securities compared to fiscal 2022.
  - Net insurance finance expense of $343 million, compared to income of $226 million for fiscal 2022. By including net reinsurance finance income of $31 million (expenses of $25 million in fiscal 2022), the net insurance and reinsurance finance expenses totalled $312 million, compared to income of $201 million in 2022. This change was due to the following:
    - Unfavourable impact of lower discount rates used to measure net liabilities for incurred claims, compared to a favourable impact of higher discount rates in 2022.
    - Unfavourable effect of higher accretion of net liabilities for incurred claims compared to 2022.

OTHER INCOME

Table 8 – Other income
For the years ended December 31

(in millions of dollars)	2023	2022 Restated
Deposit and payment service charges	**$ 483**	$ 448
Lending fees and credit card service revenues	**951**	965
Brokerage and investment fund services	**1,339**	989
Management and custodial service fees	**751**	662
Net other investment income (loss)	**(486)**	(500)
Foreign exchange income (loss)	**192**	119
Other	**257**	261
Total other income	**$ 3,487**	$ 2,944

Other income stood at $3,487 million, up $543 million, or 18.4%, compared to 2022, due to the following:

- **Deposit and payment service charges of $483 million,** up $35 million, or 7.8%, mainly from the caisse network.
- **Lending fees and credit card service revenues of $951 million,** an amount comparable to 2022.
- **Income from brokerage and investment fund services of $1,339 million,** up $350 million, or 35.4%, mainly related to operations acquired from Worldsource.
- **Management and custodial service fees of $751 million,** up $89 million, or 13.4%, essentially due to the following:
  - Income related to operations acquired from Worldsource.
  - Increased income related to assets under administration from specialized networks.
- **Net investment loss of $486 million,** comparable to 2022.
- **Foreign exchange income (loss) of $192 million,** up $73 million, or 61.3%, due to fluctuations in the values of the euro and the US dollar.
- **Other income of $257 million,** an amount comparable to 2022.

TOTAL NET INCOME

Total net income amounted to $12,577 million, up $2,237 million, or 21.6%, compared to 2022.

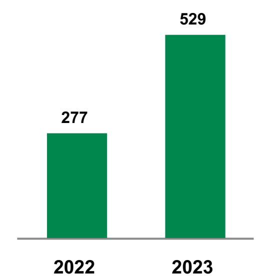
PROVISION FOR CREDIT LOSSES

The provision for credit losses totalled $529 million, up $252 million compared to 2022. This change was mainly due to the increases in the provision for credit losses on business loan portfolios owing to a migration of credit quality and on credit card portfolios.

The provision for 2023 reflects higher net write-offs, which are gradually returning to pre-pandemic levels.

Desjardins Group continued to present a high-quality loan portfolio in 2023.
- The credit loss provisioning rate was 0.20% in 2023, compared to 0.11% for 2022, due to an increase in the provision for credit losses explained previously.
- The ratio of gross credit-impaired loans, as a percentage of the total gross loans and acceptances portfolio, was 0.74%, compared to 0.48% as at December 31, 2022. 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.

Provision for credit losses
(in millions of $)



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

Table 9 – Credit loss provisioning rate
For the years ended December 31

(in millions of dollars and as a percentage)	2023	2022 Restated
Total provision for credit losses	**$ 529**	$ 277
Provision for credit losses on securities	**8**	5
Provision for credit losses on loans and off-balance sheet items	**$ 521**	$ 272
Average gross loans	**$ 258,598**	$ 241,477
Average gross acceptances	**9**	131
Average gross loans and acceptances(1)	**$ 258,607**	$ 241,608
Credit loss provisioning rate(1)	**0.20%**	0.11%

(1) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.

GROSS NON-INTEREST EXPENSE

Table 10 – Gross non-interest expense
For the years ended December 31

(in millions of dollars and as a percentage)	2023	2022 Restated
Salaries and employee benefits		
Salaries	**$ 4,363**	$ 3,939
Employee benefits	**1,065**	1,181
	5,428	5,120
Professional fees	**817**	1,084
Technology	**1,131**	924
Commissions	**705**	306
Occupancy costs	**408**	391
Communications	**358**	379
Business and capital taxes	**123**	118
Other	**1,247**	1,203
Total non-interest expense	**$ 10,217**	$ 9,525

Non-interest expense totalled $10,217 million for 2023, up $692 million, or 7.3%, compared to 2022. This increase was largely due to:
- Expense of $416 million related to operations acquired from Worldsource.
- Other items included in gross non-interest expense up $276 million, or 2.9%, due to the following:
  - Wage indexation and increased spending on technology.
  - Partially offset by lower expenses due in particular to measures taken to improve efficiency and effectiveness.

- **Salaries and employee benefits of $5,428 million,** up $308 million, or 6.0%, compared to 2022, mainly due to wage indexation.

- **Professional fees of $817 million,** down $267 million, or 24.6%, compared to 2022 due in particular to measures taken to improve efficiency and effectiveness.

- **Technology expenses of $1,131 million,** up $207 million, or 22.4%, compared to 2022, to support growth in operations and enhance the services offered to members and clients.
- **Commissions of $705 million,** up $399 million compared to 2022, mainly due to expenses related to operations acquired from Worldsource.
- **Occupancy costs of $408 million,** which is comparable to 2022.
- **Communication expenses of $358 million,** down $21 million, or 5.5%, compared to 2022, due in particular to measures taken to improve efficiency and effectiveness.
- **Business and capital taxes of $123 million,** an amount comparable to 2022.
- **Other expenses of $1,247 million,** up $44 million, or 3.7%, compared to 2022, due to the following:
  – Growth in expenses related to the rewards program as a result of higher volumes of credit card payment activities.
  – Higher expenses related to providers of credit card payment activities, particularly as a result of the impact of amendments to the *Excise Tax Act* announced in the Canadian government's Budget 2023 having retroactive effect to 2021.

INCOME TAXES ON SURPLUS EARNINGS AND INDIRECT TAXES

Desjardins Group is a cooperative financial group, and each of its entities that operates as a financial services cooperative—namely the caisses and the Federation—is considered a private and independent company for tax purposes, unlike the vast majority of other Canadian financial institutions, which are large public corporations. Desjardins entities that are not financial services cooperatives are subject to the large corporation tax regime.

- **Income taxes on surplus earnings before member dividends of $557 million,** up $238 million, compared to 2022.
  – Effective tax rate(1) of 19.8% for the year ended December 31, 2023, down from 20.4% for 2022, mainly due to the following:
    ◦ Increase in non-taxable investment income.
    ◦ Partly offset by the favourable effect of tax savings on an effective tax rate that was lower in 2023 than in 2022 due to higher surplus earnings.

Note 28, "Income taxes on surplus earnings", to the Combined Financial Statements presents, among other things, a reconciliation of the statutory tax rate and the effective tax rate, expressed in dollars.

Indirect taxes consist of property and business taxes, payroll and social security taxes, the goods and services tax, and sales taxes. Indirect taxes are included in non-interest expense. For fiscal 2023, Desjardins entities paid $2,057 million in indirect taxes, compared to $1,954 million in 2022.

2.3 Analysis of business segment results

Desjardins Group's financial reporting is organized by business segments, which are defined based on the needs of members and clients, 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 also the Other category. This section presents an analysis of results for each of these segments. Certain changes have been made to the business segments to reflect management's decisions on how each segment is managed. These changes are presented in the following sections.

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.

2.3.1 Personal and Business Services

PROFILE

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.

The activities of the specialized wealth management networks of Desjardins Securities Inc., previously presented in the Personal and Business Services segment, are now included in the Wealth Management and Life and Health Insurance segment. Data for 2022 have been restated to reflect these changes.

(1) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.

SERVICES

- **Financial management:**
  - In addition to our cashier and ATM services, the AccèsD and AccèsD Affaires online platforms, available online and through our app for mobile devices, provide access to a variety of transactions such as payments and transfers, making it easy for individuals and businesses to manage their finances.
- **Savings and investments:**
  - Products distributed by the caisses and the Desjardins Business centres, such as mutual investment funds (Desjardins Funds), market-linked guaranteed investments (MLGI), the guaranteed savings offer, the guaranteed investment fund offer, and annuity products.
- **Integrated business offer:**
  - Customized solutions to support businesses of all sizes in their plans, whether on Québec, Canadian or international markets.
- **Financing:**
  - **Residential mortgages,** for the purchase of land, new or existing homes and for renovations.
  - **Consumer loans,** such as loans for the purchase of automobiles and durable goods, personal loans and lines of credit, student loans and Accord D financing solutions.
  - **Commercial credit,** which makes it possible to offer financing in the commercial and industrial, agricultural and agri-food, and public and institutional sectors, as well as for commercial and multi-residential real estate.
- **Payment:**
  - Debit and credit card payment services for individuals and businesses, electronic payment services, and both domestic and international funds transfers.
- **Capital markets:**
  - Meeting the financing needs of Canadian corporations, institutions and cooperatives, and providing advisory services for mergers and acquisitions, as well as intermediation and execution services on the stock and fixed income securities markets.
  - Carried out by seasoned sales and trading teams who are supported by a research team that is renowned in the industry for its excellence.
- **Risk and development capital (Desjardins Capital):**
  - Specializes in direct and indirect investment in small and medium-sized enterprises (SMEs) and cooperatives in every region of Québec.
  - Promotes, supports and encourages the sustainability of SMEs in Québec.
  - As manager of *Capital régional et coopératif Desjardins* (CRCD), *Desjardins Capital* encourages Quebecers to save.
  - Accompanies and provides customized solutions, strategic advice and value-added services for companies in various stages of start-up, growth or transfer.
- **Specialized services:**
  - International services, banking and cash management services, Desjardins employer solutions (payroll and human resources management, as well as group retirement savings), factoring, specialized financing for institutional clients, the franchise sector, health care and professional firms.

2023 ACHIEVEMENTS

- In the current economic environment of tightening monetary policy, **providing support to members and clients is still a priority**. Several initiatives have been implemented, including the implementation of proactive support strategies for personal and business members who are most at risk of financial difficulty in a context of successive rate hikes.
- **Safety and fraud prevention tips:**
  - Continuation of the "Sharpen your cyber reflexes" program to provide support to members and clients with relevant information and tools. Inviting members and clients to sharpen their cyber reflexes through various tips, the offensive addresses various security issues identified and prioritized by Desjardins Group: phishing, easy money scams, romance scams, investment fraud and transactional best practices.
  - Against a backdrop of growing concern among members and clients about cyber attacks, Desjardins implemented a cybersecurity offer dedicated to businesses. Financing solutions are available for businesses interested in investing in cybersecurity, and Desjardins Insurance offers coverage to mitigate the impact of a cyber attack.
- **Enhanced and simplified digital experience:**
  - Deployment of stand-alone account opening for individual members in Québec and Ontario and certain businesses, using a 100% digital, simple and secure process, with human assistance and support to guide them as required.
  - Launch of the "Tax-Free First Home Savings Account" in stand-alone mode on AccèsD, as well as in assisted mode through the caisses and AccèsD Client Relations Centres.
  - Redesign of desjardins.com and an enhancement of certain functionalities on AccèsD to provide a simple, integrated, consistent and personalized digital information experience to members and clients of Desjardins Group.
  - Deployment of self-service appointment scheduling for members and clients of Québec caisses.
  - Modernization of AccèsD Affaires to enhance the digital experience for businesses and simplify the day-to-day management of their banking transactions.
  - Launch of the EspaceProprio application, a platform for integrating services around the home that enables users to build a customizable guide to simplify home maintenance. This application was also designed to facilitate access to services for buying and selling a property (DuProprio and Confia) as well as maintenance and renovation with a network of certified contractors (RénoAssistance).
- **Improvement of offers in retail sectors:**
  - Enhanced employer offering to support SMEs that want to enhance their employer brand. In addition to Desjardins employer solutions, businesses can benefit from the expertise of our partners, such as a virtual care platform, a staff recruitment service and support in achieving their business goals.
  - Deployment of offers for entrepreneurs in the professional services and healthcare sectors, featuring value-added solutions, including payment and financing solutions, as well as support tailored to their needs.
  - Development of our digital transformation offering to raise awareness among entrepreneurs and guide them toward the right partners, depending on their sector and the complexity of their needs. This technological shift is crucial if businesses are to improve productivity and remain competitive.

- **Reinforcing our role as a socioeconomic leader:**
  - Continuation of the "Together for Our Youth" program, in which Desjardins invests more than $50 million each year to help young people achieve their full potential in a more inclusive and sustainable world. Designed for 5- to 30-year-olds, the program supports thousands of initiatives and partners rooted in four areas of the daily lives of young people: education; employment and entrepreneurship; health and healthy lifestyles; and social commitment.
  - Organization of the "Dream the Impossible" event, welcoming over 400 young people from across Québec in person, and several hundred more virtually, to discuss, create and develop practical solutions to the issues that affect them most, around three themes they had chosen: the environment, education and employment, and the economy and finance.
  - Launch of "Unforeseen: The Decision-Making Game", a fun, educational application to introduce young people to financial decision-making.
  - $5 million awarded to entrepreneurs in Québec and Ontario under the Momentum Fund program. Non-repayable financial assistance in amounts of up to $20,000 were granted to over 620 businesses to help them carry out their growth and quality job creation projects, major levers for regional economic development. Since 2020, Desjardins Group has made commitments under this program totalling $19 million.
  - Recognition of the *Programme d'aide à l'habitation des Premières Nations*, based, among other things, on the signing of a cooperation agreement with the Pekuakamiulnuatsh First Nation. This initiative, which provides members access to mortgage financing on Mashteuiatsh land from the *Caisse Desjardins du Pekuakami*, received the "Jury's Favourite" award at the Elixir Gala.
  - Introduction, in the fall of 2023, of grant conditions adapted to the business realities of entrepreneurs from Indigenous communities to make the service offer more inclusive.
  - Continuation of the Desjardins GoodSpark Grants program for a 4th year. The program is intended to support 150 small businesses as they carry out a project focused on innovation, employment, community impact or sustainable development. A total of $3 million, in the form of $20,000 grants, was awarded to stimulate economic growth in Ontario and the Atlantic and Western regions.
- The sector continues to gradually roll out its **ESG approach** throughout its operations, in particular:
  - Launch of a new ESG swap financial product for businesses, aimed at hedging the risk of fluctuations in interest rates on debt and rewarding the achievement of measurable results in ESG performance.
  - Deployment of training on sustainable finance in partnership with Finance Montréal, targeting approximately 5,000 Desjardins Business employees per year, with the aim of facilitating dialogue with entrepreneurs on ESG issues.
- **Modernization of the Canadian payments ecosystem:** activation of the technology required to introduce the new ISO 20022 messaging standard, which increases the amount of information sent with each electronic payment. Implementation of this standard allows Desjardins to remain a leading financial institution and to exchange information in a standardized manner with all SWIFT member financial institutions, representing more than 11,000 institutions in over 200 countries and territories around the world. By using detailed information, members and clients will be able to better track their transactions, understand them, and optimize reconciliation, thereby saving time and money.

INDUSTRY

- **Canadian market:**
  - In 2023, the Canadian financial industry comprised some 80 domestic and foreign banking institutions, as well as 403 savings and loan cooperatives, almost half of which belonged to Desjardins Group.
  - In the banking services industry, on-balance sheet and off-balance sheet personal savings outstanding was estimated at $6,486 billion as at December 31, 2023, for a year-over-year increase of 9.4%, compared to a decrease of 3.4% recorded at the end of 2022. This increase in 2023 was due to the improved returns offered by the financial markets: the S&P/TSX stock market index increased 8.1% while the S&P 500 rose by 24.2% over the last twelve months. Fiscal 2023 was also marked by a good growth in sales of on-balance sheet savings products, fuelled by strong demand for term savings.
  - Outstanding volume of loans to individuals was estimated at $2,773 billion as at December 31, 2023, a year-over-year increase of 3.4%, down from the 6.8% increase at the previous year-end. The slower growth was due to the effect of high interest rates on demand for housing and consumer credit.
  - Business financing outstanding has been estimated at $1,153 billion as at December 31, 2023, a year-over-year increase of 6.2%, slowing from its 15.8% growth recorded at the end of 2022.
- **Québec market:**
  - On-balance sheet and off-balance sheet personal savings outstanding was estimated at $1,282 billion as at December 31, 2023, a year-over-year increase of 11.5%, versus a decrease of 1.2% at year-end 2022. The stronger growth in savings in 2023 was due to a higher savings rate for Québec households compared with the Canadian average.
  - Outstanding volume of retail financing was estimated at $479 billion as at December 31, 2023, for a year-over-year increase of 2.9%, compared to 5.8% growth recorded a year earlier.
  - Business financing outstanding was estimated at $241 billion as at December 31, 2023, for a year-over-year increase of 7.9%, compared to 19.8% growth at year-end 2022.
    - Agricultural loans, included in business financing, were estimated at $25 billion as at December 31, 2023, a year-over-year increase of 4.5%, slowing from the 7.6% growth recorded on the same date one year earlier.

- **Competition in Québec for financial services to individuals and businesses:**
  - Desjardins Group is a leader in many of the fields in which it operates.
  - It is a leader in residential mortgages, its market share was estimated at approximately 38%[1] as at December 31, 2023, and a major player in consumer credit, with a market share of approximately 26%[1] on the same date.
  - Desjardins Group is a leader in personal savings in Québec, especially in on-balance sheet personal savings products, with a market share in this industry estimated at approximately 38%[1] as at December 31, 2023.
  - In commercial and industrial loans, Desjardins Group is also a major player in Québec, with an estimated market share of approximately 21%[1] as at December 31, 2023.
  - Desjardins Group is a leader in agricultural financing, with a loan portfolio of more than $11.0 billion and an estimated market share of 42%[1] as at December 31, 2023.
  - The major industry players are focusing primarily on client experience, access to services and proactive advice.
  - The fight for market share is therefore very fierce, since all the players are adopting strategies aimed at intensifying business relations with their clients and at getting to know them better.

Additional information about the economic environment can be found in Section 1.5, "Economic environment and outlook", of this MD&A.

2024 STRATEGIES AND PRIORITIES

The 2024 strategies and priorities of the Personal and Business Services segment are incorporated into Desjardins Group's strategic orientations and are aimed at helping Desjardins to achieve its goal of being everyone's #1 choice, by always working in the best interests of members and clients. The strategic directions of Desjardins Group, as presented in Section 1.4, "Strategic orientations and financial objectives", of this MD&A, are also the strategic directions of the Personal and Business Services segment. The segment's priorities for 2024 to 2027 will be to:

- Encourage digital adoption and improve distribution efficiency by developing channels;
- Improve the performance of its key processes;
- Strengthen the loyalty of its members and clients and the closeness of its relationships, in particular through digital technologies;
- Increase the competitiveness of its business lines: direct financing, credit card management, payments and account management;
- Be the financial partner of choice for businesses and entrepreneurs;
- Develop its business posture by anchoring it more firmly in data and analytics.

By 2027, the segment intends to focus more on retaining its existing members and clients rather than winning new ones, and on making efficiency gains to improve competitiveness.

The segment will consolidate its leadership position in financing, everyday financial management, savings and, through its distribution network, life and health and P&C insurance products. The segment will continue to work always in the best interests of its members and clients, in particular, by giving members and clients a simple, omnichannel experience by leveraging mobile platforms, speeding up the segment's digital initiatives, transforming and optimizing its physical and remote distribution models and enhancing service delivery. The segment will also continue to strive to enhance the employee experience.

For this segment, reaching objectives requires the commitment of every director, manager and employee, as well as a high-calibre, comprehensive and integrated offer that is easy to access, all in the best interests of members and clients.

[1] These market shares are compiled according to a methodology developed by Desjardins and based on several external sources, including: the Bank of Canada, Statistics Canada and Investor Economics.

ANALYSIS OF FINANCIAL RESULTS

Table 11 – Personal and Business Services – Segment results
For the years ended December 31

(in millions of dollars and as a percentage)	2023	2022[1]
Net interest income	**$ 6,576**	$ 5,677
Other income	**2,210**	2,292
Total net income	**8,786**	7,969
Provision for credit losses	**521**	274
Gross non-interest expense	**6,702**	6,313
Income taxes on surplus earnings	**401**	362
Surplus earnings before member dividends	**1,162**	1,020
Member dividends, net of tax recovery	**304**	297
Net surplus earnings for the year after member dividends	**$ 858**	$ 723
Indicators		
Average gross loans and acceptances[2]	**$ 256,562**	$ 239,027
Average deposits[2]	**229,328**	212,699
Productivity index[2]	**76.3%**	79.2%
Credit loss provisioning rate[2]	**0.20**	0.11
Gross credit-impaired loans/gross loans and acceptances ratio[2]	**0.74**	0.48

(1) The data have been adjusted to conform to the current year's presentation notwithstanding IFRS 17, which was adopted on January 1, 2023.
(2) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.

COMPARISON OF 2023 AND 2022

- **Surplus earnings before member dividends of $1,162 million,** up $142 million, or 13.9%, compared to 2022, due to growth in net interest income. This increase was partially offset by the following:
  - Higher provision for credit losses compared to 2022, mainly due to changes in business loan portfolios.
  - Wage indexation and increased spending on technology.

- **Net interest income of $6,576 million,** up $899 million, or 15.8%. This increase resulted from the following:
  - Increase in the interest income on loans as a result of the higher interest rate environment.
  - Growth in average residential mortgages outstanding and average business loans outstanding.
  - Rise in interest income from liquidities, also resulting from the higher interest rate environment.
  - Increase in average interest-bearing assets and liabilities outstanding in credit card payment activities.

  This increase was offset in part by:
  - Higher interest expense on deposits, mainly as a result of rising interest rates and the migration of depositors to term products with higher rates.
  - Growth in the financing cost for credit card payment activities.

- **Other income of $2,210 million,** down $82 million, or 3.6%, mainly as a result of:
  - Decline in derivative financial instruments, offset by growth in net interest income.
  - Increase in the provision rate for rewards programs related to credit card payment activities.
  - Partly offset by growth in business volumes from credit card payment activities.

- **Total net income of $8,786 million,** up $817 million, or 10.3%.

- **Provision for credit losses of $521 million,** up $247 million, compared to 2022. This change was mainly due to the increases in the provision for credit losses on business loan portfolios owing to a migration of credit quality and on credit card portfolios. The provision for 2023 reflects higher net write-offs, which are gradually returning to pre-pandemic levels.

- **Gross non-interest expense of $6,702 million,** up $389 million, or 6.2%, largely due to:
  - Wage indexation and increased spending on technology.
  - Growth in expenses related to the rewards program as a result of higher volumes of credit card payment activities.
  - Higher expenses related to providers of credit card payment activities, particularly as a result of the impact of amendments to the *Excise Tax Act* announced in the Canadian government's Budget 2023 having retroactive effect to 2021.

- **Productivity index at 76.3%,** compared to 79.2% in 2022, due to the growth in income exceeding the increase in expenses.

2.3.2 Wealth Management and Life and Health Insurance

PROFILE

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. It 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 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.

The activities of the specialized wealth management networks of Desjardins Securities Inc., previously presented in the Personal and Business Services segment, are now included in the Wealth Management and Life and Health Insurance segment. Data for 2022 have been restated to reflect these changes.

Since March 1, 2023, the Wealth Management and Life and Health Insurance segment also includes operations resulting from the acquisition of Worldsource, which specializes in independent insurance, mutual funds and securities distribution operations. As a result of this acquisition, Desjardins Group has been able to consolidate its independent distribution position across Canada and strengthen its growth strategy throughout the Canadian market.

SERVICES

Life and Health Insurance
- Includes a wide range of products offered to individuals, and a group insurance and retirement savings service offering for businesses and their employees.
- These products and services offer them peace of mind by reducing the financial effects that could occur due to illness, accident or death, and these investment solutions help them achieve their savings objectives.
  - **Insurance for individuals**
    - Includes life insurance, health and disability insurance, credit insurance, travel insurance, assistance services, guaranteed investment funds and responsible annuity products.
  - **Group insurance**
    - Includes prescription drug, health care, dental and disability insurance, health and wellness expense accounts, as well as prevention and wellness services.
  - **Group retirement savings**
    - Includes accumulation and disbursement plan solutions, as well as support to achieve and maintain financial independence (videos, simulators, webinars and virtual guide).

Wealth Management
- **Specialized wealth management networks (Signature Service, Private Wealth Management, Securities and Online Brokerage):**
  - Each Desjardins network provides support to members and clients, as well as their families, based on a 360° vision of wealth management.
  - These networks differ from one another in their approach and in the range of proprietary advisory services and products they offer.
  - The support offered is tailored to the member's or client's situation, their financial situation and the path they wish to take to manage their wealth.
- **Investments:**
  - Wide range of investment solutions for individuals.
  - Mutual funds, guaranteed market-linked investments and exchange-traded funds (ETF), including responsible investing product lines, allowing members and clients to find the investment best suited to their needs, whether they are preparing for retirement, planning a trip or any other financial goal.
- **Institutional services:**
  - Services for institutional clients, mainly pension funds, foundations, investment funds and insurers.
  - Asset management and trust services, such as custody of securities on North American and international markets and fiduciary services for businesses.

2023 ACHIEVEMENTS

Life and Health insurance

- Closing of the **acquisition of Worldsource**, which specializes in independent insurance, mutual fund and securities distribution operations.
- Implementing actions to allow members and clients to obtain **real-time replies** when applying for **individual insurance.**
- Continuing initiatives to **enhance the offering and support in credit insurance** to meet the coverage needs of our members and clients.
- Deploying **new digital functionalities** for **group insurance** members and clients, such as a drug cost simulator, a pharmacy price locator and information on their dental care and complementary health care limits and consumption.
- **Enhanced online retirement savings path** in group retirement savings for members and clients.
- The segment continues to gradually deploy its **ESG approach** across all its operations, including:
  - Expansion of eligible expenses under the wellness account, including eco-responsible solutions to reduce the ecological footprint as well as Indigenous health services.
  - Launch of "Family Focus" group insurance coverage to meet the different needs of insured persons experiencing difficulties in starting or growing a family.
  - Collaboration in the publication of a reference framework by the UN aimed at raising awareness in the Canadian insurance industry of the links between social equity and measures to adapt to climate change.
- **Desjardins stood out at the Insurance Business Canada Awards** by winning, for a second consecutive year, the award for Life & Health Insurer of the Year, which recognizes Desjardins's commitment to its products and services, to financial literacy and to its exemplary customer service approach. Desjardins was also nominated for excellence in diversity, equity and inclusion.

Wealth Management

- Reaching the **$1 billion asset mark** for the line of **market-linked notes.**
- **Enhancing the features** of annuity and structured products to meet the changing needs of members and clients.
- Desjardins became **one of the world's 50 largest institutional investors in infrastructure**, according to *Infrastructure Investor* magazine's Global Investor 50 ranking.
- The segment continues to gradually roll out its **ESG approach** across all its activities, including:
  - Making its range of "SociaTerra" investment funds more accessible by adding new unit classes for retail investors.
  - Desjardins Investments Inc. signed the Net Zero Asset Managers initiative, a UN-backed alliance of investors committed to making its portfolios carbon neutral by 2050.
- **Awards won and recognition gained,** all attesting to our commitment to developing high-return investing solutions for members and clients:
  - Desjardins Online Brokerage ranked first in independent investor satisfaction by JD Power.
  - Garnered 5 FundGrade A+® 2023 awards from Fundata, which recognizes the best investment solutions available in Canada each year, 2 of which were received for responsible investing solutions.
  - Received 2 awards at the LSEG Lipper Fund Awards for the best mutual fund in Canada in the Global Small/Mid Cap Equity mutual fund category for the Desjardins SocieTerra Cleantech Fund (third consecutive year), as well as the award-winning Desjardins RI Emerging Markets Multifactor - Net-Zero Emissions Pathway ETF in the Emerging Markets Equity ETF category (second consecutive year).
  - Desjardins was ahead of the pack with its line of structured products:
    - Most awarded financial institution at the 2023 SRP Americas gala, taking 5 awards, including the prestigious "Best House, Canada" award (fourth consecutive year) from Structured Retail Products.
    - "Canada's Best GIC Issuer" award at the second annual SPi Canada 2023 Awards for Excellence.

INDUSTRY

- **Canadian market:**
  - Wealth Management: At the end of 2022, financial assets of close to $6,186 billion were held by Canadian households. Assets posted 6.5% compounded annual growth over the last 5 years and a 4.4% decline in 2022. In 2022, inflation and rising key interest rates had an impact on the economy, bringing volatility to markets and the economic environment. Key interest rates continued to rise in 2023, leading to an economic slowdown.
  - Life and Health Insurance: Premium income totalled $145 billion in life and health insurance and in annuities in 2022, exceeding the pre-pandemic level by close to $23 billion and growing an average 5.6% per annum over the last five years. More than 29 million Canadians are financially protected, and $114 billion was paid in benefits in 2022. Since the COVID-19 crisis, the industry has returned to growth and mental health support is becoming increasingly important, with benefits increasing by 10% in 2022 and to almost double the level attained in 2019.
- **Competition in Canada:**
  - Wealth Management: The key industry players are the major banking groups, life and health insurance companies and investment fund manufacturers, which are trying to outdo one another in order to win over clients and build their loyalty. For over 30 years, Desjardins has been one of the most committed players when it comes to promoting and advancing responsible investing in Canada by:
    - Offering an extensive line of responsible investing solutions on the market;
    - Ranking 2nd among mutual fund issuers and 5th among ETF issuers in responsible investing as at December 31, 2022.
  - Life and Health Insurance: Based on 2022 statistics, there are more than 150 insurers conducting business in Canada, with five insurers accounting for 75.8% of the market. Desjardins Financial Security Life Assurance Company ranks fifth in Canada, with direct written premiums of $6.4 billion in 2022.

2024 STRATEGIES AND PRIORITIES

The 2024 strategies and priorities of the Wealth Management and Life and Health Insurance segment form part of Desjardins Group's strategic orientations and aim to help Desjardins achieve its goal of being everyone's #1 choice, by always working in the best interests of members and clients. The strategic orientations of Desjardins Group, as presented in Section 1.4, "Strategic orientations and financial objectives", of this MD&A, are also the strategic orientations of the Wealth Management and Life and Health Insurance segment. The segment's priorities for 2024 to 2027 emphasize:

- Aligning the organization around the strategic plan in wealth management and tightening up execution;
- Intensifying business development in wealth management;
- Driving the pace of growth in individual and group insurance;
- Improving operational excellence in group insurance;
- Accelerating the digital shift and enhancing the value of data;
- Modernizing our systems.

In order to strengthen its leadership in the area of client experience, this segment can rely on the commitment of its managers, employees and distribution partners, who always strive to better meet the needs of members and clients by providing exemplary and distinctive quality service.

ANALYSIS OF FINANCIAL RESULTS

Table 12 – Wealth Management and Life and Health Insurance – Segment results
As at December 31 and for the years ended December 31

(in millions of dollars)	2023	2022(1) Restated
Net interest income	**$ 21**	$ 8
Insurance service result		
Insurance revenue	**3,944**	3,624
Insurance service expenses	**(3,296)**	(3,018)
Net reinsurance service income (expenses)	**(62)**	(43)
	586	563
Net insurance finance result		
Net insurance investment income (loss)	**2,397**	(3,984)
Net insurance finance income (expenses)	**(2,055)**	4,381
Net reinsurance finance income (expenses)	**72**	(190)
	414	207
Net insurance service income (loss)	**1,000**	770
Other income	**2,362**	1,777
Total net income	**3,383**	2,555
Provision for credit losses	**5**	—
Non-interest expense		
Gross non-interest expense	**3,046**	2,524
Non-interest expense included in insurance service expenses(2)	**(366)**	(397)
Net non-interest expense	**2,680**	2,127
Income taxes on surplus earnings	**117**	115
Net surplus earnings for the year	**$ 581**	$ 313
Indicators		
Contractual service margin (CSM)(3)		
Total CSM(3)(4)	**$ 2,595**	$ 2,627
CSM on new sales(3)(5)	**54**	52
Net sales of savings products(6)	**2,290**	8,261
Insurance sales(6)	**473**	429
Group insurance premiums(6)	**3,840**	3,573
Individual insurance premiums(6)	**1,015**	968
Annuity premiums(6)	**1,458**	1,265
Segregated fund receipts(6)	**3,900**	3,665

(1) The data have been adjusted to conform to the current year's presentation notwithstanding IFRS 17, which was adopted on January 1, 2023.
(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 17, "Insurance and reinsurance contracts" to the Combined Financial Statements.
(4) Total CSM of $2,813 million ($2,884 million as at December 31, 2022) presented net of reinsurance for a total of $218 million ($257 million as at December 31, 2022).
(5) CSM on new insurance business totalling $56 million ($54 million as at December 31, 2022) presented net of reinsurance for a total of $2 million ($2 million as at December 31, 2022).
(6) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.

COMPARISON OF 2023 AND 2022

- **Net surplus earnings of $581 million,** up $268 million, or 85.6% compared to 2022, mainly on account of:
  - Increase in the net insurance finance result[1], particularly as a result of the following:
    - Gains realized by a joint venture on the sale of its real estate portfolio.
    - Favourable adjustment to the liability discount curve parameters in the second quarter of 2023.
  - Higher insurance service result due, in particular, to the overall favourable experience, partly offset by the unfavourable effect of the updating of actuarial assumptions.
  - Partly offset by the increase in spending on personnel and technology to enhance member and client services.

- **Insurance service result of $586 million,** up $23 million, or 4.1%, mainly due to the following:
  - Increase in income from contracts to which the general model is applied, due to the following factors:
    - Favourable effect of the updating of actuarial assumptions in group retirement savings.
    - Less unfavourable effect of the loss component of onerous contracts in group retirement savings.
  - Increase in income from insurance contracts measured using the premium allocation approach, particularly in group insurance for long-term disability and accident and health coverage.
  - Partly offset by higher insurance and reinsurance service expenses, largely due to the following:
    - Higher expenses for insurance contracts measured using the premium allocation approach, mainly in group insurance, as a result of business growth.
    - More unfavourable effect of the loss component of onerous contracts in group insurance.
    - Less favourable experience in credit and direct insurance, chiefly for disability and life loan insurance.
    - Unfavourable effect of the updating of actuarial assumptions, primarily in credit and direct insurance, partly offset by the favourable effect in group insurance.
    - Partially offset by a more favourable group insurance experience, particularly in long-term disability and life insurance coverage, partially offset by the unfavourable experience in accident and health insurance.

- **Net insurance finance result[1] of $414 million,** up $207 million, or 100.0% mainly due to the following:
  - Gains realized by a joint venture on the sale of its real estate portfolio.
  - Favourable adjustment to rate curve parameters in the second quarter of 2023.

- **Other income of $2,362 million,** up $585 million, or 32.9%, mainly due to the following:
  - Income of $409 million related to operations acquired from Worldsource.
  - Higher net investment income from non-insurance activities than in the comparative year for investment contracts not transferring insurance risk to the holders, primarily in individual annuities. This income was offset by a similar change in gross non-interest expense.
  - Increase in income from assets under management from specialized networks.

- **Total net income of $3,383 million,** up $828 million, or 32.4%.

- **Gross non-interest expense of $3,046 million,** up $522 million, or 20.7%, mainly because of:
  - Expense of $416 million related to operations acquired from Worldsource.
  - Increase in spending on personnel and technology to enhance member and client services.
  - Higher costs due to increased transaction volume as a result of growth in assets under administration.

  Note that a gross non-interest expense of $366 million was included under insurance service expenses, compared to $397 million in 2022.

Additional information for certain indicators:

- **Contractual service margin (CSM)**
  - Total CSM of $2,595 million as at December 31, 2023 compared to $2,627 million as at December 31, 2022. The decrease in total CSM resulted largely from services provided, stemming primarily from the creation of the CSM at the transition, which were higher than new sales and capitalized interest.

- **Business growth**
  - Decline in net sales of savings products, mainly from Specialized Networks, MLGIs, and Desjardins Funds.
  - Growth in insurance sales, mainly in group insurance.
  - Growth in insurance premiums, primarily in group insurance.
  - Growth in annuity premiums, largely from individual retirement savings for annuities paid.

[1] As permitted by IFRS 17, Desjardins Group has chosen to recognize the impact of the reclassification of its investments related to insurance activities as at January 1, 2023 and, consequently, not to restate the comparative year for this item. This could therefore limit the comparability of the results with the prior year.

2.3.3 Property and Casualty Insurance

PROFILE

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.

SERVICES

- **Automobile insurance,** including motorcycle and recreational vehicle insurance:
  - Offers insurance coverage tailored to clients' specific needs and their vehicle features;
  - Also includes the necessary coverage to obtain financial compensation for bodily injury in provinces where such coverage is not provided by a public plan.
- **Property insurance:**
  - Offers owners, co-owners and tenants insurance coverage to protect their physical property, with all-risk insurance coverage and optional coverages for primary and secondary residences.
- **Business insurance:**
  - Covers the insurance requirements for commercial vehicles, commercial property and public liability for businesses;
  - Service is provided to the following sectors, among others: service firms, retailers and wholesalers, garages, general or specialized contractors, offices, health care professionals, commercial buildings, condominiums and apartment buildings.

2023 ACHIEVEMENTS

- Continued enhancement of the member and client experience as well as **digital transformation,** in particular by:
  - Continuing to focus on prevention in automobile insurance by adding the Ajusto program (telematics program with personalized feedback on driving habits) in Alberta. Ajusto offers a customized rate based on the member's and client's driving habits and also encourages good driving habits by providing members and clients with personalized advice on their driving in order to improve road safety.
  - Introducing a new predictive model for total loss or repair at first notice of loss decisions to remove client uncertainty associated with the repair of their vehicle and improve the efficiency of the claims process.
  - Deploying a dedicated contract renewal area on information sites to support members and clients by providing information on industry-wide inflation, as well as on ways to save.
- Continuation of the **program to modernize IT systems** with implementation of key milestones, including:
  - Successfully implementing the modernization of automotive business systems outside Québec for all distribution networks.
- The IT systems modernization program received the **OCTAS award** for its achievements during the year.
- To combat industry issues associated with the significant increase in the number of automobile thefts, deployment of a free **anti-theft tracking system** for the most at-risk car models in Ontario and Québec.
- The segment continues to gradually deploy its **ESG approach** in all of its operations, in particular by:
  - Committing $3.2 million for the 2022-2024 period to support various organizations that encourage road safety in Québec and the rest of Canada [Parachute, Traffic Injury Research Foundation (TIRF), Arrive Alive, Operation Red Nose].
  - Continuing work to achieve the investment portfolio's carbon neutrality objectives for 2040 in the following three sectors: energy, transportation and real estate, as well as for 2050 for the entire portfolio (commitment to the global Business Ambition for 1.5°C initiative).
  - Integrating resilient reconstruction incentives into insurance contracts:
    - For sewer backups covered by endorsement 16 (Canada-wide), $1,000 for mitigation measures.
    - For hail risk zones (Alberta): $2,500 in coverage to replace a roof with hail-resistant shingles.
  - An ESG plan was defined in support of the Group's plan, with 4 priorities (partner in prevention, understanding climate change and disasters, asset resilience, and integrating ESG considerations into the day-to-day business) related to the property and casualty insurance business.
  - Working with the Insurance Bureau of Canada to implement the national flood program aimed at protecting people at risk who do not have access to adequate insurance.
- **Finalization of a minority interest** in the Insurance Company of Prince Edward Island (ICPEI), which offers property, automobile and commercial insurance products.

INDUSTRY

- **Canadian market:**
  - The P&C insurance industry offers insurance coverage for motor vehicles, personal and commercial property, and public liability.
  - A mature market, with an average annual premium growth rate of 8.7% in the period from 2018 to 2022.
  - The segment has grown at a sustained rate of 7.6%, reaching $74.3 billion in direct written premiums at the end of 2022. The new economic reality in personal automobile insurance, in which profitability is a major issue, has led to a higher rate of premium growth. Rates continue to rise in property and business insurance.
  - Individual insurance accounts for 57.2% of the market, and business insurance, for 42.8%.
- **State of the industry in 2023:**
  - The labour shortage in Canada continues, affecting a number of sectors of the economy, with the unemployment rate still at approximately 5.0%.
  - The growth in the consumer price index slowed in 2023 compared with 2022, but it remains high. Inflation in Canada was 3.4% at the end of 2023, while inflation in automotive parts, accessories and supplies reached 5.8%.
  - In automobile insurance, driving habits continued to normalize in 2023 and the frequency of claims increased. Vehicle theft remains a major issue across the industry (particularly in Ontario and Québec).
  - Alberta implemented a freeze on premium rates for private passenger automobiles from January to December 2023.
  - The industry is being affected by weather events across Canada. In 2023, according to Catastrophe Indices and Quantification Inc. (CatIQ), catastrophic events caused insurable losses of $3.1 billion for the Canadian P&C insurance industry, such that 2023 was ranked 4th in terms of the size of extreme weather losses in Canada.
- **Industry trends:**
  - Operational excellence remains fundamental to the P&C insurance sector, especially when costs are under pressure, making profitability more of a challenge.
  - Digitalization and systems modernization remain important for insurers, as key players seek to derive a competitive advantage from their digital capabilities and mobile-focused functionalities.
  - Telematics solutions are becoming increasingly prevalent in Canada, with penetration of the key actors' programs rising sharply due to consumers' desire to see their new driving habits better reflected in pricing and insurers' efforts to reap the benefits of segmentation.
  - Insurers are increasingly exploiting advanced analytics across the value chain to generate efficiencies, secure segmentation gains and improve the client experience.
  - Consolidation in the brokerage sector is gathering pace, led by insurers and investment funds.
  - The impact of climate change is a major factor affecting the P&C insurance industry.

2024 STRATEGY AND PRIORITIES

The Property and Casualty Insurance segment's strategies and priorities for 2024 fall within the scope of Desjardins Group’s strategic orientations and aim to help the Group attain its goal of being everyone’s #1 choice by constantly working in the best interests of members and clients. The strategic orientations of Desjardins Group, as presented in Section 1.4, "Strategic orientations and financial objectives", of this MD&A are also the strategic orientations of the Property and Casualty Insurance segment. The segment's priorities from 2024 to 2027 will be to:

- Modernize its business systems to support its member- and client-centered developments;
- Reduce operating risks and enhance the organization's agility;
- Pursue our objective of becoming a Canadian leader in the field of advanced analytics by rolling out several models in the period 2024 to 2027, including in the area of claims and pricing;
- Aim for profitable growth in business insurance, with a view to supporting our entrepreneur members and clients and achieving our various objectives.

Achieving these objectives is based on the commitment of all directors, managers and employees, as well as on a comprehensive and integrated offer of high quality and accessible services, always in the interests of members and clients.

ANALYSIS OF FINANCIAL RESULTS

Table 13 – Property and Casualty Insurance – Segment results
For the years ended December 31

(in millions of dollars and as a percentage)	2023	2022 Restated
Insurance service result		
Insurance revenue	**$ 6,642**	$ 6,225
Insurance service expenses	**(5,775)**	(5,738)
Net reinsurance service income (expenses)	**(67)**	(12)
	800	475
Net insurance finance result		
Net insurance investment income (loss)	**561**	(385)
Net insurance finance income (expenses)	**(343)**	226
Net reinsurance finance income (expenses)	**31**	(25)
	249	(184)
Net insurance service income (loss)	**1,049**	291
Other income (loss)	**(26)**	(33)
Total net income	**1,023**	258
Provision for credit losses	**5**	—
Non-interest expense		
Gross non-interest expense	**1,025**	988
Non-interest expense included in insurance service expenses(1)	**(651)**	(656)
Net non-interest expense	**374**	332
Income taxes on surplus earnings	**150**	(39)
Net surplus earnings (deficit) for the year	**$ 494**	$ (35)
Of which:		
Group's share	**$ 423**	$ (53)
Non-controlling interests' share	**71**	18
Indicators		
Direct written premiums(2)	**$ 6,856**	$ 6,205
Loss ratio(3)	**67.7%**	67.5%
Current year loss ratio(3)	**70.2**	69.8
Loss ratio related to catastrophes and major events(3)	**3.6**	3.9
Ratio of favourable changes in prior year claims(3)	**(6.1)**	(6.2)
Expense ratio(3)	**26.2**	26.6
Ratio of losses on onerous contracts(3)	**(0.9)**	3.3
Combined ratio(3)	**93.0**	97.4

(1) Represents the non-interest expense directly related to the fulfillment of insurance contracts presented under "Insurance service results".
(2) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.
(3) For more information about non-GAAP ratios, see "Non-GAAP and other financial measures" on pages 3 and 4.

COMPARISON OF 2023 AND 2022

- **Net surplus earnings of $494 million,** compared to a net deficit of $35 million, for fiscal 2022. The change was due to the following:
  - Increase in the net insurance finance result.
  - Higher insurance service income in property and automobile insurance.
  - Favourable impact of the loss component on onerous contracts, compared to an unfavourable effect recorded in 2022.
  - Partly offset by higher claims expenses for the current year, mainly as a result of automobile and property insurance.

- **Insurance service result of $800 million,** up $325 million, or 68.4%.
  - **Insurance revenue** of $6,642 million, up $417 million, or 6.7%. By including ceded insurance revenue of $306 million presented under "Net reinsurance service income (expenses)", the increase was $303 million, or 5.0%, mainly due to premium growth in property insurance and automobile insurance.
  - **Insurance service expenses** of $5,775 million, up $37 million, or 0.6%. By including ceded insurance service expenses of $239 million presented under "Net reinsurance service income (expenses)", there was a decrease of $22 million, or 0.4%, due to the following:
    - Favourable effect of the loss component on onerous contracts, whereas an unfavourable effect had been recognized in 2022, mainly attributable to automobile insurance.
    - Partially offset by higher expenses related to claims compared with 2022 due to higher claims-related expenses for the current year compared to those recognized in 2022. This increase was mainly attributable to automobile insurance, in particular as a result of the increase in the average cost of claims due to the impact of inflation and the increase in car thefts, as well as to property insurance.

- **Net insurance finance result of $249 million,** up $433 million.
  - **Net insurance investment income** of $561 million, compared to losses of $385 million in fiscal 2022. The change was essentially due to the following:
    - Positive change in the fair value of matched bonds, whereas a negative change had been recognized in 2022, in particular due to a slight decline in market interest rates for fiscal 2023, whereas in 2022 the fair value had been affected by a significant rise in interest rates.
    - Net gains on shares, while net losses were recorded in fiscal 2022.
    - Higher interest income on fixed income securities compared to fiscal 2022.
  - **Net insurance finance expense of $343 million,** compared to income of $226 million for fiscal 2022. By including net reinsurance finance income of $31 million (expenses of $25 million in fiscal 2022), the net insurance and reinsurance finance expenses totalled $312 million, compared to income of $201 million in 2022. This change was due to the following:
    - Unfavourable impact of lower discount rates used to measure net liabilities for incurred claims, compared to a favourable impact of higher discount rates in 2022.
    - Unfavourable effect of higher accretion of net liabilities for incurred claims compared to 2022.

- **Other losses of $26 million**, down $7 million, mainly due to gains realized by a joint venture on the sale of its real estate portfolio.

- **Total net income of $1,023 million,** up $765 million.

- **Gross non-interest expense of $1,025 million,** up $37 million, or 3.7%. This increase is attributable to the following:
  - Upward remeasurement of the provision for the deferred compensation program and the post-retirement benefit plan for Desjardins agents, compared to a downward remeasurement recorded in 2022.
  - Higher salary expenses than in 2022, particularly on account of wage indexation.

  Note that a gross non-interest expense of $651 million was included in insurance service expenses, an amount comparable to what was recorded for 2022.

2.3.4 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. The Other category 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 Combined Financial Statements, intersegment balance eliminations are classified in this category.

Table 14 – Other category
For the years ended December 31

(in millions of dollars)	2023	2022[1] Restated
Net interest income	**$ 436**	$ 645
Net insurance service income (loss)	**8**	5
Other income (loss)	**(1,059)**	(1,092)
Total net income (loss)	**(615)**	(442)
Provision for (recovery of) credit losses	**(2)**	3
Net non-interest expense	**(524)**	(270)
Income taxes on surplus earnings	**(111)**	(119)
Net surplus earnings (deficit) for the year	**$ 22**	$ (56)

(1) The data have been adjusted to conform to the current year’s presentation notwithstanding IFRS 17, which was adopted on January 1, 2023.

COMPARISON OF 2023 AND 2022

- **Net surplus earnings of $22 million,** compared to a net deficit of $56 million in 2022.
  - In relation to treasury activities, market rate fluctuations and changes in hedging positions had an unfavourable effect on net interest income, partially offset by a favourable effect on net other investment income (loss) included under other income.
  - Non-interest expense included amounts invested for the continued implementation of Desjardins-wide strategic projects, in particular for the digital shift and security. These initiatives enhanced the member and client experience, improved productivity and ensured the implementation of best practices in security. They also included changes in contingency provisions for our operations, supplier agreements and the investment portfolio, as well as commitments made regarding the GoodSpark Fund, with the aim, in particular, of providing social and economic support to the regions.

2.4 Analysis of fourth quarter results and quarterly trends

Table 15 – Results for the previous eight quarters

(unaudited, in millions of dollars and as a percentage)	2023				2022 Restated			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income	**$ 1,789**	$ 1,818	$ 1,769	$ 1,657	$ 1,579	$ 1,649	$ 1,596	$ 1,506
Insurance service result								
Insurance revenue	**2,718**	2,656	2,562	2,493	2,480	2,462	2,406	2,377
Insurance service expenses	**(2,093)**	(2,245)	(2,238)	(2,358)	(2,177)	(2,158)	(2,221)	(2,056)
Net reinsurance service income (expenses)	**(47)**	(20)	(36)	(26)	(40)	(27)	25	(13)
	578	391	288	109	263	277	210	308
Net insurance finance result								
Net insurance investment income (loss)	**3,005**	(1,363)	249	1,080	286	119	(2,404)	(2,372)
Net insurance finance income (expenses)	**(2,780)**	1,479	(83)	(999)	(30)	(214)	2,250	2,588
Net reinsurance finance income (expenses)	**115**	(65)	11	42	(17)	11	(93)	(116)
	340	51	177	123	239	(84)	(247)	100
Net insurance service income (loss)	**918**	442	465	232	502	193	(37)	408
Other income								
Deposit and payment service charges	**134**	119	117	113	115	115	114	104
Lending fees and credit card service revenues	**185**	258	242	266	256	269	218	222
Brokerage and investment fund services	**347**	339	400	253	235	235	251	268
Management and custodial service fees	**207**	192	189	163	182	151	170	159
Other net investment income (loss)	**(158)**	(132)	(86)	(110)	(60)	(159)	(120)	(161)
Foreign exchange income	**59**	47	47	39	42	19	27	31
Other	**57**	50	96	54	21	70	91	79
	831	873	1,005	778	791	700	751	702
Total net income	**3,538**	3,133	3,239	2,667	2,872	2,542	2,310	2,616
Provision for credit losses	**231**	127	66	105	80	125	66	6
Non-interest expense								
Gross non-interest expense	**2,749**	2,443	2,680	2,345	2,525	2,317	2,427	2,256
Non-interest expense included in insurance service expenses[(1)]	**(250)**	(240)	(246)	(249)	(262)	(256)	(253)	(252)
Net non-interest expense	**2,499**	2,203	2,434	2,096	2,263	2,061	2,174	2,004
Income taxes on surplus earnings	**58**	189	186	124	71	61	32	155
Surplus earnings before member dividends	**750**	614	553	342	458	295	38	451
Member dividends, net of tax recovery	**68**	78	80	78	64	78	80	75
Net surplus earnings for the period after member dividends	**$ 682**	$ 536	$ 473	$ 264	$ 394	$ 217	$ (42)	$ 376
Of which:								
Group's share	**641**	520	462	261	379	214	(31)	365
Non-controlling interests' share	**41**	16	11	3	15	3	(11)	11
Total assets	**$ 422,940**	$ 414,056	$ 409,558	$ 398,604	$ 403,944	$ 404,268	$ 400,440	$ 393,829
Indicators								
Return on equity[(2)]	**8.6%**	7.4%	6.8%	4.3%	5.6%	3.6%	0.6%	5.5%
Tier 1A capital ratio[(3)]	**20.4**	20.8	20.9	19.9	20.2	18.7	19.5	20.6
Total capital ratio[(3)]	**21.9**	22.3	22.4	21.4	21.9	20.2	20.4	21.5

(1) Represents the non-interest expense directly related to the fulfillment of insurance contracts presented under "Insurance service result".

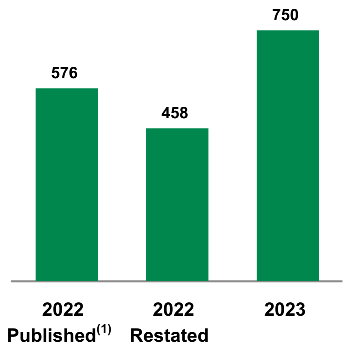
(2) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.

(3) In accordance with the *Capital Adequacy Guideline* issued by the AMF, see Section 3.2 "Capital management".

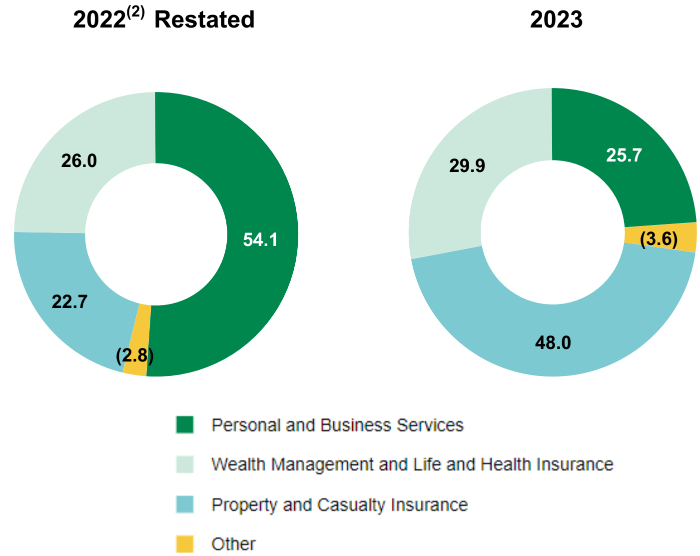
FOURTH QUARTER RESULTS

For the fourth quarter of 2023, Desjardins Group posted surplus earnings before member dividends of $750 million, up $292 million, or 63.8%, compared to the same period in 2022 and restated following the adoption of IFRS 17, "Insurance Contracts"(1), on January 1, 2023.

Surplus earnings before member dividends
(in millions of dollars)



Segment contributions to surplus earnings before member dividends
(as a percentage)



- **Contribution of business segments to surplus earnings:**
  - Personal and Business Services: **Surplus earnings of $193 million,** down $55 million, or 22.2%, compared to the same period in 2022. This decrease is attributable to the following:
    - Higher provision for credit losses than in 2022, mainly in business loan portfolios.
    - Increase in the provision rate for rewards programs related to credit card payment activities.
    - Higher non-interest expenses, mainly due to higher technology costs.
    - Partly offset by growth in net interest income.
  - Wealth Management and Life and Health Insurance: **Surplus earnings of $224 million,** up $105 million, compared to the fourth quarter of 2022, mainly attributable to the net insurance finance result(3), including gains realized by a joint venture on the sale of its real estate portfolio in the fourth quarter of 2023.
  - Property and Casualty Insurance: **Surplus earnings of $360 million,** up $256 million compared to the fourth quarter of 2022, due to:
    - Favourable effect of loss component on onerous contracts compared to an unfavourable effect in the corresponding quarter of 2022.
    - Higher insurance revenue, largely due to automobile and property insurance.
    - Decrease in claims expenses, mainly attributable to automobile insurance.

- **Return on equity of 8.6%,** compared to 5.6% for the fourth quarter of 2022, mainly due to the higher surplus earnings.

- **Net interest income of $1,789 million,** up $210 million, or 13.3%, on account of:
  - Increase in the interest income on loans due to the higher interest rate environment.
  - Growth in average residential mortgages and business loans outstanding.
  - Rise in interest income from liquidities, also resulting from the higher interest rate environment.
  - Increase in average interest-bearing assets and liabilities outstanding in credit card payment activities.

  This increase was offset in part by:
  - Higher interest expense on deposits mainly as a result of rising interest rates and the migration of depositors to term products with higher rates.
  - Growth in financing cost for credit card payment activities.

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(1) Surplus earnings before member dividends for the fourth quarter of 2022 were $576 million, under IFRS 4, "Insurance Contracts", the standard in effect before the adoption of IFRS 17.
(2) The data have been adjusted to conform to the current period's presentation notwithstanding IFRS 17, which was adopted on January 1, 2023.
(3) As permitted by IFRS 17, Desjardins Group has chosen to recognize the impact of the reclassification of its investments related to insurance activities as at January 1, 2023 and, consequently, not to restate the comparative period for this item. This could therefore limit the comparability of the results with the prior period.

- **Net insurance service income of $918 million[1],** up $416 million compared to the same quarter in 2022. The change in this heading, which consists of the insurance service result and the net insurance finance result, can be explained by the items from the following segments:

  - Wealth Management and Life and Health Insurance segment:
    - Insurance service result of $123 million, the same amount as in the fourth quarter of 2022.
      - Increase in income from contracts to which the general measurement model is applied, in particular due to the favourable effect of the loss component of onerous contracts in group retirement savings.
      - Partly offset by higher insurance and reinsurance expenses for insurance contracts measured using the premium allocation approach, due to the following:
        - Unfavourable effect of the updating of actuarial assumptions in credit and direct insurance, partly offset by the favourable effect in group insurance.
        - Less favourable experience in credit and direct insurance, particularly in life loans.
    - Net insurance finance result[2] of $193 million, up $22 million, mainly from the following:
      - Gains realized by a joint venture on the sale of its real estate portfolio.
      - Partly offset by losses related to interest rate guarantees offered for universal life contracts.

  - Property and Casualty Insurance segment:
    - Insurance service result of $465 million, up $322 million.
      - Insurance revenue of $1,739 million, up $153 million, or 9.6%. Including ceded insurance service income of $88 million, presented under "Net reinsurance service income (expenses)", resulted in an increase of $121 million, or 7.9%, mainly due to premium growth in property and automobile insurance.
      - Insurance service expenses of $1,250 million, down $174 million, or 12.2%. Including ceded insurance service expenses of $64 million, presented under "Net reinsurance service income (expenses)", resulted in a decrease of $201 million, or 14.5%, primarily due to the following:
        - Favourable effect of the loss on onerous contracts item compared with an unfavourable effect in the corresponding quarter of 2022, largely due to automobile insurance.
        - Lower expenses related to claims compared to the corresponding quarter of 2022 due to the following items:
          * Expenses related to claims for the current year that were lower than in the corresponding quarter of 2022, mainly attributable to automobile insurance.
          * Partially offset by the impact of less favourable changes in prior year claims compared to the corresponding quarter of 2022, largely due to automobile insurance.
    - Net insurance finance result of $115 million, up $16 million, or 16.2%.
      - Net insurance investment income of $347 million, up $258 million compared to the corresponding quarter of 2022. This change is largely the result of the following:
        - A positive change in the fair value of matched bonds that was greater than that recorded in the corresponding quarter of 2022, due in particular to the effect of lower market interest rates in the fourth quarter of 2023, compared with an increase in the corresponding quarter of 2022.
        - Higher net gains on shares compared to the fourth quarter of 2022.
        - Higher interest income on fixed-income securities compared to the corresponding quarter of 2022.
      - Net insurance finance expenses of $254 million, compared with income of $10 million in the corresponding quarter of 2022. Including net reinsurance finance income of $22 million (nil in the corresponding quarter), net insurance and reinsurance finance expenses were $232 million, compared with income of $10 million in the corresponding quarter. This change was due to the following:
        - Unfavourable impact of lower discount rates used to measure net liabilities for incurred claims, compared to a favourable impact of higher discount rates recorded in the corresponding quarter of 2022.
        - Greater unfavourable effect of accretion of net liabilities for incurred claims than in the fourth quarter of 2022.

- **Other income rose to $831 million,** up $40 million, or 5.1%, compared to the fourth quarter of 2022, due to the following:
  - Income of $117 million related to operations acquired from Worldsource.
  - Partially offset by an increase in the provision rate for rewards programs linked to credit card payment activities.

- **Total net income of $3,538 million,** up $666 million, or 23.2%.

- **Provision for credit losses of $231 million,** up $151 million, compared to the same period in 2022. This change was primarily due to increases in the provision for credit losses on business loan portfolios due to a migration of credit quality and on credit card portfolios. The provision for the fourth quarter of 2023 reflected higher net write-offs, which are gradually returning to pre-pandemic levels.

  Desjardins Group continued to have a high-quality loan portfolio in 2023.
  - Ratio of gross credit-impaired loans, as a percentage of the total gross loans and acceptances portfolio, was 0.74%, compared to 0.48% as at December 31, 2022. 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 of $2,749 million,** up $224 million, or 8.9%, compared to the fourth quarter of 2022, largely due to the following:
  - Expense of $120 million related to operations acquired from Worldsource.
  - Other items included in gross non-interest expense increased $104 million, or 4.1%, mainly due to wage indexation and increased spending on technology.

- **Income taxes on surplus earnings before member dividends of $58 million,** down $13 million compared to the corresponding period in 2022.
  - Effective tax rate[3] of 7.2% for the fourth quarter of 2023, down from 13.4% for the corresponding period of 2022, mainly due to the increase in non-taxable investment income compared to the fourth quarter of 2022.

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[1] The difference between total results and the sum of business segment results is due to intersegment transactions, which are eliminated in the Other category.

[2] As permitted by IFRS 17, Desjardins Group has chosen to recognize the impact of the reclassification of its investments related to insurance activities as at January 1, 2023 and, consequently, not to restate the comparative period for this item. This could therefore limit the comparability of the results with the prior period.

[3] For further information about supplementary financial measures, see the Glossary on pages 106 to 113.

QUARTERLY TRENDS

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. The results of Desjardins Group's most recent eight quarters were affected by developments in the global, U.S., Canadian and Québec economies as well as by inflation, with an expected rise of 1.1% in Canadian real GDP and an expected decline of 0.2% in Québec real GDP in 2023, compared to increases of 3.4% and 2.5%, respectively, in 2022. The Canadian key interest rate rose substantially during the four quarters of 2022, from 0.25% in March to 4.25% in December, while the four quarters of 2023 were marked by a total increase of another 75 basis points, to 5.00% as at December 31, 2023. Lastly, changes in actuarial assumptions as well as loss experience and weather conditions may also cause significant variations from one quarter to the next. No catastrophe was recorded in 2023, but there were eleven major events, compared to one catastrophe and five major events in 2022.

Following the transition to IFRS 17, "Insurance Contracts", on January 1, 2023, insurers' net surplus earnings are more sensitive, first to changes in financial markets but also to interest rates, and this has made the quarterly results more volatile than what was recorded in the past. 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 2023 and 2022 periods may be less comparable than they were in the past.

- **Net interest income – 2023 quarters up compared to 2022 quarters.**
  - Increase in the interest income on loans as a result of the higher interest rate environment.
  - Growth in average residential mortgages outstanding and average business loans outstanding.
  - Rise in interest income from liquidities, also resulting from the higher interest rate environment.
  - Increase in average interest-bearing assets and liabilities outstanding in credit card payment activities.

  This increase was offset in part by:
  - Higher interest expense on deposits, mainly as a result of rising interest rates and the migration of depositors to term products with higher rates.
  - Growth in the financing cost for credit card payment activities.

- **Net insurance service income (loss) – Quarterly fluctuations.**
  - **Wealth Management and Life and Health Insurance**:
    - Gains realized by a joint venture on the sale of its real estate portfolio in the fourth quarter of 2023.
    - Favourable net insurance finance result for the quarters of 2023 and for the first and fourth quarters of 2022.
    - Favourable adjustment made to rate curve parameters in the second quarter of 2023.
    - Favourable insurance service results over the last eight quarters:
      - Less favourable experience in credit and direct insurance for the quarters of 2023, partly offset by a more favourable experience in long-term disability coverage in group insurance for the first and third quarters of 2023.
      - Overall unfavourable effect of the update of actuarial assumptions in the fourth quarter of 2023, despite a favourable effect on group retirement savings.

  - **Property and Casualty Insurance**:
    - Upward trend in insurance revenue over the last eight quarters.
    - Higher current year claims expenses for the first three quarters of 2023 and the fourth quarter of 2022 in automobile insurance reflecting, among other things, the higher average cost of claims due to the impact of inflation and the increase in car thefts.
    - Favourable trend in prior-year automobile insurance claims over the last eight quarters that was considerably stronger in the second quarter of 2023 and the fourth quarter of 2022.
    - Impacts of catastrophes and major events over the last eight quarters:
      - Wind and water damage in Québec and Ontario in the third quarter of 2023;
      - An ice storm in Québec and Ontario in the second quarter of 2023;
      - Heavy rainfalls in Québec in the third quarter of 2022;
      - One catastrophe (i.e., a rare weather phenomenon known as a *derecho)* in the second quarter of 2022.
    - Favourable effect of the loss component on onerous contracts in automobile insurance in the third and fourth quarters of 2023, whereas it was unfavourable in all the quarters of 2022 and in the first and second quarters of 2023.
    - Net insurance financial result:
      - Favourable impact for all four quarters of 2023 and the fourth quarter of 2022;
      - Unfavourable impact for the first three quarters of 2022, mainly attributable to the net loss on shares, due to the decline on financial markets in 2022 and the effect of higher interest rates.

- **Other income – 2023 quarters up compared to 2022 quarters.**
  - Income related to operations acquired from Worldsource since the first quarter of 2023.
  - Growth in business volumes from credit card payment activities.
  - Partially offset by an increase in the provision rate for rewards programs related to credit card payment activities in the fourth quarter of 2023.

- **Provision for credit losses – 2023 quarters up compared to 2022 quarters.**
  - Increase in the provision in the first and fourth quarters of 2023 compared with the corresponding quarters of 2022, reflecting in particular a migration in credit quality.
  - Provisioning for the second and third quarters of 2023 relatively unchanged from the corresponding quarters of 2022.
  - Rising net write-offs since the end of 2022 as they gradually return to pre-pandemic levels.
  - Ratio for gross credit-impaired loans, as a percentage of the total portfolio of gross loans and acceptances, up for the 2023 quarters compared to the 2022 quarters. Desjardins Group has nevertheless continued to have a high-quality loan portfolio.

- **Gross non-interest expense – Limited growth when 2023 and 2022 quarters are compared, with the increase coming mainly from the acquisition of Worldsource.**
  – Expenses related to the activities acquired from Worldsource since the first quarter of 2023.
  – Wage indexation and increased spending on technology.
  – Higher rewards program costs due to volume growth in the credit card payment business.
  – Higher expenses related to providers of credit card payment activities in the second and third quarters of 2023, particularly as a result of the impact of amendments to the *Excise Tax Act* announced in the Canadian government's Budget 2023 having retroactive effect to 2021.
  – Partially offset by a reduction in expenses, due in particular to the measures implemented to improve efficiency and effectiveness.

3.0 Balance sheet review

3.1 Balance sheet management

Table 16 – Combined Balance Sheets
As at December 31

(in millions of dollars and as a percentage)	2023		2022 Restated	
Assets				
Cash and deposits with financial institutions	**$ 8,987**	**2.1%**	$ 8,913	2.2%
Securities	**88,365**	**20.9**	85,295	21.1
Securities borrowed or purchased under reverse repurchase agreements	**13,678**	**3.2**	17,024	4.2
Net loans and acceptances	**265,935**	**62.9**	249,695	61.9
Segregated fund net assets	**24,754**	**5.9**	21,356	5.3
Derivative financial instruments	**5,861**	**1.4**	5,723	1.4
Other assets	**15,360**	**3.6**	15,938	3.9
Total assets	**$ 422,940**	**100.0%**	$ 403,944	100.0%
Liabilities and equity				
Deposits	**$ 279,329**	**66.1%**	$ 259,836	64.3%
Insurance contract liabilities	**32,961**	**7.8**	30,202	7.5
Commitments related to securities sold short	**11,686**	**2.8**	9,859	2.4
Commitments related to securities lent or sold under repurchase agreements	**12,032**	**2.8**	24,565	6.1
Derivative financial instruments	**6,626**	**1.6**	6,691	1.7
Segregated fund net liabilities	**21,233**	**5.0**	17,826	4.4
Other liabilities	**21,729**	**5.1**	19,630	4.9
Subordinated notes	**2,954**	**0.7**	2,928	0.7
Equity	**34,390**	**8.1**	32,407	8.0
Total liabilities and equity	**$ 422,940**	**100.0%**	$ 403,944	100.0%

ASSETS

As at December 31, 2023, Desjardins Group's total assets stood at $422.9 billion, up $19.0 billion, or 4.7%, since December 31, 2022.

Cash and deposits with financial institutions increased by $0.1 billion, or 0.8% and securities, including those borrowed or purchased under reverse repurchase agreements, declined by $0.3 billion, or 0.3%.

Desjardins Group's outstanding loan portfolio, including acceptances, net of the allowance for credit losses, grew by $16.2 billion, or 6.5%, mainly due to business and government loans which increased by $10.2 billion, or 15.2%. Desjardins Group's residential mortgages have increased by $6.2 billion, or 3.9%, since December 31, 2022. Consumer, credit card and other personal loans outstanding have remained stable since the end of 2022.

Information on the quality of Desjardins Group's loan portfolio is presented in Section 4.2, "Risk management", on pages 69 to 73 of this MD&A.

Segregated fund net assets were up $3.4 billion, or 15.9%, on account of the increase in the fair value of the portfolio as a result of financial market developments coupled with slight growth in contract holders.

Derivative financial instrument assets rose by $0.1 billion, or 2.4%.

Other assets declined by $0.6 billion, or 3.6%, mainly because of the decrease in amounts receivable from clients, brokers and financial institutions as well as net assets under defined benefit plans partially offset by the increase in intangible assets and goodwill resulting from the acquisition of Worldsource.

LIABILITIES

Desjardins Group's total liabilities amounted to $388.6 billion as at December 31, 2023, up $17.0 billion, or 4.6%, since December 31, 2022.

Outstanding deposits grew by $19.5 billion, or 7.5%. The increase in business and government deposits, which accounted for 45.5% of Desjardins Group's total deposit portfolio, was partially responsible for this growth. These outstanding deposits were up $13.0 billion, or 11.4%, owing in particular to various securities issued on Canadian, U.S. and international markets, which supported growth in Desjardins Group's funding requirements. Personal deposits outstanding, which accounted for 54.2% of the total deposit portfolio, were up $6.1 billion, or 4.2%, mainly as a result of growth in member deposits at the caisses. Deposits from deposit institutions were up $0.3 billion.

Desjardins Group's insurance contract liabilities rose by $2.8 billion, or 9.1%, largely as a result of the change in actuarial liabilities arising from life and health insurance operations.

Commitments related to securities sold short and lent or sold under repurchase agreements decreased by $10.7 billion, or 31.1%, to a volume of $23.7 billion.

Derivative financial instrument assets were down by $0.1 billion, or 1.0%.

Segregated fund net liabilities were up by $3.4 billion, or 19.1%, on account of the increase in the fair value of the portfolio due to financial market developments, coupled with a slight growth in contract holders.

Other liabilities grew by $2.1 billion, or 10.7%, mainly as a result of the increase in accounts payable and other accrued liabilities as well as interest payable.

Subordinated notes increased by $3.0 billion as at December 31, 2023, comparable to the December 31, 2022 amount.

EQUITY

Equity has increased by $2.0 billion, or 6.1%, since December 31, 2022, due to a net surplus after member dividends of $2.0 billion.

Information about income taxes on member dividends, remuneration and dividends is presented in the table below.

Table 17 – Information about member dividends, remuneration and dividends
For the years ended December 31

(in millions of dollars)	**2023**	2022	2021
Member dividends	**$ 412**	$ 403	$ 387
Remuneration on F capital shares	**293**	262	208
Dividends	**56**	80	25
	$ 761	$ 745	$ 620

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

3.2 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 the financial capital costs, the organization has adopted 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 updated based on changes in the above factors and approved annually by the Federation's Board of Directors. To this end, the Board approved a new target for the Tier 1A capital ratio in November 2023. In accordance with market practices, the target determined annually by the Federation's Board of Directors will no longer be disclosed in Desjardins Group's and the Federation's public disclosure documents.

Desjardins Group's Integrated Capital Management Framework

Broadly speaking, Desjardins Group's Integrated Capital Management Framework includes the policies and processes required to set capitalization targets, to establish strategies to ensure that targets are met, to quickly raise capital, to ensure that the components contribute appropriately to capitalization, and to optimize internal capital flow and utilization procedures. The key principles and components of the target capital structure are set out in Desjardins Group's capital management policy.

Desjardins Group's capital management is the responsibility of the Federation's Board of Directors. To support it with this task, it has mandated the Management Committee, through the Desjardins Group Finance and Risk Management Committee, to ensure that Desjardins Group maintains an adequate level of capital. The Finance Executive Division is responsible for preparing a capitalization plan on an annual basis to forecast capital trends, devise strategies and recommend action plans for achieving the target capital structure.

Desjardins Group has developed a stress-testing program aimed at establishing and measuring the effect of various integrated scenarios, i.e. to simulate various economic scenarios and to assess their financial and regulatory repercussions, as well as any impacts on regulatory ratios. This process makes it possible to determine if the level of capital is adequate in view of the risks to which Desjardins Group is exposed. In addition, each year, Desjardins Group carries out a comprehensive assessment of the significant risks to which it is exposed. This assessment, combined with the stress-testing program, feeds into the organization's risk profile assessment.

Each year, through the Internal Capital Adequacy Assessment Program (ICAAP), Desjardins Group ensures that the level of capital is appropriate to meet regulatory requirements, absorb shocks caused by a stress event, cover all significant risks and maintain high credit ratings with credit rating agencies. Additional information on the ICAAP and the stress-testing program is presented in Section 4.2, "Risk management".

The current situation and the forecasts show that, overall, Desjardins Group has a solid capital base that maintains it among the best-capitalized financial institutions in Canada and meet its targets.

Regulatory framework

Desjardins Group's regulatory capital ratios are calculated according to 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. In February 2023, the AMF issued an update of the *Capital Adequacy Guideline* based on the Basel III regulatory reforms approved by the Basel Committee on Banking Supervision (BCBS) in 2017.

These reforms focus essentially on reducing the excessive variability of risk-weighted assets and improving the comparability and transparency of financial institutions' capital ratios by:
- Enhancing the robustness and sensitivity of standardized approaches for credit risk and operational risk.
- Restricting the use of Internal Ratings-Based (IRB) approaches by limiting the use of certain variables in calculating capital requirements and by revoking the use of advanced methods for certain portfolios.
- Adjusting the exposure measure for leverage ratio purposes.
- Replacing the existing threshold with a more robust and risk-sensitive floor based on the revised Basel III standardized approaches.

This update to the Capital Adequacy Guideline came into force in the first quarter of 2023 for the above items.

In accordance with the applicable regulatory 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. These guidelines were updated in July 2022 to reflect IFRS 17, and the resulting changes came into force on January 1, 2023.

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 partial deduction of Desjardins Group's capital under the rules for significant investments set out in the *Capital Adequacy Guideline*. Desjardins Financial Corporation Inc., is subject to the AMF's CARLI guideline.

In addition, since April 1, 2022, 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.

Table 18 – 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 ratio as at December 31, 2023
Tier 1A capital ratio[(3)]	> 4.5 %	2.5 %	> 7.0 %	1.0 %	> 8.0 %	**20.4 %**
Tier 1 capital ratio[(3)]	> 6.0	2.5	> 8.5	1.0	> 9.5	**20.4**
Total capital ratio[(3)]	> 8.0	2.5	> 10.5	1.0	> 11.5	**21.9**
TLAC ratio[(4)]	> 21.5	N/A	> 21.5	N/A	> 21.5	**29.4**
Leverage ratio[(5)]	> 3.0	N/A	> 3.0	0.5	> 3.5	**7.3**
TLAC leverage ratio[(6)]	> 6.75	N/A	> 6.75	N/A	> 6.75	**10.5**

(1) Supplement applicable to Desjardins Group as a domestic systemically important financial institution (D-SIFI).

(2) The AMF may also, at its discretion, set higher target ratios when circumstances warrant. In this regard, since March 31, 2019, the AMF has been able to activate the countercyclical buffer if it considers that excessive credit growth is associated with a systemic build-up of risk. In this assessment, a countercyclical buffer requirement of between 0% and 2.5% of total risk-weighted assets (RWA) would be imposed if the situation justified it. The requirement would be lifted when the risk either materialized or dissipated.

(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 that 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 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 BCBS and to assess their impact on the capital ratios and the leverage ratio.

In February 2023, the AMF issued an update to the *Capital Adequacy Guideline*, resulting from the Basel III regulatory reforms approved by the BCBS on December 7, 2017. The provisions relating to the market risk framework and the enhanced robustness and risk sensitivity of the standardized approaches for credit valuation adjustment (CVA) risk became effective on on January 1, 2024.

By late February 2024, the AMF expects to issue further revisions 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 are expected to be effective retroactively to January 1, 2024.

The "Regulatory environment" section presents additional details on regulation as it affects all Desjardins Group operations. In addition, this section contains information on the internal recapitalization (bail-in) regime applicable to Desjardins.

Compliance with requirements

As at December 31, 2023, the Tier 1A, Tier 1 and total capital ratios of Desjardins Group, calculated in accordance with Basel III requirements, were 20.4%, 20.4% and 21.9%, respectively. The leverage ratio was 7.3%.

As at December 31, 2023, the Tier 1A capital ratio was up 20 basis point, compared to December 31, 2022, mainly due to surplus earnings for the year, the revision of certain methodological aspects at the level of risk-weighted assets and growth in risk-weighted assets.

The TLAC ratio and the TLAC leverage ratio were 29.4% and 10.5%, respectively, as at December 31, 2023.

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 December 31, 2023.

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.

Table 19 – Main capital components and other TLAC instruments

	Regulatory capital requirements and other TLAC instruments			
	Total capital			Other TLAC instruments
	Tier 1 capital		Tier 2 capital	
	Tier 1A[(1)]	Tier 1B[(1)]		
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 • Shortfall in allowances • 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[(4)]			
Deductions	• Mainly significant investments in financial entities[(5)]	• 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) New requirement in effect as of the first quarter of 2023, resulting from the update of the *Capital Adequacy Guideline*.
(5) 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 will be subject to risk-weighting at a rate of 250%.

Table 20 – Regulatory capital and other TLAC instruments[1]
As at December 31

(in millions of dollars and as a percentage)	2023	2022
Tier 1A capital		
F capital shares[2]	**$ 4,889**	$ 4,889
Reserves and undistributed surplus earnings	**29,362**	28,906
Eligible accumulated other comprehensive income	**(708)**	(2,154)
Deductions[3]	**(4,865)**	(3,485)
Total Tier 1A capital	**28,678**	28,156
Total Tier 1 capital[4]	**28,678**	28,156
Tier 2 capital		
Eligible instruments[5]	**2,981**	2,954
Eligible portion of allowance for credit losses	**62**	161
Deductions	**(976)**	(826)
Total Tier 2 capital	**2,067**	2,289
Total regulatory capital (Tiers 1 and 2)	**$ 30,745**	$ 30,445
Total regulatory capital for TLAC purposes[6]	**$ 29,845**	$ 29,543
TLAC senior notes	**10,292**	9,179
Total loss absorbing capacity (TLAC) available	**40,137**	38,722
Risk-weighted assets and leverage ratio exposures		
Risk-weighted assets	**140,481**	139,311
Risk-weighted assets for TLAC purposes[6]	**136,311**	134,880
Leverage ratio exposure[7]	**390,563**	371,598
TLAC leverage ratio exposure[6][7]	**383,474**	364,519
Ratios		
Tier 1A capital ratio	**20.4%**	20.2%
Tier 1 capital ratio	**20.4**	20.2
Total capital ratio	**21.9**	21.9
TLAC ratio[6]	**29.4**	28.7
Leverage ratio[7]	**7.3**	7.6
TLAC leverage ratio[6][7]	**10.5**	10.6

(1) The data as at December 31, 2023, have been prepared in accordance with the requirements of the *Capital Adequacy Guideline*, which was updated to reflect the Basel III regulatory reforms approved by the BCBS on December 7, 2017, and became effective during the year. Comparative data were not restated.
(2) Including capital shares held in the Trust Fund of the Federation.
(3) Deductions from Tier 1A consist of regulatory adjustments ($2,371 million, $899 million in 2022), significant investments ($2,379 million, $2,463 million in 2022) and items that could not be deducted from Tiers 1B and 2 because of insufficient capital in these tiers ($115 million, $123 million in 2022).
(4) No Tier 1B capital instrument has been issued to date.
(5) Corresponds to eligible qualifying shares and NVCC subordinated notes. For further information, see Note 20, "Subordinated notes", of the Combined Financial Statements and "Template CCA – Main features of regulatory capital instruments and other TLAC-eligible instruments" in the *Pillar 3 Report*.
(6) Data calculated at the resolution group level, which is deemed to be Desjardins Group, excluding Caisse Desjardins Ontario Credit Union Inc.
(7) In accordance with the temporary relief measures issued by the AMF in response to the effects of the COVID-19 pandemic, reserves with central banks were excluded from the total exposure used when calculating the leverage ratio. These measures ceased to apply in the fourth quarter of 2023.

The Federation is able to issue eligible instruments as NVCC on Canadian, U.S. and international markets. Since this program was implemented, it has carried out issues of such securities for a total of $3.0 billion as at December 31, 2023. As a result, 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, to meet the minimum requirements for a total of $10.3 billion as at December 31, 2023, $3.9 billion of which was issued in fiscal 2023.

On December 15, 2023, the Board of Directors approved an interest payment of $293 million to holders of F capital shares.

Table 21 – Change in regulatory capital and other TLAC instruments[1]
For the years ended December 31

(in millions of dollars)	2023	2022
Tier 1A capital		
Balance at beginning of year	**$ 28,156**	$ 28,437
Increase in reserves and undistributed surplus earnings[2]	**456**	2,093
Eligible accumulated other comprehensive income	**1,446**	(2,927)
Permanent shares and surplus shares subject to phase-out[3]	**—**	(84)
Deductions	**(1,380)**	637
Balance at end of year	**28,678**	28,156
Total Tier 1 capital[4]	**28,678**	28,156
Tier 2 capital		
Balance at beginning of year	**2,289**	1,284
Eligible instruments	**27**	969
Eligible portion of allowance for credit losses	**(99)**	36
Deductions	**(150)**	—
Balance at end of year	**2,067**	2,289
Total capital	**$ 30,745**	$ 30,445
Total regulatory capital for TLAC purposes[5]	**$ 29,845**	$ 29,543
Other TLAC instruments		
Balance at beginning of the year	**9,179**	5,328
TLAC senior notes	**1,113**	3,851
Balance at end of year	**10,292**	9,179
Total loss absorbing capacity (TLAC) available[5]	**$ 40,137**	$ 38,722

(1) The data as at December 31, 2023, have been prepared in accordance with the requirements of the *Capital Adequacy Guideline*, which was updated to reflect the Basel III regulatory reforms approved by the BCBS on December 7, 2017, and became effective during the year. Comparative data were not restated.
(2) Amount including the change in defined benefit pension plans.
(3) As these capital instruments no longer meet the eligibility criteria for capital tiers, they have been excluded from them since January 1, 2022. During the year ended December 31, 2022, the caisses redeemed all permanent shares and surplus shares for cancellation.
(4) No Tier 1B capital instrument has been issued to date.
(5) Data calculated at the resolution group level, which is deemed to be Desjardins Group, excluding Caisse Desjardins Ontario Credit Union Inc.

Risk-weighted assets (RWA)

Desjardins Group calculates risk-weighted assets for credit risk, market risk and operational risk.

Credit risk

- Desjardins uses the Internal Ratings-Based Approach for credit risk.
- This approach has been used for Retail client 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

- Desjardins Group uses internal market risk models for trading portfolios.
- The Standardized Approach is used for foreign exchange risk and commodity risk in the banking portfolio.

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, as specified in the *Capital Adequacy Guideline* issued by the AMF.

As indicated in the following table, risk-weighted assets totalled $140.5 billion as at December 31, 2023. Of this amount, $115.3 billion was for credit risk, $2.9 billion for market risk, $22.3 billion for operational risk. As at December 31, 2022, risk-weighted assets stood at $139.3 billion.

Table 22 – Risk-weighted assets[1]

	Internal Ratings-Based Approach		Standardized Approach		Total as at December 31, 2023				Total as at December 31, 2022
(in millions of dollars and as a percentage)	Exposures [2]	Risk-weighted assets	Exposures [2]	Risk-weighted assets	Exposures [2]	Risk-weighted assets	Capital requirements [3]	Average risk weighting rate	Risk-weighted assets
Credit risk other than counterparty risk									
Sovereign borrowers	$ 83,579	$ 6,934	$ 6,016	$ —	$ 89,595	$ 6,934	$ 556	7.7 %	$ 7,213
Non-central government public sector entities	—	—	8,578	1,715	8,578	1,715	137	20.0	N/A
Financial institutions	6,173	1,775	2,794	1,275	8,967	3,050	244	34.0	4,389
Businesses	34,994	19,937	13,869	12,765	48,863	32,702	2,616	66.9	51,062
Securitizations	—	—	26	326	26	326	26	1250.0	361
Equities	—	—	746	843	746	843	67	112.9	2,787
SMEs similar to other retail client exposures	9,633	5,241	238	179	9,871	5,420	434	54.9	5,041
Real estate	168,710	27,568	4,993	3,474	173,703	31,042	2,483	17.9	11,421
Other retail client exposures (excluding SMEs)	21,856	6,251	1,836	1,404	23,692	7,655	612	32.3	6,046
Qualifying revolving retail client exposures	15,326	4,310	91	69	15,417	4,379	350	28.4	5,527
Subtotal – Credit risk other than counterparty risk	340,271	72,016	39,187	22,050	379,458	94,066	7,525	24.8	93,847
Counterparty risk									
Financial institutions	4,792	1,245	14	6	4,806	1,251	100	26.0	1,624
Businesses	2	2	551	533	553	535	43	96.9	330
Trading portfolio	1,076	823	681	650	1,757	1,473	118	83.8	1,130
Credit valuation adjustment (CVA) charge	—	—	6,053	3,233	6,053	3,233	259	53.4	2,429
Additional requirements for banking and trading portfolio	—	—	246	16	246	16	1	6.5	47
Subtotal – Counterparty risk	5,870	2,070	7,545	4,438	13,415	6,508	521	48.5	5,560
Other assets[4]	—	—	—	—	21,845	14,739	1,179	67.5	14,948
Scaling factor[5]	—	—	—	—	—	—	—	—	4,428
Total credit risk	346,141	74,086	46,732	26,488	414,718	115,313	9,225	27.8	118,783
Market risk									
Value at Risk (VaR)	—	454	—	—	—	454	36	—	714
Stressed Value at Risk (SVaR)	—	1,078	—	—	—	1,078	86	—	2,163
Incremental risk charge (IRC)[6]	—	1,035	—	—	—	1,035	83	—	760
Other[7]	—	—	—	314	—	314	25	—	322
Total market risk[8]	—	2,567	—	314	—	2,881	230	—	3,959
Operational risk	—	—	—	22,287	—	22,287	1,783	—	15,114
Total risk-weighted assets before RWA floor	346,141	76,653	46,732	49,089	414,718	140,481	11,238	33.9	137,856
RWA floor adjustment[9]	—	—	—	—	—	—	—	—	1,455
Total risk-weighted assets	$ 346,141	$ 76,653	$ 46,732	$ 49,089	$ 414,718	$ 140,481	$ 11,238	33.9 %	$ 139,311

(1) The data as at December 31, 2023, have been prepared in accordance with the requirements of the *Capital Adequacy Guideline*, which was updated to reflect the Basel III regulatory reforms approved by the BCBS on December 7, 2017, and became effective during the year. Comparative data were not restated.
(2) Net exposures after credit risk mitigation (net of loss allowance for expected credit losses on credit-impaired loans other than retail clients, except for credit card loans, using the Standardized Approach, excluding those using the Internal Ratings-Based Approach, according to the *Capital Adequacy Guideline* issued by the AMF).
(3) The capital requirement is 8% of risk-weighted assets.
(4) This item includes, in particular, the portion of investments below a certain threshold in components deconsolidated for regulatory capital purposes (mainly Desjardins General Insurance Group Inc. and Desjardins Financial Security Life Insurance Company), which is weighted at 250%. In addition, this category excludes the CVA charge and additional requirements related to the banking and trading portfolio, which are disclosed in the counterparty credit risk section.
(5) The scaling factor is a 6% calibration of risk-weighted assets measured using the Internal Ratings-Based Approach for credit exposures in accordance with Section 1.3 of the *Capital Adequacy Guideline* issued by the AMF.
(6) Supplementary charges representing an estimate of default and migration risks of unsecuritized products exposed to interest rate risk.
(7) Represents mainly capital charges calculated using the Standardized Approach for foreign exchange risk and commodity risk in the banking portfolio.
(8) In accordance with a new AMF guideline, the Value at Risk multipliers by risk factor have automatically been increased since June 30, 2022, based on back-testing.
(9) The RWA floor is determined using the Standardized Approaches.

Movements in risk-weighted assets

In credit risk, fluctuations in RWA for 2023 were segmented into two items, namely credit risk other than counterparty risk and counterparty risk.

- In credit risk other than counterparty risk, the net decrease of $4.3 billion in RWA was chiefly due to:
  – Changes in policies and procedures resulting in an $15.8 billion decrease in RWA.
  – Changes in exchange rates resulting in a $0.3 billion decrease in RWA.
  – Growth in portfolio size, which resulted in a $8.6 billion increase in RWA.
  – Changes in portfolio quality, generating an increase of $2.6 billion in RWA.
  – Update of models resulting in a $0.6 billion increase in RWA.
- For counterparty risk, an increase of $0.8 billion in RWA resulted primarily from changes in portfolio size partially offset by changes in policies and procedures.

In market risk, a $1.1 billion decrease in RWA was observed due to a fluctuation in risk levels.

In operational risk, a $7.2 billion increase in RWA resulted from changes in methods and policies as well as fluctuations in revenue generated.

The RWA floor adjustment as previously defined caused RWA to decrease by $1.5 billion in 2023.

Table 23 – Change in risk-weighted assets(1)
As at December 31

	2023			2022		
(in millions of dollars)	**Credit risk other than counterparty risk**	**Counterparty risk**	**Total**	Credit risk other than counterparty risk	Counterparty risk	Total
Credit risk						
Risk-weighted assets at beginning of year	**$ 113,092**	**$ 5,691**	**$ 118,783**	$ 112,182	$ 4,986	$ 117,168
Size of portfolio(2)	**8,591**	**1,965**	**10,556**	9,696	(459)	9,237
Quality of portfolio(3)	**2,565**	**(85)**	**2,480**	(785)	1,080	295
Updating of models(4)	**615**	**2**	**617**	(803)	—	(803)
Policies and procedures(5)	**(15,797)**	**(1,050)**	**(16,847)**	(7,778)	—	(7,778)
Acquisitions and transfers	**—**	**—**	**—**	—	—	—
Change in exchange rates	**(261)**	**(15)**	**(276)**	580	84	664
Total changes in risk-weighted assets	**(4,287)**	**817**	**(3,470)**	910	705	1,615
Risk-weighted assets at end of year	**$ 108,805**	**$ 6,508**	**$ 115,313**	$ 113,092	$ 5,691	$ 118,783

(in millions of dollars)	2023	2022
Market risk		
Risk-weighted assets at beginning of year	**$ 3,959**	$ 2,874
Change in risk levels(6)	**(1,078)**	1,080
Policies and procedures(5)	**—**	5
Total changes in risk-weighted assets	**(1,078)**	1,085
Risk-weighted assets at end of year	**$ 2,881**	$ 3,959
Operational risk		
Risk-weighted assets at beginning of year	**$ 15,114**	$ 14,476
Revenue generated	**2,091**	638
Policies and procedures(5)	**5,082**	—
Total changes in risk-weighted assets	**7,173**	638
Risk-weighted assets at end of year	**$ 22,287**	$ 15,114
RWA floor adjustment		
Risk-weighted assets at beginning of year	**$ 1,455**	$ —
Size of portfolio(2)	**—**	(2)
Quality of portfolio(3)	**—**	—
Updating of models(4)	**—**	—
Policies and procedures(5)	**(1,455)**	1,457
Acquisitions and transfers	**—**	—
Change in exchange rates	**—**	—
Other	**—**	—
Total changes in risk-weighted assets	**(1,455)**	1,455
Risk-weighted assets at end of year	**$ —**	$ 1,455

(1) The data as at December 31, 2023, have been prepared in accordance with the requirements of the *Capital Adequacy Guideline*, which was updated to reflect the Basel III regulatory reforms approved by the BCBS on December 7, 2017, and became effective during the same quarter. Comparative data were not restated.
(2) Increase or decrease in underlying risk exposures.
(3) Change in risk mitigation factors and portfolio quality.
(4) Change in risk models and parameters.
(5) Regulatory changes and developments in the regulatory capital calculation methods. In accordance with a new AMF guideline, the Value at Risk multipliers by risk factor have automatically been increased since June 30, 2022, based on back-testing.
(6) Change in risk levels and fluctuation in exchange rates, which is not considered to be material.

3.3 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.

ASSETS UNDER MANAGEMENT AND UNDER ADMINISTRATION

As at December 31, 2023, Desjardins Group administered, for the account of its members and clients, assets totalling $535.3 billion, for a increase of $88.0 billion, or 19.7% since December 31, 2022. Financial assets placed with Desjardins Group as wealth manager amounted to $81.6 billion as at December 31, 2023, representing a increase of $5.4 billion, or 7.1% since December 31, 2022. The increase in assets under management and under administration resulted primarily from growth in the volume of assets managed and administered as well operations acquired from Worldsource.

Assets under management and under administration by Desjardins Group are comprised 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.

Table 24 – Assets under management and under administration
As at December 31

(in millions of dollars)	2023	2022
Assets under management(1)		
Institutions and individuals	**$ 21,021**	$ 17,744
Investment funds	**60,530**	58,425
Total assets under management	**$ 81,551**	$ 76,169
Assets under administration(1)		
Individual and institutional trust and custodial services	**$ 373,821**	$ 322,917
Investment funds	**161,443**	124,395
Total assets under administration	**$ 535,264**	$ 447,312

(1) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.

CREDIT INSTRUMENTS

In order to meet its members' and clients' financing needs, Desjardins Group enters into various agreements with them for such instruments as credit commitments, indemnification commitments related to securities lending and documentary letters of credit. These products are generally off-balance sheet instruments and may expose Desjardins Group to credit and liquidity risks. These instruments are subject to Desjardins Group's usual risk management rules.

Note 29, "Commitments, guarantees and contingent liabilities", to the Combined Financial Statements provides more detailed information about these credit instruments.

GUARANTEES

Desjardins Group also enters into various guarantee and indemnification agreements with its members and clients in the normal course of operations. These agreements remain off-balance sheet arrangements and include guarantees, standby letters of credit and credit default swaps. Note 29, "Commitments, guarantees and contingent liabilities", to the Combined Financial Statements provides information about these off-balance sheet arrangements.

STRUCTURED ENTITIES

Desjardins Group enters into various financial transactions with structured entities in the normal course of operations to diversify its sources of funding and manage its capital. Structured entities are usually created for a unique and distinct purpose, and they frequently have limited activities. These entities may be included in Desjardins Group's Combined Balance Sheets if it has control over them. Detailed information concerning significant exposure to structured entities not included in Desjardins Group's Combined Balance Sheets is provided below. Note 14, "Interests in other entities", to the Combined Financial Statements provides more information about structured entities.

Securitization of Desjardins Group's financial assets

Desjardins Group participates in the *National Housing Act* (NHA) Mortgage-Backed Securities Program to manage its liquidities and capital. Transactions carried out under this program sometimes require the use of a structured entity, the Canada Housing Trust (CHT), set up by Canada Mortgage and Housing Corporation (CMHC) under the Canada Mortgage Bonds (CMB) Program. Note 9, "Derecognition of financial assets", to the Combined Financial Statements provides more information about the securitization of Desjardins Group's loans.

4.0 Risk management

The shaded areas and tables marked with an asterisk (*) in this section contain information about credit, market and liquidity risks in accordance with IFRS 7, "Financial Instruments: Disclosures". They also contain an analysis of how Desjardins Group assesses its risks as well as a description of its risk management objectives, policies and methods. IFRS 7 provides that risk disclosures may be included in the MD&A. Consequently, the shaded areas and tables marked with an asterisk (*) contain audited information and are an integral part of the Combined Financial Statements, as explained in Note 30, "Financial instrument risk management", to the Combined Financial Statements.

4.1 Risk factors that could impact future results

In addition to the risks presented in Section 4.2 of this MD&A, other systemic or macroeconomic risk factors, which are outside of Desjardins Group's control, may impact its future results. Furthermore, as indicated in the caution concerning forward-looking statements, general or specific risks and uncertainties may cause the actual results of Desjardins Group to differ from those in the forward-looking statements. Some of these risk factors are presented below.

4.1.1 Main risks and emerging risks

Principal risks and emerging risks are risks or risk factors that could have a significant impact on Desjardins Group's financial autonomy and would likely affect its reputation, the volatility of its results, the adequacy of its capitalization or liquidities, in the event they fully materialize. Among these risks, certain so-called emerging risks are sharply growing risk factors, or ones that are developing unexpectedly, with unanticipated results. Desjardins Group continues to be proactive in identifying and tracking these risks so that it can take the appropriate management measures when required. For example, the external environment is continuously monitored to identify the risk factors and economic and regulatory events that could impact its operations. In addition, regular exchanges between the Risk Management Executive Division, risk officers and the business segments further define the risk factors of greatest concern.

	Description
Security breaches (including cybersecurity)	Risks related to cyber threats have been on the rise for a number of years and more specifically in the global socio-economic and geopolitical environment, but also in connection with wider use of artificial intelligence. Indeed, both the aggregation of new services for members and clients and the exposure of online services are becoming increasingly complex and gradually extending to more and more areas and products. Increased monitoring of Desjardins Group's employees and infrastructures is in place, including that of applications involving confidential data, has been set up in order to better meet the performance needs of teleworking and to mitigate the risks associated with service interruptions, information security and reputation. In addition, the perpetrators of cyber threats are using increasingly sophisticated methods and strategies for criminal purposes. Consequently, Desjardins Group has been investing in enhancing its internal processes and in technology for many years. This enhancement consists, first, in optimizing its processes to respond efficiently to incidents and, second, in attracting and training new talent to continue to develop our defence methods. A malicious act targeting the computer network may result in financial costs, damage to the organization's image, a breach of confidentiality rules or other applicable legislation, as well as operational difficulties. The Desjardins Group Security Office ensures the protection of members' and clients' assets.
Fraud risk	Although this is a well-known risk in the financial services industry, we have seen a significant increase in the number of fraud cases in recent quarters, particularly in cardless payments. Rapidly evolving technology, significant advances in artificial intelligence, and the growing complexity of fraud schemes make prevention increasingly challenging for financial institutions. Desjardins Group continues its efforts to combat fraud, in particular by investing in its systems and processes, training employees and raising member and client awareness.
Household and corporate indebtedness	With the rapid hikes in interest rates, debt service has considerably increased for many households and businesses. In addition, many households will have to renew their mortgage with a higher interest rate over the next few years. In such conditions, an increasing number of households and businesses could experience difficulties in assuming their financial obligations. As a result, their solvency could significantly deteriorate. Even though it is expected to be small, the recession anticipated in 2024 could also lead to growth in insolvency cases. Desjardins Group has sound practices in granting and managing mortgage financing, including a stress test involving interest rates for mortgage financing, which should allow it to circumvent this risk.
Technological developments	Innovative technologies are being increasingly taken into consideration and adopted by financial institutions. These innovative technologies, such as artificial intelligence, represent a crucial vector for transforming business processes and models. Use of these technologies exposes financial institutions to other risks relating to cyber threats, system stability, the modernizing of infrastructure, complex environments, systems interdependence, and digital transformation. The members' and clients' growing needs to access banking transactions remotely and at any time require pursuing the shift that is well underway at Desjardins. Regulatory authorities' expectations will be increasingly demanding, and financial sector requirements will continue to grow in terms of managing technology risk. The growing presence of FinTech and InsurTech, which offer simple, innovative technology solutions that meet the expectations of members and clients, puts more pressure on traditional financial institutions to adapt. To meet the needs of its members and clients, Desjardins Group is in line with this trend and remains active in managing this operational and strategic risk, among others, by strengthening and rationalizing the technology ecosystem through investments and by reviewing and diversifying its products, services and distribution channels.

	Description
Regulatory developments	The financial services industry is one of the most tightly monitored and regulated, and industry regulation has been rapidly expanding for many years now. This trend is in response to a number of socio-economic phenomena: the development of new, increasingly complex financial products, ongoing volatility in the securities market, increasingly complex financial fraud, the fight against money laundering and terrorist financing, the fight against tax evasion, compliance with economic sanctions and the protection of personal information, environmental, social and governance issues, etc. Although Desjardins Group actively monitors and manages regulatory risk, changes in regulation, its complexity and its uncertainty could have an impact on the performance of its operations, its reputation, its strategies and its financial objectives. As an independent supervisory function, the Vice-President and Chief Compliance and Privacy Officer, Desjardins Group promotes a proactive approach to compliance by fully integrating it into the organization's regular operations. Maintaining an effective compliance management framework mobilizes significant amounts of technical, human and financial resources.
Interest rate developments	The Bank of Canada has significantly increased its key interest rates since March 2022 to curb high inflation. The constraining effects on demand are being felt and will continue to accumulate over the next few quarters. A slight recession is anticipated in 2024 in Canada (in particular in Québec and Ontario). Supply and demand are attaining a better equilibrium, which should ease the upward pressure on inflation. As a result, the Bank of Canada may leave the target overnight rate at 5.00%, before starting to gradually reduce it starting in the spring of 2024 to a neutral level ranging from 2% to 3%. Our financial results are sensitive to interest rate fluctuations as indicated under "Structural interest rate risk management" in pages 77 and 78.
Climate change	In a context where the impact of climate change risks is widely recognized, Desjardins Group understands the importance of better identifying the various aspects of those risks and measuring their current and future impact. The goal is twofold: to ensure the long-term resilience of our organization and to support our members and clients in the transition. The close interrelations between these risks and the political and regulatory environment, the macroeconomic situation, certain industry innovations, the global geopolitical situation or the more pressing social expectations, to name only a few, impose continuous monitoring in this area. Desjardins Group continues its efforts in that regard with various ongoing initiatives in relation with its governance framework and aimed at integrating these risks into strategies and climate change risk management.
Geopolitical uncertainties	Heightened geopolitical tensions, particularly with the war in Ukraine and conflicts in the Middle East, are increasing the number of clashes that can affect the global economy and financial markets. However, conflicts in the Middle East have had rather modest global economic consequences to date. The main risk consists of an escalation to other countries in the Middle East or North Africa that would have an impact on overall crude oil supplies and thereby raise prices. Tensions between China and the United States remained throughout 2023. The United States is pursuing a trade policy aimed at diminishing China's importance in U.S. supply chains. This appears to be coming to fruition, as a decline in trade between the two countries has been observed. Political polarization and some radicalization could also create uncertainty. The U.S. election outcome could also have consequences for international trade relations.

4.1.2 Other risk factors that could impact future results

	Description
General economic and business conditions in regions in which Desjardins Group operates	General economic and business conditions in the regions where Desjardins Group operates may significantly affect its income and surplus earnings. These conditions include short- and long-term interest rates, inflation, debt securities market fluctuations, foreign exchange rates, financial market volatility, tighter liquidity conditions in certain markets, the level of indebtedness, the strength of the economy, consumer spending and saving habits, and the volume of business conducted by Desjardins Group in a given region.
Monetary policies	The monetary policies of the Bank of Canada and the U.S. Federal Reserve, as well as interventions in capital markets, have an impact on Desjardins Group's income. The general level of interest rates may impact Desjardins Group's profitability because fluctuations affect the spread between interest paid on deposits and interest earned on loans, thereby affecting Desjardins Group's net interest income. Furthermore, considering the current level of indebtedness of Canadian households, an even greater increase in interest rates could have more impact on debt service, leading to an increased risk of loan losses for financial institutions. Desjardins Group has no control over changes in monetary policies or capital market conditions, and it therefore cannot forecast or anticipate them systematically.
Critical accounting estimates and accounting standards	The Combined Financial Statements are prepared in accordance with the IFRS. The accounting policies used by Desjardins Group determine how it reports its financial position and results of operations, and management may be required to make estimates or rely on assumptions about matters that are inherently uncertain. Any change in these estimates and assumptions, as well as in accounting standards and policies, may have a significant impact on Desjardins Group's financial position and results of operations. Significant accounting policies and future accounting changes are described in Note 2, "Accounting policies", to the Combined Financial Statements.
New products and services to maintain or increase market share	Competitive pressures from Canadian financial institutions and the emergence of new competitors have led Desjardins Group to develop new products and services at a faster pace to meet the expectations of its members and clients. Developing these new products and services may involve some risks. In that context, Desjardins remains active to manage these risks, in particular by making investments and by reviewing and diversifying its products, services and distribution channels. At Desjardins Group, there is a risk management governance that involves identifying, analyzing, disclosing and monitoring all financial and non-financial risks created by new products and services.

	Description
Geographic concentration	Although Desjardins Group is diversified through its insurance operations, its banking operations are heavily concentrated in Québec. As at December 31, 2023, its loans to Québec members and clients therefore accounted for 88.8% of its aggregate loan portfolio. As a result of this significant geographic concentration, its results largely depend on economic conditions in Québec. Any deterioration in these conditions could adversely impact: • past due loans; • problem assets and foreclosed property; • claims and lawsuits; • the demand for products and services; • the value of collateral available for loans, especially mortgages, and by extension, clients' and members' borrowing capacity, the value of assets associated with impaired loans and collateral coverage.
Acquisitions and joint arrangements	Desjardins Group has implemented a rigorous internal control environment for the acquisition and joint arrangement processes, which include risk management practices that involve identifying, analyzing, disclosing and monitoring all financial and non-financial risks created by acquisitions and joint arrangements.
Credit ratings	The credit ratings assigned to Desjardins Group by rating agencies are instrumental to its access to sources of wholesale funding and the cost of such funding. These ratings may be revised or withdrawn at any time by the agencies. In addition, a significant downgrade to various ratings could push up Desjardins Group's cost of funding, reduce its access to financial markets, and increase additional obligations required by its counterparties.
Dependency on third parties	We need to rely on third parties in order to provide top-quality, secure services. These third parties and the suppliers of these third parties, such as IT, office automation, telecommunications, cloud and other providers and suppliers, play a major role in supporting Desjardins Group's operations as well as in implementing technological innovations that allow Desjardins to improve the services it offers to members and clients. Using third parties can, however, generate certain risks. Desjardins recognizes the importance of these risks and is putting in place all the necessary measures to mitigate them. Inadequate management of third-party risk could affect Desjardins Group's ability to provide the services that members and clients need. This type of risk could have an impact on information security, business continuity, as well as on other types of risks, such as reputational risk. The oversight process used for outsourcing, together with the incident management process, allow Desjardins to adequately prevent and handle third-party risk.
Ability to recruit and retain talents	Desjardins Group's future performance is based in part on its ability to recruit key people, develop them and retain them. There is strong competition, partially fueled by a relatively low unemployment rate, to attract and retain the best qualified people in the finance sectors, in particular with the arrival of new players in some sectors and the adoption of the concept of global workforce. Consequently, this aspect is periodically monitored through the governance mechanisms of the Management Committee of the Human Resources function, quarterly to the Desjardins Group Management Committee and annually with filing a report with Desjardins Group's Human Resources Commission, to deploy the appropriate strategies to put in place the success factors that enhance Desjardins Group's competitiveness as an employer.
Taxation risk	The Canadian, provincial and foreign tax laws, and their interpretations by tax authorities and courts, are constantly evolving, like the tax policies of governments. These numerous changes and the complexity in interpreting and applying legislation may have a significant impact on the tax expense amounts, the deferred tax balances and the effective tax rate during the year when they occur and, consequently, on the calculation of Desjardins Group's surplus earnings.
Other factors	Other factors that may have a potential impact on Desjardins Group's future results include interest rate benchmark reform (for further information, see Note 3, "Interest rate benchmark reform", to the Combined Financial Statements), unexpected changes in consumer spending and saving habits, the possible impact on operations of international conflicts, public health crises, such as pandemics and epidemics or any other similar disease affecting the local, national or global economy, as well as Desjardins Group's ability to anticipate and manage the risks associated with these factors properly despite a disciplined risk management environment. Desjardins Group cautions the reader that factors other than the foregoing could affect future results. Investors and other stakeholders relying on forward-looking statements to make decisions with respect to Desjardins Group should carefully consider these factors as well as other uncertainties, potential events, and industry factors or other items specific to Desjardins Group that could adversely impact its future results.

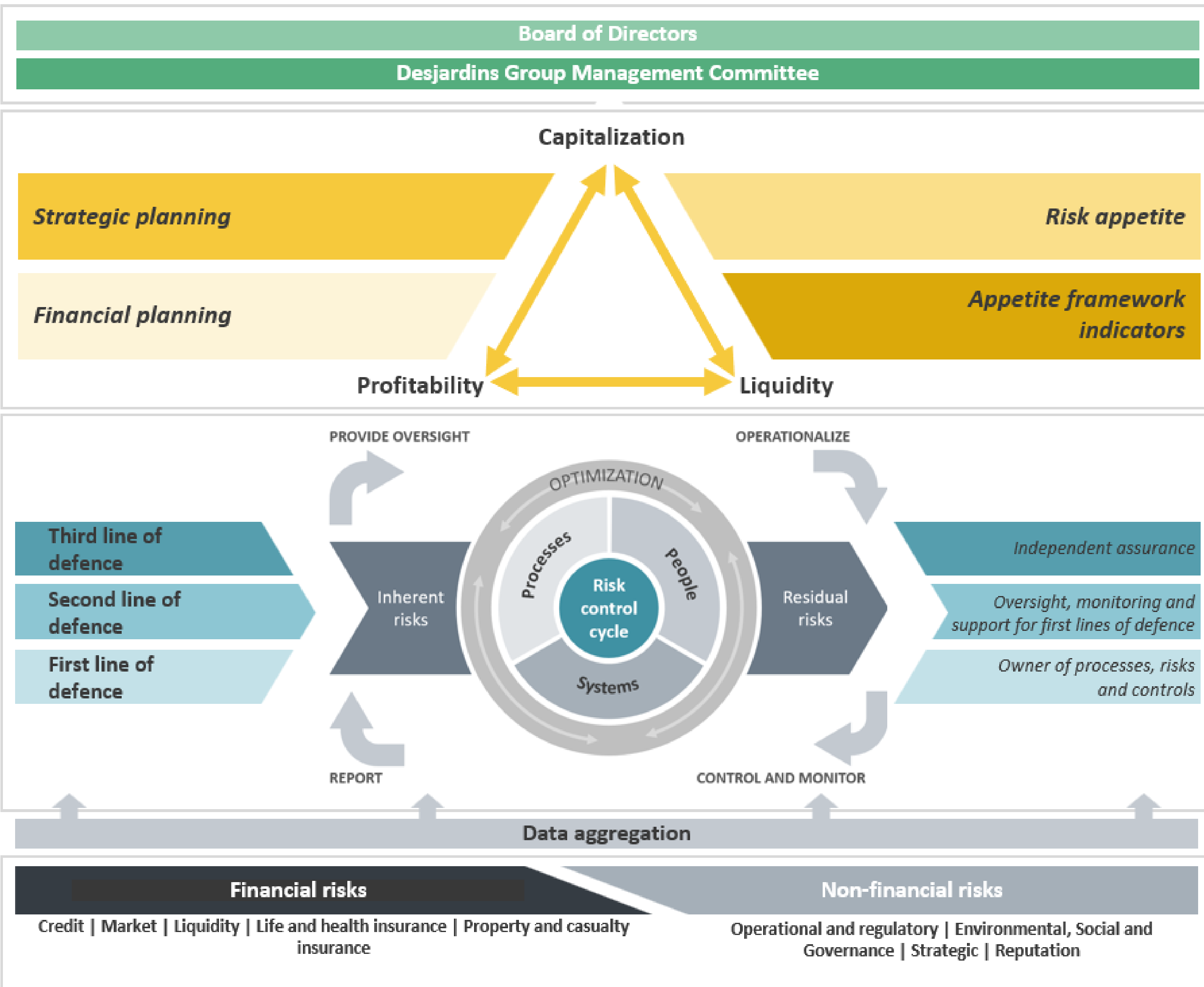
4.2 Risk management

4.2.1 Integrated Risk Management Framework

The objective of the Integrated Risk Management Framework is to enable Desjardins Group to appropriately manage all of its risks in accordance with its risk appetite and established organizational strategy.

The Integrated Risk Management Framework aims to be dynamic, efficient and able to evolve, having been tailored to the nature, size and complexity of Desjardins Group's operations. It provides sound and prudent risk management and ultimately optimizes capital use and supports decision-making, while governing the Group's various risks exposures.

In addition, Desjardins Group's internal and external operating environments are continuously assessed to monitor developments in best practices and trends, and detect emerging risks.



Risk identification

Desjardins Group is exposed to various risks in the normal course of business. Strict 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. Desjardins Group has a risk log that sets out the main categories and subcategories of risks which could affect it. The log is updated periodically and is used as a basis to make a quantitative and qualitative assessment of risk materiality, to determine Desjardins Group's risk profile and to implement appropriate strategies to mitigate risk.

In the normal course of business, Desjardins Group is exposed to the principal risks shown below, which are covered in specific subsections of this MD&A.

Credit	Market	Liquidity	Operational	Insurance	Strategic	Reputation	Environmental, social and governance	Regulatory

Risk measurement

Desjardins Group uses both quantitative and qualitative techniques to determine its risk exposure. It ensures that an appropriate selection of measurement tools and mitigation techniques are designed and maintained in order to support its business development.

Models, which are involved in various aspects of risk management, play a central role in assessing risk at Desjardins Group and support decision-making in many situations. They are applied to various aspects of risk management. Quantitative models are used for modelling credit risk measurement parameters. Other quantitative models are also used in market risk measurement, economic capital calculations, asset valuation, pricing, technological obsolescence and cybercrime. Risks are quantified based on both the current economic context as well as on hypothetical stress-testing situations, which are measured for specific risks on a Desjardins-wide integrated basis.

Desjardins-wide integrated stress testing

Desjardins-wide sensitivity tests and crisis scenarios are used as additional risk analysis tools to measure the potential impact of exceptional but plausible events on, in particular, profitability, liquidity and capital levels. Organization-wide crisis scenarios are developed based on the anticipated economic outlook under unfavourable conditions.

Desjardins-wide integrated stress testing is conducted annually. It begins with an analysis of multi-factor scenarios developed by the Desjardins Group's Economic Studies team. These scenarios consider the current economic conditions, the principal risk factors to which the organization is exposed and emerging risk factors. Several scenarios are developed, and those that will be quantified are selected by Desjardins Group's senior management. The main factors projected for each scenario include housing prices, stock indices, inflation, unemployment rate and several interest rate curves.

This integrated stress testing exercise is performed with the input from various business units and business segments. The measured impacts deal mainly with the credit portfolio of the Desjardins caisse network and the Federation, the two insurance groups, namely Desjardins Financial Security Life Insurance Company and Desjardins General Insurance Group Inc., as well as the Desjardins Group Pension Plan. As the exercise incorporates a cross-sector perspective of Desjardins Group's operations, it is an essential risk management tool to identify diversification sources and potential vulnerability areas.

The results of the exercise are presented to various internal committees consisting of Desjardins Group's directors and senior management, i.e. the Asset/Liability Committee (ALCO), the Desjardins Group Finance and Risk Management Committee, the Desjardins Group Management Committee, the Risk Management Commission and the Federation's Board of Directors.

During Desjardins-wide stress testing in 2023, the scenarios developed separately considered the possibility of persistent inflation and a liquidity crisis. The results obtained from the assessment of these scenarios show that Desjardins Group's current capitalization levels would be enough to withstand the economic deterioration considered and that its capital ratios would still exceed regulatory limits and its own risk appetite limits.

The exercise is tied in with Desjardins Group's integrated financial planning and is an essential component of the Internal Capital Adequacy Assessment Program (ICAAP). The results of the stress testing exercise are used as a complement to the results of the economic capital quantification in determining capitalization targets. They are also used in updating risk appetite indicators.

The scenarios quantified in the integrated stress testing exercise are part of a range of scenarios used by Desjardins Group to identify, assess and manage risks. They include the stress testing scenarios on which is based the living will exercise as well as the regulatory scenario developed using the assumptions prescribed by the *Autorité des marchés financiers* (AMF). This latter exercise is performed according to the frequency set by the AMF, generally every two years. The last regulatory scenario, *Global Stress Test* designed by the Financial Stability Board, was carried out in 2023.

Ad hoc scenarios can also be quickly quantified to respond to specific situations, and senior management's or regulatory authorities' requests. For instance, at the beginning of the COVID-19 pandemic in 2020, a crisis scenario was quantified to assess the potential impact of this change in economic conditions and to guide strategic thinking.

Risk disclosure

A risk disclosure report is prepared quarterly and presented to the Desjardins Group Finance and Risk Management Committee, the Desjardins Group Management Committee, the Risk Management Commission and the Federation's Board of Directors. These reports provide relevant information on changes in the principal risks identified as well as on the capital position, particularly capital adequacy in relation to Desjardins Group's risk profile. These reports are regularly updated to include the latest risk management developments.

Risk appetite

As a significant component of the Integrated Risk Management Framework, risk appetite makes it possible to determine the risk type and level that Desjardins is prepared to assume in pursuing its business and strategic objectives. Risk appetite forms an integral part of strategic planning, which makes it possible to guide risk-taking in order to ensure Desjardins Group's stability and sustainability in the case of unfavourable future events that could affect reputation, the volatility of profitability, capital adequacy or liquidities. As a result, risk appetite provides a basis for integrated risk management by promoting a better understanding of the effect of principal risks and emerging risk factors on Desjardins Group's results.

The risk appetite framework reflects Desjardins Group's risk-taking philosophy, mission and values and is based on:
- taking the necessary risks and manage them conscientiously to drive community development and help members and clients become financially empowered;
- protecting Desjardins Group's reputation with its members, clients, communities, regulatory authorities and other stakeholders, while respecting its cooperative values;
- understanding the risks arising from Desjardins Group's operations and engaging in only new activities for which the risks are defined, assessed and understood;
- ensuring Desjardins Group's financial sustainability by preserving a capitalization level that meets market expectations and complies with regulatory requirements;
- managing liquidities and refinancing activities in order to guard against liquidity risk;
- thanks to adequate profitability in light of risk exposure, ensuring Desjardins Group's sustainability to be able to give back to members and communities and to meet its financial commitments;
- acting as a socio-economic leader in the development of a low greenhouse gas emission economy and supporting our members, clients and other stakeholders in the transition;
- taking the appropriate measures against internal and external threats to protect information, including personal information and the safety of our members' and clients' assets, as well as those of Desjardins Group;
- modernizing Desjardins Group technology to adjust to member, client and employee needs;
- balancing credit risk and long-term return with Desjardins Group's members and clients to support them and communities throughout our relationship;
- avoiding excessively large risk concentrations;
- maintaining an effective control environment and promoting sound management of operational and regulatory risks.

The Board of Directors approves the Risk Appetite Framework and ensures that Desjardins Group's financial and strategic objectives are in line with its risk appetite. The Risk Appetite Framework is reviewed regularly and submitted to the Federation's Board of Directors for approval. The Risk Management Executive Division relays the main guidelines for risk appetite to the business segments and components, and supports them in implementing these concepts by ensuring consistency in all the indicators, their targets, their levels and their limits with the Desjardins Group Risk Appetite Framework.

The risk management function ensures that Desjardins Group's risk profile is in line with its risk appetite. Each quarter, it reports to senior management and the Board of Directors on the compliance with the risk appetite statements and indicators. In the event a threshold or limit for a risk appetite indicator is exceeded, the investigation into the situation and the corrective measures, as applicable, are brought to the attention of the appropriate bodies.

Integrated risk management approach

An integrated risk management approach is one of the cornerstones of Desjardins Group's Integrated Risk Management Framework. It represents all the practices and behaviours of individuals and groups within the organization that condition the collective ability to identify, understand and openly discuss risks and handle present and future risks. Stakeholders, including the Board of Directors, senior management and the Risk Management Executive Division, guide risk-taking behaviour to be in line with Desjardins Group's risk management frameworks. An integrated risk management approach promotes open and transparent communication between Desjardins Group's risk management function and its other support functions, business segments and components, while promoting an appropriate risk-return trade-off.

Ethical conduct and integrity are firmly entrenched in Desjardins Group's integrated risk management approach, which relies on the *Desjardins Code of Professional Conduct.* The code sets out the values, principles and rules that Desjardins Group has espoused in order to maintain a high level of integrity.

Other methods used to support the integrated risk management approach and to promote accountability for risk include:
- a holistic approach to integrated risk management throughout the organization, taking into account the interrelationships and interdependencies between the various risk areas;
- an integrated risk management approach rather than an approach that considers risks separately. Accordingly, all risks considered less significant but which could become material when combined are also considered;
- risk management based on the significance of risks, i.e. the scope and frequency of the effects they are likely to have on the organization if they materialize;
- standardized processes and reliable information systems that allow them to identify connections between risks and to obtain reports that contain relevant, clear and adapted information in a timely manner so that the Management Committee and the Board of Directors can monitor the achievement of Desjardins Group's strategic objectives;
- the dissemination of risk management frameworks such as strategies, policies and procedures to identify, assess, quantify, control, mitigate and appropriately monitor the significant risks to which Desjardins Group is exposed and identify events likely to affect it beyond the limits of its risk appetite;
- determining and maintaining of its risk appetite, from which statements and indicators emerge clearly defining the risk tolerance thresholds and risk appetite limits for the most significant risks. It ensures that these benchmarks are integrated into its operations through frameworks resulting from the Risk Appetite Policy;
- a dynamic and evolving Integrated Risk Management Framework to adequately manage all of its risks based on its risk appetite. This framework is supported by a governance structure that clearly defines the roles and responsibilities of the various stakeholders involved in risk management;
- the organizing of risk management training and awareness sessions, bearing in mind the type of risk discussed and the role of the various parties involved.

Risk management and the Integrated Risk Management Framework are based on the following guidelines that provide in particular for:
- the accountability of Desjardins Group's business segments and other functions with regard to the risks inherent to their operations;
- the independence of the risk management function in relation to business segments;
- implementation at every level of the organization in order to obtain a comprehensive vision of risk exposure;
- a procedure aimed at ensuring that risk matters are disclosed and flagged accurately and transparently to senior management in a timely manner;
- the existence and presence of a complete and rigorous process to determine the appropriate capital level based on the risks assumed;
- consideration of risk management in the formulation of strategic plans and business strategies and in the resulting decisions;
- thorough risk assessment prior to launching new products or initiating transactions with a strong financial impact.

Compensation in relation to risk management

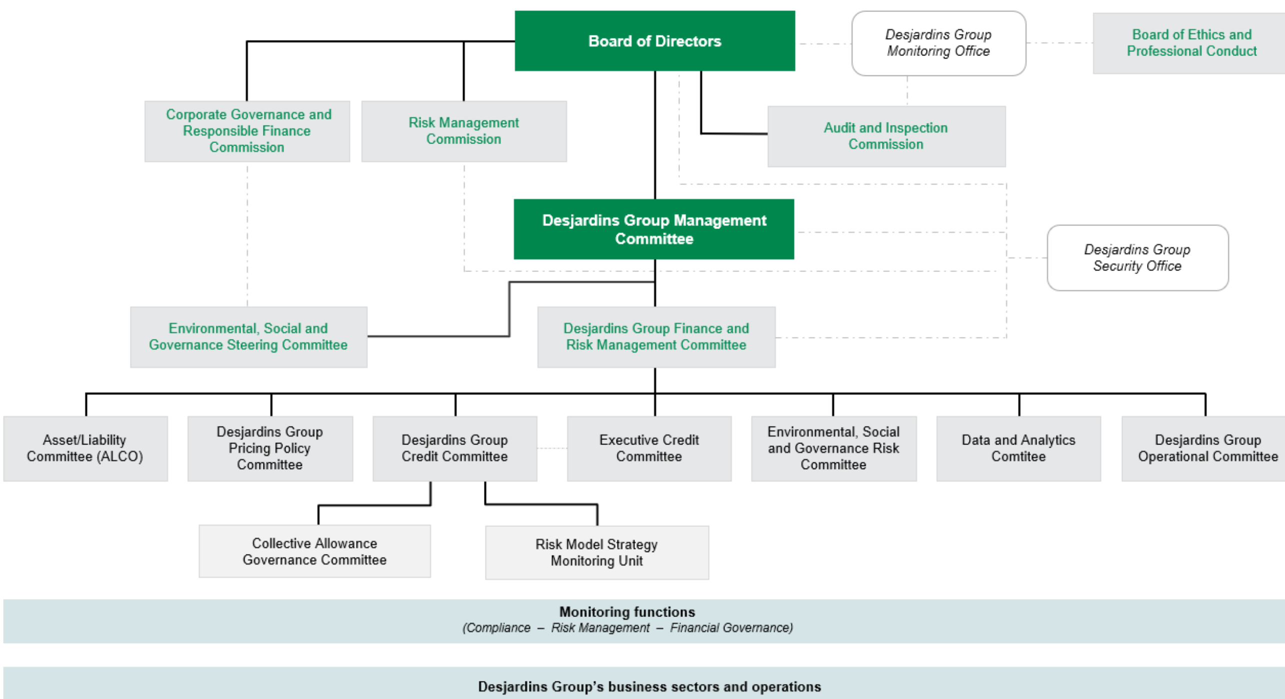
Desjardins Group has established strict governance with regard to total compensation. The Board of Directors, supported by the Human Resource Commission, is responsible for the annual changes in the total compensation of all employees and managers. In this regard, it establishes an annual salary review, sets the objectives and measures the results of the general incentive plan. It has developed, through adding environmental, social and governance (ESG) criteria, an additional mechanism to factor in not only financial risks, but also extra-financial risks in determining the overall incentive plan for all hierarchical levels. It also establishes a framework for all individual incentive plans that apply to Desjardins Group's sales force and investment teams. Lastly, it ensures that all total compensation offered by Desjardins Group is based on risk management principles.

Acting as a subcommittee of the Board of Directors, the Human Resources Commission is responsible for making recommendations to the Board of Directors with respect to all aspects of total compensation for all Desjardins Group employees, managers and senior executives other than the President and Chief Executive Officer. The Committee on the Aggregate Remuneration and Succession of the President and Chief Executive Officer of Desjardins Group is responsible for defining the compensation, working conditions, annual objectives and annual performance review of the President and Chief Executive Officer, and it recommends them to the Board of Directors.

Incentive plans for senior executives, other than the President and Chief Executive Officer, which are consistent with the aim to promote sound risk management over a time horizon of more than one year, provide for the medium to long-term deferral of a significant portion of members' annual bonus. The amounts thus deferred can vary annually depending on Desjardins Group's overall performance. This formula encourages key stakeholders to have a long-term vision of Desjardins Group's development, always in the best interests of members and clients, for whom the organization's sustainability is an important and reassuring factor.

Risk management governance

The Integrated Risk Management Framework is based on a solid risk governance structure and reflects Desjardins Group's organizational structure as shown below.



The Federation's Board of Directors is responsible for guiding, planning, coordinating and monitoring all of Desjardins Group's operations, and in such capacity, it participates actively in overseeing the major risks to which Desjardins Group is exposed. It is in particular responsible for adopting the overall directions and strategies proposed by senior management as well as risk management policies aimed at ensuring sound and prudent management of operations.

The Board is supported in this regard by the Risk Management Commission, the Audit and Inspection Commission, the Board of Ethics and Professional Conduct and the Desjardins Group Management Committee. Further information about these bodies is found in the Corporate Governance section of the 2023 Desjardins Group Annual Report.

The Desjardins Group Management Committee makes recommendations to the Board of Directors concerning risk management guidelines and strategies and ensures that they are implemented effectively and efficiently. The Committee relies on the Desjardins Group Finance and Risk Management Committee and the Environmental, Social and Governance Steering Committee in performing its duties.

The Environmental, Social and Governance Steering Committee is responsible for reviewing environmental, social and governance position statements, assessing their inherent risks and ensuring that they are in line with Desjardins Group's strategic priorities. It reports to the Desjardins Group Management Committee and the Corporate Governance and Responsible Finance Commission.

The Desjardins Group Finance and Risk Management Committee is responsible for ensuring that the on- or off-balance sheet principal risks to which Desjardins Group is or will be exposed directly or through one or more of its subsidiaries, have been identified and measured, and for assessing the potential impact of identified risks on business strategies. This committee is supported by the Desjardins Group Credit Committee, the Data and Analytics Committee, the Desjardins Group Operational Risk Committee, the Executive Credit Committee, the the Environmental, Social and Governance (ESG) Risk Committee, the Asset/Liability Committee (ALCO) and the Desjardins Group Pricing Policy Committee.

- The Executive Credit Committee recommends significant commitments requiring the approval of the Federation's Board of Directors and approves significant commitments up to the limits delegated by the Desjardins Group Finance and Risk Management Committee.
- The Desjardins Group Credit Committee approves large credit commitments, which are within its own delegated limits taking into account ESG analysis, and monitors activities related to assessing and quantifying credit risk. In its monitoring role, the committee is supported by the risk model and strategy monitoring unit and by the Collective Allowance Governance Committee.
- The Data and Analytics Committee monitors data quality and compliance with regulatory requirements related to data within the scope of Desjardins Group data governance.
- The Desjardins Group Operational Risk Committee has a cross-sector view and monitors the different categories of operational and regulatory risks to which Desjardins Group is exposed.
- The ESG Risk Committee has a cross-sector view and monitors the ESG factors to which Desjardins Group is exposed.
- The Asset/Liability Committee (ALCO) supports the Desjardins Group Finance and Risk Management Committee in providing interest rate and liquidity risk management oversight and monitoring.
- The Desjardins Group Pricing Policy Committee supports the Desjardins Group Finance and Risk Management Committee in ensuring compliance with the framework governing pricing and pricing consistency with Desjardins Group's strategic goals and financial targets.

The Desjardins Security Office coordinates organizational initiatives and institutes cross-sector security strategies in order to continue to reinforce its practices aimed at protecting Desjardins members and clients, their assets and their personal information. It reports to the Desjardins Group Finance and Risk Management Committee, the Desjardins Group Management Committee, the Risk Management Commission and the Board of Directors.

Operations management approach based on the three lines of defence model

Desjardins Group has implemented a risk management structure consistent with the three lines of defence model on which the Desjardins Group's Integrated Risk Management Framework is based. This reliable control structure sets out a clear and orderly allocation of the roles and responsibilities of the various Desjardins Group risk management stakeholders. The roles and responsibilities relating to each line of defence are detailed in the following matrix:

	1 – PROVIDE OVERSIGHT	2 – OPERATIONALIZE (IDENTIFY, ASSESS AND MITIGATE)	3 – CONTROL AND MONITOR	4 – REPORT
First line of defence	▪ Is responsible for the performance of its activities ▪ Knows and adheres to established risk management frameworks, including the Risk Appetite Framework ▪ Completes required training and participates in awareness activities	▪ Manages its activities while adhering to the organization's risk appetite ▪ Identifies and assesses its operational risks, manages gaps between its processes, practices and controls, and escalates them as needed ▪ Develops, deploys and validates risk mitigation processes, controls and approaches to close gaps ▪ Coaches and trains employees on how to apply risk mitigation processes, controls and methods and makes them accountable ▪ Establishes practices to ensure compliance with frameworks is maintained over time	▪ Ensures that employees adopt and apply the processes and controls ▪ Measures and monitors the performance of the processes and controls deployed ▪ Adjusts processes and controls as required ▪ Demonstrates compliance with risk management frameworks on request ▪ Triggers the escalation process set out in the frameworks if one of the triggers is activated ▪ Participates in the drafting of action plans and their follow-up ▪ Performs required risk analyses	▪ Provides reporting on its operations and associated risks ▪ Produces and reports on its risk profile ▪ Transmits the information required for Desjardins Group analyses and reports on its operational risks to the second line of defence
Second line of defence	▪ Establishes risk management frameworks (including the Risk Appetite Framework) and ensures their application ▪ Establishes the expectations of the first line of defence, the escalation processes and the triggers for their activation ▪ Trains and raises awareness of the first line of defence in relation to organizational expectations, including the second line of defence frameworks ▪ Has the risk management frameworks approved by the appropriate organizational authority	▪ Advises and equips the first line of defence with respect to operationalizing the frameworks and implementing risk mitigation processes, controls and methods such that it fulfils its responsibilities ▪ Provides complementary expertise, a cross-functional vision, monitoring and constructive criticism regarding risk management ▪ Monitors emerging risks for Desjardins Group	▪ Conducts monitoring, including objective reviews, issues the resulting findings to stakeholders and monitors the implementation of action plans ▪ Performs monitoring and critical reviews, and tests the effectiveness of the controls deployed by the first line of defence ▪ Monitors for proper enforcement of risk management frameworks and escalation processes	▪ Monitors the risk levels of the processes and controls deployed ▪ Reports to the various stakeholders (senior management, authorities and regulators) as set out in the framework
Third line of defence	▪ Gives an independent and objective opinion on the effectiveness of governance, risk management and internal controls and issues findings and advice to improve effectiveness ▪ Provides objective assurance to the Management Committee and the Board regarding the overall effectiveness of governance, risk management and internal controls			

First line of defence

The first line of defence assumed by process owners provides products and services to members and clients. It identifies, assesses and manages the risks generated by its operations and ensures the effectiveness of the controls associated with the processes it owns. It is responsible for detecting risk exposures and application gaps, and for implementing risk mitigation measures in the event that the risk appetite is exceeded. It handles escalations where necessary and reporting in accordance with Desjardins Group's requirements in these areas.

Second line of defence

The second line of defence primarily consists of the Risk Management Executive Division, whose main purpose is to partner with the business sectors and Desjardins as a whole in their development by identifying, measuring and managing risks. It is a supervisory function that is independent of the business sectors. It monitors emerging risks, sets out risk management frameworks and monitors compliance with and enforces application of the frameworks by Desjardins Group business sectors and functions. More broadly, it carries out monitoring activities on risk activities, carrying out objective reviews and ensuring the design and effectiveness of existing controls. In these circumstances, it issues observations and monitors the resulting action plans. It handles escalations where necessary and reporting in accordance with Desjardins Group's requirements in these areas.

The Risk Management Executive Division also relies on work performed by the Desjardins Group Security Office and financial governance which, based on their separate mandates, help to regulate and manage certain issues inherent to Desjardins Group's operations.

Third line of defence

The third line of defence is the Desjardins Group Monitoring Office. It provides assurance, and independent and objective advice to the Management Committee and the Board of Directors regarding the overall effectiveness of governance, risk management and controls, as well as the extent to which they are aligned with Desjardins Group's operations.

In addition, it helps improve Desjardins Group's overall performance and maintain the confidence of its members, the public and regulatory bodies. The Desjardins Group Monitoring Office includes the internal audit services of Desjardins Group components.

4.2.2 Basel capital accord

Basel III is an international capital adequacy tool designed to align regulatory capital requirements more closely with risk exposure and to further the continuous development of the risk assessment capabilities of financial institutions.

The Basel III framework is essentially based on three pillars:
- the first pillar sets out the requirements for risk-weighted regulatory capital;
- the second pillar deals with the supervisory review process;
- the third pillar stipulates financial disclosure requirements.

Credit risk

- Desjardins uses the Internal Ratings-Based Approach for credit risk.
- This approach is used for retail loan portfolios – Personal and 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

- Desjardins Group uses market risk internal models for trading portfolios.
- The Standardized Approach is used for foreign exchange risk and commodity risk in the banking portfolio.

Operational risk

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

These provisions are used to calculate Desjardins's capital ratios, among other things.

Desjardins Group has also set up an internal capital adequacy assessment program (ICAAP). This program is a sound management practice recognized in the industry and is the key element of the second pillar of the Basel Accord. It allows a financial institution to provide for an appropriate level of capital to cover all major risks to which it is exposed, and to implement capital management strategies that follow the changes in its risk profile.

This program is under the responsibility of the Risk Management Executive Division. Capital adequacy is assessed by verifying whether available capital is sufficient to cover the capital required. The units responsible oversee the overall adequacy of Desjardins Group's available capital based on both internal measures of economic capital and the regulatory capital requirements under the first pillar. The results of stress testing exercises are also considered in the capital adequacy assessment.

The internal measure of capital used by Desjardins Group is economic capital, namely the amount of capital that an institution must maintain, in addition to expected losses, to remain solvent over a certain horizon and at a high confidence level. For Desjardins Group, economic capital is assessed over a one-year horizon. A confidence level is selected to meet the objective of maintaining attractive credit ratings. In order to assess Desjardins Group's overall capital adequacy in relation to its risk profile, all significant risks identified through the risk logging process are assessed using internal methodologies to measure economic capital. It should be pointed out that all economic capital methodologies are validated independently to ensure that modelling input and assumptions used allow the assessed risk to be measured appropriately.

In the course of its operations, Desjardins Group is exposed to various risks. The table below provides its risk profile by business segment. Economic capital is broken down to illustrate the relative size of the risks associated with the various business segments. The distribution of risk-weighted assets shows Desjardins Group's exposure to credit risk, market risk and operational risk for the purposes of regulatory capital measurement.

Table 25 – Economic capital and risk-weighted assets by business segment and by risk type
As at December 31, 2023
(in millions of dollars and as a percentage)

Desjardins Group

Economic capital	
Banking activities	
Credit risk	47.6%
Market risk	1.4
Operational risk	5.4
Other risks[1]	4.2
Total banking activities	58.6
Insurance activities	35.1
Risk related to goodwill and other intangible assets[2]	6.3

Risk-weighted assets	
Credit risk	$ 115,313
Market risk	2,881
Operational risk	22,287
RWA floor adjustment	—

Business segment	Personal and Business Services	Wealth Management and Life and Health Insurance	Property and Casualty Insurance	Other
Balance sheet[3]				
Assets	$ 333,597	$ 62,696	$ 13,548	$ 13,099
Economic capital				
Proportion of total for Desjardins Group	38.5%	20.4%	14.4%	26.8%
Banking activities				
Credit risk	70.8	13.1	—	39.4
Market risk	2.0	—	—	1.8
Operational risk	12.9	—	—	—
Other risks[4]	14.3	—	—	58.8
Total banking activities	100.0	13.1	—	100.0
Insurance activities[5]	—	86.9	100.0	—
Risk related to goodwill and other intangible assets[2]	—	—	—	—
Risk-weighted assets				
Credit risk	$ 89,696	$ 3,615	$ 5,378	$ 16,624
Market risk	1,977	52	—	852
Operational risk	18,138	430	—	3,719

Risk profile: Desjardins Group is exposed to credit risk, market risk, operational risk and other risks, including in particular liquidity risk, interest rate risk, strategic risk, reputation risk and insurance risk.

(1) Includes defined benefit plan risk, liquidity risk, interest rate risk, strategic risk, reputation risk and the diversification effect.
(2) The economic capital amount for the risk related to goodwill and other intangible assets is the carrying amount of these assets. It is considered that in a worst-case scenario for economic capital, the value of these assets would become nil.
(3) The different adjustments required to prepare the Combined Financial Statements as well as intersegment balance eliminations are classified in the asset amount of the Other category.
(4) Includes liquidity risk, interest rate risk, strategic risk and reputation risk. The risk related to other credit assets and deferred tax assets, defined benefit plan risk and the diversification effect are not allocated to business segments.
(5) For insurance operations, economic capital is the total amount of economic capital calculated for life and health and P&C insurance activities.

Again this year, numerous efforts were made throughout Desjardins Group to reinforce the implementation of sound risk management practices and to align regulatory capital requirements more closely with risk exposure. Desjardins Group is continuing to invest in improving its tools and systems and aligning them with sound practices in the industry for the principal types of risk. In recent years, the Bank for International Settlements has issued new requirements (Basel III) for the global regulation of capital standards. These rules, in effect since January 1, 2013, have increased not only capital requirements but also risk management requirements. In addition to the changes made to the level and definition of eligible capital and the measurement of risk-weighted assets, Basel III has, under the second pillar, introduced new liquidity requirements and raised expectations for a number of management practices. Disclosure standards, which fall under the third pillar, have also been enhanced. Desjardins Group will continue its development by integrating these new regulatory requirements into its Integrated Risk Management Framework.

Additional information about capital management is presented in Section 3.2, "Capital management".

4.2.3 Credit risk

Credit risk is the risk of losses resulting from a borrower's, guarantor's, issuer'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, which represented 62.9% of combined balance sheet assets as at December 31, 2023, compared to 61.8%, restated in accordance with IFRS 17, at the end of 2022. It is also exposed through various other commitments, including letters of credit and transactions involving derivative financial instruments as well as securities transactions.

The current macroeconomic environment, characterized in particular by high interest rates, growing geopolitical tensions and persistent inflation, continues to give rise to uncertainty.

In the current context of inflation and restrictive monetary policy by the Bank of Canada, Desjardins Group supports its vulnerable members and clients who are more greatly affected by the increase in interest rates.

This situation also requires management to continue to make particularly complex judgments to estimate the allowance for expected credit losses. To take into account relevant risk factors related to the macroeconomic environment that are not reflected in models, management continues to apply expert credit judgment in measuring the allowance for expected credit losses. Expert adjustments are thus applied to some credit risk measures and some forward-looking information that should not be as representative of an improvement in portfolio credit quality as what historical data used in the models would otherwise suggest.

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

Credit risk management

Desjardins Group upholds its goal of effectively serving all its members and clients. To this end, it has developed robust distribution channels specialized by product and client. The units and components that make up these channels are considered centres of expertise and are accountable for their performance in their respective markets, including the management of credit risk. In this regard, they have latitude regarding the framework they use and the approval given and are also equipped with the corresponding management and monitoring tools and structures. To assist these units and components, Desjardins Group has set up centralized structures and procedures to ensure that its Integrated Risk Management Framework permits effective management that is also sound and prudent.

The Risk Management Executive Division has been structured so that it can effectively manage credit risk and provide credit approval, support, quantification and monitoring, and report on credit matters.

Framework

The Desjardins Group Credit Risk Management Framework consists of policies, standards and various other documents, which define the responsibilities and powers of the parties involved, the limits imposed by risk appetite, the rules governing the assignment and administration of files, and the disclosure rules for Desjardins Group's exposure to credit risks.

All these frameworks govern Desjardins's credit risk management and control activities.

Assessment of regulatory capital

The AMF has authorized two credit risk assessment approaches to be included in calculating regulatory capital, namely the Standardized Approach and the Internal Ratings-Based (IRB) Approach. Desjardins Group has adopted the Internal Ratings-Based Approach for credit risk. However, some exposures are exempt from IRB Approach requirements because of units or components of lesser importance, and asset classes that are not significant in terms of amount and risk profile. In order to apply the IRB Approach, Desjardins Group had to make internal estimates to calculate the probability of default (PD), loss given default (LGD) and exposure at default (EAD).

The calculation of risk-weighted assets (RWA) is used to measure Desjardins Group's credit risk, market risk and operational risk.

PD is the likelihood of a borrower defaulting on its obligations within a one-year time horizon. Internal rating models, estimated using logistic regressions, produce risk levels monthly for retail personal and business clients as well as for some non-retail client portfolios. For retail clientele, behavioural scoring models are used, with predictive features related, in particular, to borrower and account-specific features such as account age, loan size and delinquency. These models allow proactive management of the portfolio credit risk. However, for regulatory purposes, the PD from rating models is:

- adjusted slightly upward (prudential margin) to compensate for the historical volatility of PD;
- calibrated by groups of products, for behavioural scoring models applicable to retail clientele, according to the following drivers: residential mortgages, loans and lines of credit, point-of-sale financing and credit cards.

LGD measures the size of the possible economic loss in the event of the borrower's default. It is expressed as a percentage of EAD. LGD estimates reflect average economic losses by collateral or guarantee type input into an internal history. Economic losses include direct and indirect management costs as well as any recoveries adjusted for the delay between the time of default and the time of the transaction. LGD is adjusted upward to take into account the possible effects of an economic slowdown.

EAD is an estimate of the amount outstanding for a given exposure at the time of default. For on-balance sheet exposures, EAD is equal to the balance at the time of observation. For off-balance sheet exposures, EAD includes an estimate of the additional drawdowns that may occur between the time of observation and the default. Estimates of such possible additional drawdowns reflect the internal history of the average drawdown on revolving credit products between the observation date and the time of default. Finally, as in the case of LGD, EAD of off-balance sheet exposures is adjusted upward to take into account the possible effects of an economic slowdown.

Differences between the parameters used for accounting and regulatory capital purposes

Loss allowances for expected credit losses for accounting purposes according to IFRS 9 are based primarily on the parameters used to calculate regulatory capital under the Internal-Ratings Based Approach, namely PD, LGD and EAD. However, there are certain differences, and the main ones are presented in the table below:

	Regulatory capital	IFRS 9
PD	• Estimated using a long-term average for a full economic cycle. • Projected over the next 12 months. • Definition of default associated with an instrument for which payments have been past due for over 90 days, or certain other criteria.	• Estimated at a point in time for the next 12 months or for the lifetime of the instrument. • Based on past experience, current conditions and relevant forward-looking information. • Corresponds to the definition of default used for regulatory capital purposes.
LGD	• Based on losses that would be expected during an economic downturn. • Subject to certain regulatory floors. • Takes into account all direct and indirect recovery costs. • Discounted to account for the recovery period until default using the discount rate required for regulatory capital purposes.	• Based on past experience, current conditions and relevant forward-looking information. • Excessive conservatism and floors are excluded. • Takes into account only direct recovery costs. • Discounted to account for the recovery period until default using the initial effective interest rate.
EAD	• Corresponds to drawn amounts plus expected use of undrawn amounts before default.	• Based on the expected balance of amounts in default projected over the next 12 months or the lifetime of the instrument based on forward-looking expectations.
Discounting	• No discounting between the date of default and the reporting date.	• Discounting from the date of default to the reporting date using the initial effective interest rate.

More specifically, credit and counterparty risk exposure includes the following categories:
- Used exposure is the amount of funds invested or advanced to a member or client.
- Unused exposure is the amount of credit in loans or margins that has been authorized, but not yet used after credit conversion factors (CCF) have been applied.
- Repo-style transactions are contractual transactions between two parties, including a retrocession commitment at a pre-set price. Repo-style transactions include repurchase agreement transactions, reverse repurchase agreement transactions, and lending and borrowing of securities that are not outstanding with a central counterparty as well as these same transactions carried out with a non-qualifying central counterparty.
- Over-the-counter (OTC) derivative instruments refer to all OTC derivative financial instruments with different underlying instruments.
- Off-balance sheet exposures include guarantees, commitments, derivatives and other contractual agreements of which the total notional principal amount may not be recognized on the balance sheet.
- The net exposure is calculated after using credit risk mitigation (CRM) techniques, including collateral, guarantees and credit derivatives.

As at December 31, 2023, the EAD was $410.4 billion before using CRM techniques and $386.6 billion after using CRM techniques. The complete results of the credit risk assessment by type of exposure, asset class and the calculation methods of the Standardized Approach and the Basel III Internal Ratings-Based Approach as required by the AMF are found in Table 26, "Risk Exposure by Asset Class (Exposure at default [EAD])".

Desjardins Group uses the Internal Ratings-Based Approach on 85.9% of exposure at default. Consequently, 14.1% of exposure at default is, for now, assessed using the Standardized Approach. Desjardins Group periodically reviews portfolios subject to the Standardized Approach to determine whether the Advanced Internal Ratings-Based Approach should be applied.

Table 26 – Risk exposure by asset class (Exposure at default) [EAD])[(1)*]
As at December 31

	2023							
(in millions of dollars and as a percentage)	Used exposure	Unused exposure	Repo-style transactions	OTC derivatives	Off-balance sheet exposure	Total	Net exposure[(2)]	EAD as a % of total
Standardized Approach								
Sovereign borrowers	$ 5,262	$ —	$ —	$ —	$ —	$ 5,262	$ 6,014	1.3%
Non-central government public sector entities	6,846	1,632	—	—	47	8,525	8,578	2.1
Financial institutions	2,190	69	46	6	23	2,334	2,809	0.6
Businesses	9,006	2,995	2,352	22	2,210	16,585	14,420	4.0
SMEs similar to other retail client exposures	167	78	—	—	7	252	238	0.1
Real estate	5,889	114	—	—	—	6,003	4,993	1.5
Revolving retail client exposures	75	16	—	—	—	91	91	—
Other retail client exposures (excluding SMEs)	1,232	760	—	—	6	1,998	1,836	0.5
Securitization	26	—	—	—	—	26	26	—
Equities	608	139	—	—	—	747	746	0.2
Trading portfolio	—	—	15,269	380	—	15,649	681	3.8
Subtotal – Standardized Approach	31,301	5,803	17,667	408	2,293	57,472	40,432	14.1
Internal Ratings-Based Approach								
Sovereign borrowers	34,628	1,166	—	—	75	35,869	83,581	8.7
Non-central government public sector entities	—	—	—	—	—	—	—	—
Financial institutions	4,955	1,085	783	4,716	133	11,672	10,964	2.8
Businesses	30,977	6,481	—	—	1,630	39,088	34,994	9.5
SMEs similar to other retail client exposures	7,161	3,722	—	2	119	11,004	9,635	2.7
Real estate	184,913	25,409	—	—	—	210,322	168,710	51.2
Revolving retail client exposures	7,225	8,101	—	—	—	15,326	15,326	3.7
Other retail client exposures (excluding SMEs)	14,659	8,125	—	—	5	22,789	21,856	5.6
Trading portfolio	—	—	5,944	932	—	6,876	1,076	1.7
Subtotal – Internal Ratings-Based Approach	284,518	54,089	6,727	5,650	1,962	352,946	346,142	85.9
Total	$ 315,819	$ 59,892	$ 24,394	$ 6,058	$ 4,255	$ 410,418	$ 386,574	100.0%

	2022							
(in millions of dollars and as a percentage)	Used exposure	Unused exposure	Repo-style transactions	OTC derivatives	Off-balance sheet exposure	Total	Net exposure[(2)]	EAD as a % of total
Standardized Approach								
Sovereign borrowers	$ 7,110	$ —	$ —	$ —	$ 370	$ 7,480	$ 7,480	1.9%
Financial institutions	10,916	911	1,178	—	67	13,072	11,715	3.3
Businesses	11,738	3,632	1,165	332	1,619	18,486	17,047	4.6
SMEs similar to other retail client exposures	260	11	—	—	6	277	273	0.1
Real estate	177	—	—	—	—	177	177	—
Other retail client exposures (excluding SMEs)	1,080	1,168	—	—	6	2,254	1,942	0.6
Securitization	29	—	—	—	—	29	29	—
Equities	482	—	—	—	—	482	482	0.1
Trading portfolio	—	—	15,455	208	—	15,663	688	3.9
Subtotal – Standardized Approach	31,792	5,722	17,798	540	2,068	57,920	39,833	14.5
Internal Ratings-Based Approach								
Sovereign borrowers	36,923	1,310	—	—	53	38,286	74,006	9.5
Financial institutions	5,315	508	918	3,601	398	10,740	9,565	2.7
Businesses	85,105	9,498	—	—	1,166	95,769	81,606	23.8
SMEs similar to other retail client exposures	7,809	3,173	—	—	78	11,060	10,183	2.7
Real estate	117,780	20,701	—	—	—	138,481	118,969	34.4
Revolving retail client exposures	9,815	16,881	—	—	—	26,696	26,696	6.6
Other retail client exposures (excluding SMEs)	11,252	740	—	—	5	11,997	10,903	3.0
Trading portfolio	—	—	10,382	896	—	11,278	1,292	2.8
Subtotal – Internal Ratings-Based Approach	273,999	52,811	11,300	4,497	1,700	344,307	333,220	85.5
Total	$ 305,791	$ 58,533	$ 29,098	$ 5,037	$ 3,768	$ 402,227	$ 373,053	100.0%

(1) The definition of exposure classes related to regulatory capital requirements differs from the accounting classification. In addition, the exposure classes as at December 31, 2023, have been prepared in accordance with the requirements of the *Capital Adequacy Guideline*, which was updated to reflect the Basel III regulatory reforms approved by the BCBS on December 7, 2017, and became effective during the year. Comparative data were not restated.

(2) After using credit risk mitigation (CRM) techniques, including collateral, guarantees and credit derivatives.

The following table presents exposure at default for businesses, sovereign borrowers and financial institutions. The sectors are determined according to the North American Industry Classification System.

Table 27 – Exposure at default – Businesses, sovereign borrowers and financial institutions by industry[1]*
As at December 31

	2023						
(in millions of dollars)	Used exposure	Unused exposure	Repo-style transactions	OTC derivatives	Off-balance sheet exposure	Total	Net exposure[2]
Agriculture	$ 9,497	$ 509	$ —	$ —	$ 44	$ 10,050	$ 11,378
Mining, oil and gas	1,123	556	—	—	123	1,802	1,805
Utilities	2,021	1,088	—	—	210	3,319	3,318
Construction	3,176	1,127	—	—	302	4,605	4,654
Manufacturing	4,180	1,228	—	—	314	5,722	5,835
Wholesale trade	1,972	475	—	—	135	2,582	2,618
Retail trade	3,852	731	—	—	29	4,612	4,669
Transportation	1,162	432	—	1	75	1,670	1,686
Information industry	433	292	—	—	440	1,165	1,177
Finance and insurance	11,220	1,960	2,066	4,743	1,115	21,104	19,342
Real estate	4,638	1,162	—	—	106	5,906	18,641
Professional services	1,211	327	—	—	212	1,750	1,664
Management of companies	1,010	195	—	—	41	1,246	1,226
Administrative services	609	166	—	—	33	808	817
Education	143	25	—	—	2	170	174
Health care	601	120	—	—	18	739	2,148
Arts and entertainment	264	64	—	—	2	330	352
Accommodation	385	30	—	—	8	423	516
Other services	789	126	—	—	15	930	968
Public agencies	37,001	908	—	—	91	38,000	66,326
Other businesses	1,731	275	1,115	—	756	3,877	3,468
Total	$ 87,018	$ 11,796	$ 3,181	$ 4,744	$ 4,071	$ 110,810	$ 152,782

	2022						
(in millions of dollars)	Used exposure	Unused exposure	Repo-style transactions	OTC derivatives	Off-balance sheet exposure	Total	Net exposure[2]
Agriculture	$ 9,699	$ 549	$ —	$ —	$ 41	$ 10,289	$ 10,906
Mining, oil and gas	344	593	—	—	123	1,060	1,060
Utilities	1,268	661	—	—	201	2,130	2,130
Construction	6,429	2,088	—	—	251	8,768	8,771
Manufacturing	5,293	1,436	—	—	292	7,021	7,064
Wholesale trade	2,482	543	—	—	130	3,155	3,169
Retail trade	3,826	999	—	—	30	4,855	4,887
Transportation	1,183	698	—	1	75	1,957	1,968
Information industry	268	942	—	—	7	1,217	1,223
Finance and insurance	13,002	1,593	3,157	3,932	1,475	23,159	19,529
Real estate	51,673	1,814	—	—	110	53,597	54,200
Professional services	1,285	467	—	—	24	1,776	1,788
Management of companies	1,120	229	—	—	87	1,436	1,391
Administrative services	435	232	—	—	18	685	689
Education	560	126	—	—	9	695	696
Health care	4,652	303	—	—	17	4,972	4,992
Arts and entertainment	670	104	—	—	27	801	811
Accommodation	1,542	49	—	—	6	1,597	1,641
Other services	1,093	125	—	—	17	1,235	1,251
Public agencies	48,210	1,648	—	—	557	50,415	69,918
Other businesses	2,073	660	104	—	176	3,013	3,335
Total	$ 157,107	$ 15,859	$ 3,261	$ 3,933	$ 3,673	$ 183,833	$ 201,419

(1) The data as at December 31, 2023, have been prepared in accordance with the requirements of the *Capital Adequacy Guideline*, which was updated to reflect the Basel III regulatory reforms approved by the BCBS on December 7, 2017, and became effective during the year. Comparative data were not restated.

(2) After using credit risk mitigation (CRM) techniques, including collateral, guarantees and credit derivatives.

Credit granting

The Risk Management Executive Division assigns approval limits to the various units and components, including the caisse network. The units and components are primarily responsible for approving the files originating from them. However, the Risk Management Executive Division approves any commitments exceeding the approval limits assigned to them. Its approval responsibilities and the depth of the analyses required depend on product features as well as the complexity and extent of transaction risk.

The Risk Management Executive Division also sets commitment limits, namely the maximum commitment that can be granted to a borrower and the related entities. Risk-sharing arrangements can also be made with other financial institutions through banking syndicates.

Retail loans

Retail loan portfolios consist of residential mortgages, personal loans and lines of credit, point-of-sale financing and credit card loans. The Internal Ratings-Based Approach for credit risk is currently used for most of these portfolios.

In general, credit decisions are based on risk ratings generated using predictive credit scoring models. Credit adjudication and portfolio management methodologies are designed to ensure consistent granting of credit and early identification of problem loans. Desjardins Group's automated risk rating system measures the creditworthiness of each member and client on a monthly basis. This process ensures the quick, valid identification and management of problem loans.

The table below presents PD tranches in relation to risk levels.

Table 28 – Probabilities of default of retail clients by risk level*

Risk levels	PD tranches
Excellent	**0.00% to 0.14%**
Very low	**0.15% to 0.49%**
Low	**0.50% to 2.49%**
Moderate	**2.50% to 9.99%**
High	**10.00% to 99.99%**
Default	**100.00%**

Monitoring performance of credit risk assessment models using the Internal Ratings-Based Approach

For portfolios assessed using the Internal Ratings-Based Approach, the Risk Management Executive Division is responsible for the design, development and performance monitoring of models, in accordance with various guidelines on the subject.

Credit risk assessment models are developed and tested by specialized teams supported by the business units and related credit risk management units concerned by the model.

The performance of credit risk parameters is analyzed on an ongoing basis through back testing. This testing is performed on out-of-time and out-of-sample inputs and aims to assess parameter robustness and adequacy. Where a statistically significant overage is observed, prudential upward adjustments are made to reflect an unexpected trend in a segment in particular. These adjustments, allowing a more adequate risk assessment related to the transactions and borrowers, are validated and approved by the units responsible.

More specifically for PD, such back testing takes the form of various statistical tests to assess the following criteria:
- the model's discriminating power;
- the calibration of the model;
- the stability of model results.

Independent validations are also performed on credit risk assessment models. The most critical aspects to be validated are factors allowing appropriate risk classification by level, the adequate quantification of exposures and the use of assessment techniques taking external factors into consideration, such as economic conditions and the credit situation and, lastly, alignment with internal policies and regulatory provisions.

The model approval procedure and reporting are regulated by different bodies depending on the type and size of the approval in question. As a result, new models and significant changes to existing models are approved by the next higher committee than the one that is informed of the annual model performance monitoring results and authorizes any resulting recommendations.

Loans to businesses, sovereign borrowers and financial institutions

These loans include retail loans, loans to sovereign borrowers and public administrations, loans to the housing sector and loans to other businesses.

PD tranches are updated annually and adjusted as necessary to appropriately reflect Desjardins Group's risk ratings.

The following table presents the internal rating scale and the corresponding ratings of external agencies.

Table 29 – Probabilities of default of businesses, financial institutions and sovereign borrowers by risk level*

	Business		Financial institutions		Sovereign borrowers			
Risk level	**Desjardins ratings**	**PD tranches**	**Desjardins ratings**	**PD tranches**	**Desjardins ratings**	**PD tranches**	**S&P ratings**	**Moody's ratings**
Acceptable risk								
Investment grade	[1 – 4]	**0.00% to 0.49%**	[1 – 5.5]	**0.00% to 0.51%**	[1 – 5.5]	**0.00% to 0.53%**	AAA – BBB-	Aaa – Baa3
Other than investment grade	[4.5 – 7]	**0.50% to 6.18%**	[6 – 8]	**0.52% to 3.71%**	[6 – 8]	**0.54% to 5.11%**	BB+ – B-	Ba1 – B3
Under watch	[7.5 – 9]	**6.19% to 99.99%**	[9 – 9.5]	**3.72% to 99.99%**	[9 – 9.75]	**5.12% to 99.99%**	CCC+ – CC	Caa1 – Ca
Default	10	**100.00%**	10	**100.00%**	10	**100.00%**	D	C

Retail clients, small residential rental properties and small commercial rental properties

Credit scoring systems based on proven statistics are used to assess the risk of credit activities involving these client bases.

These systems were designed using the behavioural history of borrowers with a profile or characteristics similar to those of the applicant in order to estimate the transaction risk.

Such systems are used for initial approval as well as for the monthly reassessment of borrowers' risk levels. Ongoing updates allow for proactive management of the credit risk of portfolios.

The performance of these systems is periodically analyzed, and adjustments are made regularly to measure transaction and borrower risk as adequately as possible. The units responsible for developing scoring systems and the underlying models ensure that adequate controls are set up to monitor their stability and performance.

Other segments

The granting of credit is based on the detailed analysis of a file. Each borrower's financial, market and management characteristics are analyzed using a credit risk assessment model designed from internal and external historical data, taking into account the size of the business, the special characteristics of the main industry in which the borrower operates, and the performance of comparable businesses.

In order to determine the model to be used, a segment is assigned to each borrower based on the borrower's main industry and some other features. A quantitative analysis based on financial data is supplemented by an assessment of qualitative factors by the person in charge of the file. Once this analysis is finished, each borrower is assigned a credit risk rating representing the borrower's risk level.

The use of scoring results has been expanded to other risk management and governance activities such as establishing analysis requirements and the required decision-making level, determining the different types of follow-up activities, as well as assessing and disclosing portfolio risk quality.

Credit risk mitigation

When a loan is granted to a member or client, Desjardins Group may obtain collateral to mitigate the borrower's credit risk. Such collateral is normally in the form of assets such as capital assets, receivables, inventory, equipment, securities (government securities, equities, etc.) or cash.

For some portfolios, programs offered by various organizations, in particular Canada Mortgage and Housing Corporation (CMHC) and *La Financière agricole du Québec*, are used in addition to customary collateral. As at December 31, 2023, guaranteed or insured loans represented 20.1% of Desjardins Group's total gross loans, compared to 19.7% at the end of 2022. As a result of these additional measures, the residual credit risk is minimal for loan portfolios with such collateral. In order for enhanced credit offered by a guarantor to be considered a credit risk mitigation technique, the guarantor must meet certain specific criteria to allow this.

Frameworks adapted to each type of collateral contain the requirements for appraising collateral, its legal validity and follow-up. The type of collateral as well as the value of the assets encumbered by such collateral are established on the basis of a credit risk assessment of the transaction and the borrower, depending in particular on the borrower's PD. Such an assessment is required whenever any new loan is granted in accordance with Desjardins Group's frameworks. When an outside professional, such as a chartered appraiser or an environmental assessment firm, is required to determine the value of the collateral, the selection of the professional and the mandate must comply with the necessary requirements in the frameworks. Considering that the collateral is used to recover all or part of the unpaid balance of a loan in the event of the borrower's default to make payment, the quality, the legal validity and the ease with which the collateral can be realized are determining factors in obtaining a loan.

In order to ensure that the value of the collateral remains adequate, it must be periodically updated. The frequency of reappraisals depends in particular on the risk level, the type of collateral or certain triggering events such as a deterioration in the borrower's financial position or the sale of an asset held as collateral. The decision-making level is responsible for approving the updated value of the collateral, if applicable.

During the year ended December 31, 2023, no significant changes were made to the credit risk mitigation policies and no significant changes occurred in the quality of assets held as collateral.

Loan debt relief

In managing loan portfolios, Desjardins Group may, for economic or legal reasons, change the original terms and conditions of a loan granted to a borrower experiencing financial difficulty and therefore prevented from discharging his obligations. Such changes may include an interest rate adjustment, the deferral or extension of principal and interest payments, or the waiver of a tranche of the principal or interest.

Loans receiving relief amounted to $1,819 million as at December 31, 2023, compared to $1,356 million at the end of 2022. Of these loans, $168 million was classified as gross impaired loans as at December 31, 2023, compared to $106 million as at December 31, 2022.

File monitoring and management of higher risk files

Credit practices govern the monitoring of loans. Files are reassessed on a regular basis. Requirements regarding review frequency and depth increase with a higher PD or the size of potential losses on receivables. The officer in charge of the file monitors high risk loans using various intervention methods. A positioning, which must be authorized by the appropriate decision-making level, is required to be performed for files with irregularities or increased risk as well as for files in default.

The unit in charge of the financing is primarily responsible for monitoring files and for managing higher risks. However, certain tasks or files may be outsourced to the Federation's intervention units specializing in turnarounds or recovery. Supervision reports produced and submitted periodically to the appropriate bodies make it possible to monitor the position of high-risk borrowers as well as changes in the corrective measures put in place. In addition, a report accounting for credit activities, covering changes in credit quality and financial issues, is submitted quarterly to the management of the component concerned.

Default situations

Identification of default

In accordance with the AMF's *Capital Adequacy Guideline*, the following two criteria are used to identify a default situation:
- Quantitative criterion: A borrower's payments are past due by more than 90 days.
- Qualitative criterion: Desjardins Group believes that a borrower is unlikely to repay his debt in full unless the appropriate action is taken, such as realization on collateral or a guarantee, where it exists.

These criteria are applicable to all clients.

Impact of default

The impact of a default consists of associating the identified default on exposure with all the same borrower's commitments as well as with other entities in its borrower group. Such impacts vary according to the type of client base.

For individuals, barring exceptions, Desjardins Group does not pass on the default.

For retail businesses, small residential rental properties and small commercial rental properties, the default is passed on only to the borrower's exposures to commitments with the same entity within the scope of Desjardins Group. For the application of this criterion, the caisse network is considered one and the same entity.

For non-retail businesses, public administrations, financial institutions and sovereign borrowers, the default is entirely passed on through all the borrower's commitments in the scope of Desjardins Group. The default may also be passed on to other entities forming part of its borrower group according to a case-by-case analysis.

Removing default

When default is recognized in terms of the quantitative criterion, it may be removed immediately for clients that are retail businesses, small residential rental properties, small commercial rental properties and individuals, subject to certain conditions stipulated in the credit risk guidelines. If not, it is generally removed within a minimum of 3 to 6 months if certain conditions set out in the credit risk guidelines are met.

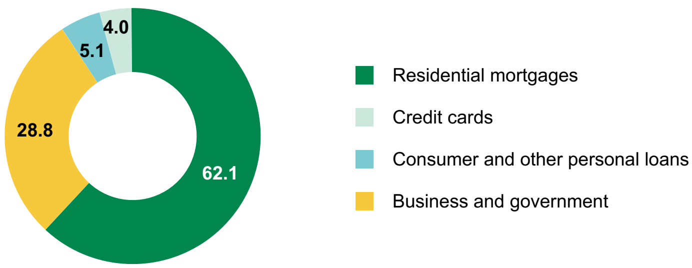
Monitoring of portfolio and reporting

The Risk Management Executive Division oversees the management of all risks to which the organization is exposed, including credit risks. The operating methods require ongoing monitoring of the credit risks to which Desjardins Group is exposed, as well as periodic reporting on portfolio quality to the appropriate bodies.

Breakdown and quality of loan portfolio

The following chart presents the distribution of loans and acceptances by borrower category. Over half of the portfolio consists of residential mortgages, for which, statistically, the loss rate is lower.

Breakdown of loans and acceptances
As at December 31, 2023
(as a percentage)



Loans by borrower category and by industry are presented in the table below. As at December 31, 2023, the main sectors of the business loan portfolio were real estate, agriculture and construction. They accounted for 51.0% of the business loan portfolio, which amounted to $73.6 billion. The main industries were the same as at December 31, 2022.

Table 30 – Loans by borrower category and by industry
As at December 31

	2023		2022 Restated	
(in millions of dollars)	Gross loans	Gross credit-impaired loans	Gross loans	Gross credit-impaired loans
Residential mortgages	$ 165,858	$ 375	$ 159,682	$ 245
Consumer, credit card and other personal loans	24,239	224	24,211	170
Public agencies(1)	3,388	—	3,520	—
Business				
Agriculture	11,991	352	11,270	158
Mining, oil and gas	1,092	1	354	1
Utilities	2,090	—	1,137	—
Construction	8,062	182	6,660	116
Manufacturing	5,883	231	5,745	160
Wholesale trade	2,712	75	2,623	23
Retail trade	5,933	96	4,337	27
Transportation	1,620	14	1,420	24
Information industry	550	17	305	2
Finance and insurance	2,105	—	1,627	—
Real estate	17,474	164	15,569	86
Professional services	1,934	10	1,586	6
Management of companies	1,389	10	1,454	3
Administrative services	373	6	393	12
Education	265	4	241	4
Health care	4,411	145	4,325	67
Arts and entertainment	769	11	779	6
Accommodation	2,073	39	2,025	71
Other services	1,588	8	1,435	10
Other businesses	1,316	—	7	—
Total business loans	$ 73,630	$ 1,365	$ 63,292	$ 776
Total loans	$ 267,115	$ 1,964	$ 250,705	$ 1,191

(1) Including loans to governments.

Loans by geographic distribution are presented in the following table. Desjardins Group's operations are highly concentrated in Québec. Therefore, as at December 31, 2023, the loans granted by Desjardins to members and clients in Québec accounted for 88.8% of the total loan portfolio, compared to 90.3% as at December 31, 2022.

Table 31 – Loans by geographic distribution
As at December 31

(in millions of dollars)	2023 Gross loans	2023 Gross credit-impaired loans	2022 Restated Gross loans	2022 Restated Gross credit-impaired loans
Canada				
Québec	**$ 237,072**	**$ 1,710**	$ 226,281	$ 1,074
Other Canadian provinces	**29,718**	**254**	24,103	117
Total – Canada	**$ 266,790**	**$ 1,964**	$ 250,384	$ 1,191
Other countries	**325**	**—**	321	—
Total	**$ 267,115**	**$ 1,964**	$ 250,705	$ 1,191

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

Table 32 – Gross loans past due but not credit-impaired[(1)]
As at December 31

(in millions of dollars)	2023 31 to 90 days	2023 91 days or more	2023 Total	2022 31 to 90 days	2022 91 days or more	2022 Total
Residential mortgages	**$ 245**	**$ 95**	**$ 340**	$ 139	$ 20	$ 159
Consumer, credit card and other personal loans	**196**	**38**	**234**	134	38	172
Business and government	**41**	**128**	**169**	32	64	96
	$ 482	**$ 261**	**$ 743**	$ 305	$ 122	$ 427

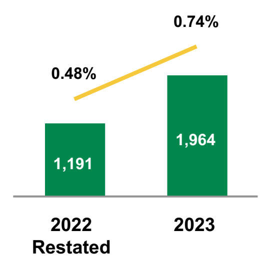
(1) Loans less than 31 days past due are not presented because, in general, they are not an indication that a borrower will not meet payment obligations.

As at December 31, 2023, according to Note 8, "Loans and allowance for credit losses", to the Combined Financial Statements, the allowance for expected credit losses on loans stood at $1,180 million and the allowance for expected credit losses on off-balance sheet items was $93 million, for a total of $1,273 million, up $185 million compared to December 31, 2022.

This increase was mainly due to the migration of credit quality, to the rise in outstandings, as well as to certain changes in methodology. The effects of this were, however, partially offset by the effects of updating forward-looking information. For more information on the methodology and assumptions used to estimate the loss allowance for expected credit losses, refer to Note 2, "Accounting policies", and Note 8, "Loans and allowance for credit losses", to the Combined Financial Statements.

Gross credit-impaired loans outstanding are the loans included in Stage 3 of the impairment model. The ratio of gross credit-impaired loans, as a percentage of the total gross loans and acceptances portfolio, was 0.74% as at December 31, 2023, compared with 0.48% as at December 31, 2022. The allowance for credit losses on credit-impaired loans totalled $495 million as at December 31, 2023, for a provisioning rate on credit-impaired loans of 25.2%.

Gross credit-impaired loans and gross credit-impaired loan ratios
(in millions of dollars and as a percentage)



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

Table 33 – Gross credit-impaired loans by borrower category
As at December 31

(in millions of dollars and as a percentage)	2023					2022	
	Gross carrying amount			Allowance for credit losses on credit-impaired loans	Net credit-impaired loans	Gross credit-impaired loans	Net credit-impaired loans
	Gross loans and acceptances	Gross credit-impaired loans[1]					
Residential mortgages	**$ 165,858**	**$ 375**	**0.23%**	**$ 24**	**$ 351**	$ 245	$ 229
Consumer, credit and other personal loans	**24,239**	**224**	**0.92**	**140**	**84**	170	79
Business and government	**77,018**	**1,365**	**1.77**	**331**	**1,034**	776	572
Total	**$ 267,115**	**$ 1,964**	**0.74%**	**$ 495**	**$ 1,469**	$ 1,191	$ 880

(1) For more information on the gross credit-impaired loans/gross loans and acceptances ratio, which is a supplemental financial measure, see the Glossary on pages 106 to 113.

Table 34 – Change in gross credit-impaired loans
For the years ended December 31

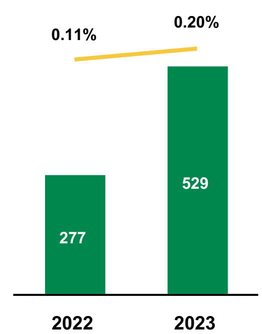
(in millions of dollars)	2023	2022
Gross credit-impaired loans at beginning of year	**$ 1,191**	$ 1,088
Gross loans that became credit-impaired during the year	**3,396**	2,411
Loans returned to unimpaired status	**(2,282)**	(2,083)
Write-offs and recoveries	**(336)**	(226)
Other changes	**(5)**	1
Gross credit-impaired loans at end of year	**$ 1,964**	$ 1,191

Desjardins Group's provision for credit losses totalled $529 million for 2023, up $252 million compared to 2022. This change was mainly due to the increases in the provision for credit losses on business loan portfolios owing to a migration of credit quality and on credit card portfolios. The provision for 2023 reflects higher net write-offs, which are gradually returning to pre-pandemic levels.

The credit loss provisioning rate was 0.20% at the end of fiscal 2023, compared to 0.11% recorded as at December 31, 2022.

Additional information about the credit risk related to the recognition and measurement of the allowance for credit losses is presented in Note 2, "Accounting policies", and Note 8, "Loans and allowance for credit losses", to the Combined Financial Statements.

Provision for credit losses and credit loss provisioning rate[1]
(in millions of dollars and as a percentage)



(1) For more information on supplemental financial measures, see the Glossary on pages 106 to 113.

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 the Caisse Desjardins Ontario Credit Union Inc. by product type and geographic area, as well as the corresponding loan-to-value ratios.

Table 35 – Residential mortgage portfolio[(1)]
Caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc.[(2)]
As at December 31

	2023											
(in millions of dollars and as a percentage)	Guaranteed or insured loans[(3)]			Uninsured loans[(4)]			Home equity lines of credit[(5)]			Total		
Québec	$	28,778	97.8%	$	91,395	95.1%	$	5,691	94.9%	$	125,864	95.7%
Ontario		610	2.1		4,673	4.9		309	5.1		5,592	4.3
Other[(6)]		19	0.1		40	—		—	—		59	—
All geographic areas	$	29,407	100.0%	$	96,108	100.0%	$	6,000	100.0%	$	131,515	100.0%

	2022											
(in millions of dollars and as a percentage)	Guaranteed or insured loans[(3)]			Uninsured loans[(4)]			Home equity lines of credit[(5)]			Total		
Québec	$	28,737	97.7%	$	88,790	95.2%	$	5,706	94.8%	$	123,233	95.8%
Ontario		662	2.2		4,486	4.8		314	5.2		5,462	4.2
Other[(6)]		19	0.1		44	—		—	—		63	—
All geographic areas	$	29,418	100.0%	$	93,320	100.0%	$	6,020	100.0%	$	128,758	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 $216 million as at December 31, 2023 and $207 million as at December 31, 2022.
(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 (FSRAO) rules.
(3) Term mortgages and amortized portion of home equity lines of credit for which Desjardins Group has a full or partial guarantee or insurance from a public or private mortgage insurer, 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.

Table 36 – Average loan-to-value (LTV) ratio for uninsured residential mortgage loans granted during the quarter
Caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc.[(1)]
For the years ended December 31

	2023			2022		
(average loan to value ratio, by geographic area)	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	62.1 %	64.3 %	63.8 %	65.0 %	66.8 %	66.4 %
Ontario	61.8	62.0	61.9	66.0	64.7	65.3
Other[(4)]	74.0	69.0	70.8	71.0	67.4	69.1
All geographic areas	62.1 %	64.2 %	63.7 %	65.0 %	66.7 %	66.3 %

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

Table 37 – Remaining amortization period for residential mortgage loans[1][2]
Caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc.[3]
As at December 31

	Total amortized loans			
(in millions of dollars in gross loans and as a percentage of the total by remaining amortization category)	**2023**		2022[4]	
0 to 10 years	**$ 9,100**	**7.3%**	$ 8,895	7.2%
10 to 20 years	**41,132**	**32.8**	40,284	32.8
20 to 25 years	**63,076**	**50.2**	61,324	50.0
25 to 30 years	**5,785**	**4.6**	4,726	3.9
30 to 35 years	**172**	**0.1**	146	0.1
35 years or more[5]	**6,250**	**5.0**	7,363	6.0
All amortization periods	**$ 125,515**	**100.0%**	$ 122,738	100.0%

(1) The variable rate mortgage loans of the caisse network represented 24.1% as at December 31, 2023 (29.1% as at December 31, 2022).
(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 is subject instead to the FSRAO rules.
(4) Comparative data have been adjusted to conform to the current year's presentation due to a refinement in methodology.
(5) Negative amortization loans are included in the 35 years or more category, which reflects the impact of interest rate hikes on the variable-rate mortgage portfolio.

International exposures

As at December 31, 2023, Desjardins Group credit risk exposures outside of Canada and the U.S. represented 1.9% 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.

Desjardins Group is exposed to counterparty and issuer risk due matching transactions of its traditional banking activities, its trading activities and the investment portfolios of its insurance companies. According to its classification, each counterparty or issuer is assigned a risk rating based on internal models or the ratings issued by rating agencies (DBRS, Fitch, Moody's and Standard & Poor's) recognized by the AMF and the OSFI. The Risk Management Executive Division establishes an exposure limit for a counterparty or issuer after measuring its risk rating. Desjardins Group's exposure limits are established on the basis of its risk appetite framework and its Tier 1A capital. These amounts are then allocated to various components based on their needs. Limits may also apply to certain financial instruments, if considered relevant.

A large proportion of Desjardins Group's risk 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 its U.S. sovereign debt holdings and its commitments to major international banks, Desjardins Group's exposure to foreign entities is low.

In its derivative financial instrument and securities lending transactions, which include repurchase agreements, reverse repurchase agreements and securities borrowing and lending, Desjardins Group is exposed to counterparty credit risk.

Desjardins Group uses derivative financial instruments primarily for asset and liability management purposes. Derivative financial instruments are contracts whose value is based on an underlying asset, such as interest rates, exchange rates or financial indices. The vast majority of Desjardins Group's derivative financial instruments are traded over the counter with a counterparty and include, in particular, forward exchange contracts, currency swaps, interest rate swaps, credit default swaps, total return swaps, forward rate agreements, and currency, interest rate and stock index options. Other instruments are exchange-traded contracts, consisting mainly of futures and swaps traded through a clearing house. They are standard contracts executed on established stock exchanges or well-capitalized clearing houses for which the counterparty risk is very low. The proportion of contracts via clearing houses increased in 2023 because existing and forthcoming regulations are definitely in favour of clearing.

The credit risk associated with derivative financial instruments traded over the counter refers to the risk that a counterparty will fail to honour its contractual obligations toward Desjardins Group at a time when the fair value of the instrument is positive for Desjardins. This risk normally represents a small fraction of the notional amount. It is quantified using two measurements, namely replacement cost and the credit risk equivalent. Replacement cost refers to the current replacement cost of all contracts with a positive fair value. Credit risk equivalent is equal to the sum of this replacement cost and the potential credit exposure. Desjardins Group limits counterparty risk exposure by entering into master agreements called International Swaps and Derivatives Association (ISDA) agreements, which define the terms and conditions for the transactions. These agreements provide for netting to determine the net exposure in the event of default. In addition, a Credit Support Annex can be added to the master agreement in order to request the counterparties to pay or secure the current market value of the positions when such value exceeds a certain threshold. The value of these different measures and the impact of the master netting agreements is presented in Note 21, "Derivative financial instruments and hedging activities", to the Combined Financial Statements.

Desjardins Group also limits its risk by doing business with counterparties that have a high credit rating. Note 21, "Derivative financial instruments and hedging activities", to the Combined Financial Statements presents derivative financial instruments by credit risk rating and type of counterparty. Based on replacement cost, this note indicates that substantially all of Desjardins Group's counterparties have credit ratings ranging from AAA to A-.

Securities lending transactions are governed by standard industry agreements. To mitigate its credit risk exposure, Desjardins Group also requires a percentage of collateralization (a pledge) on these transactions. Furthermore, some of these transactions are settled through a clearing house.

Desjardins Group accepts from its counterparties only financial collateral that complies with the eligibility criteria set out in its policies. These criteria allow for the timely realization of collateral, if necessary, in the event of default. The types of collateral received and pledged by Desjardins Group are mainly cash and government securities.

Additional information about credit risk is presented in Note 6, "Offsetting financial assets and liabilities", Note 21, "Derivative financial instruments and hedging activities", and Note 29, "Commitments, guarantees and contingent liabilities", to the Combined Financial Statements.

4.2.4 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 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 different regulatory environments such as 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 added to 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 following pages.

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 its trading activities and non-trading activities. The principal market risks associated with non-trading activities are also indicated in the table.

Table 38 – Link between market risk and the Combined Balance Sheets
As at December 31, 2023

(in millions of dollars)	Combined Balance Sheets	Exposed to market risk – Trading activities[1][2]	Exposed to market risk – Non-trading activities[3]	Not exposed to market risk	Principal risks associated with non-trading activities
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
Net loans and acceptances	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 for 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
Total equity	34,390	—	—	34,390	
Total liabilities and equity	$ 422,940	$ 23,058	$ 344,630	$ 55,252	

See next page for footnotes.

Table 38 – Link between market risk and the Combined Balance Sheets (continued)
As at December 31, 2022

(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	$ 8,913	$ —	$ 8,913	$ —	Interest rate
Securities					
Securities at fair value through profit or loss	33,987	9,801	24,186	—	Interest rate
Securities at fair value through other comprehensive income	51,258	—	51,258	—	Interest rate, FX, price
Securities at amortized cost	50	—	50	—	Interest rate
Securities borrowed or purchased under reverse repurchase agreements	17,024	14,677	2,347	—	Interest rate
Net loans and acceptances	249,695	—	249,695	—	Interest rate
Segregated fund net assets	21,356	—	21,356	—	Interest rate, price
Derivative financial instruments	5,723	635	5,088	—	Interest rate, FX, price
Other assets	15,938	—	—	15,938	
Total assets	$ 403,944	$ 25,113	$ 362,893	$ 15,938	
			—		
Liabilities and equity					
Deposits	$ 259,836	$ —	$ 259,836	$ —	Interest rate
Insurance contract liabilities	30,202	—	30,202	—	Interest rate
Commitments related to securities sold short	9,859	9,611	248	—	Interest rate
Commitments related to securities lent or sold under repurchase agreements	24,565	23,893	672	—	Interest rate
Derivative financial instruments	6,691	689	6,002	—	Interest rate, FX, price
Segregated fund net liabilities for investment contracts	17,826	—	17,826	—	Interest rate, price
Other liabilities	19,630	—	654	18,976	Interest rate
Subordinated notes	2,928	—	2,928	—	Interest rate
Equity	32,407	—	—	32,407	
Total liabilities and equity	$ 403,944	$ 34,193	$ 318,368	$ 51,383	

(1) Trading activity positions for which the risk measure is VaR and SVaR.
(2) The amounts reported in trading activities reflect intercompany eliminations.
(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 daily basis under specific frameworks, which specify the risk factors to be measured and the limit for each of these factors as well as the total. Tolerance limits are also provided for various stress tests. Compliance with these limits is monitored daily, and a market risk dashboard is produced on a daily basis and sent to senior management. Any limit that is exceeded is immediately analyzed and 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 time interval 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 scaled up to 10 days for the purpose of regulatory capital calculations). 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.

In addition to aggregate VaR, Desjardins Group calculates an aggregate stressed VaR (SVaR). It is calculated in the same way as aggregate VaR, except for the use of historical data. Therefore, instead of using the interval of the past year, the aggregate SVaR takes into account the historical data for a crisis period of one year, which includes the 2008 financial crisis. However, a ratio of aggregate SVaR to VaR is calculated on a daily basis to ensure that the stress period selected is still adequate. In addition, this stress period is reviewed periodically, as well as stress testing.

The incremental risk charge (IRC) supplements the VaR and SVaR measures and represents an estimate of default and migration risks of unsecuritized products held in the trading portfolio, exposed to interest rate risk, and measured over a one-year horizon at a 99.9% confidence level.

The aggregate VaR and the aggregate SVaR for Desjardins Group's trading activities by risk category as well as the incremental risk charge (IRC) are presented in the table below. Equity price risk, foreign exchange risk, interest rate risk and specific interest rate risk are the four 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* issued by the AMF.

Table 39 – Market risk measures for the trading portfolio*

(in millions of dollars)	As at December 31, 2023	For the year ended December 31, 2023			As at December 31, 2022	For the year ended December 31, 2022		
		Average	High	Low		Average	High	Low
Equities	**$ 0.2**	**$ 0.4**	**$ 2.1**	**$ 0.2**	$ 0.8	$ 0.6	$ 0.9	$ 0.3
Foreign exchange	**0.7**	**0.5**	**2.1**	**0.1**	0.9	0.7	3.0	0.05
Interest rate	**3.2**	**5.0**	**8.2**	**2.8**	6.6	4.4	7.8	2.2
Specific interest rate risk[1]	**4.5**	**3.1**	**13.4**	**0.8**	0.9	2.3	6.0	0.7
Diversification effect[2]	**(5.4)**	**(4.0)**	**N/A[3]**	**N/A[3]**	(2.1)	(3.4)	N/A[3]	N/A[3]
Aggregate VaR	**$ 3.2**	**$ 5.0**	**$ 8.9**	**$ 2.7**	$ 7.1	$ 4.6	$ 9.0	$ 2.4
Aggregate SVaR	**$ 5.7**	**$ 10.3**	**$ 18.5**	**$ 4.9**	$ 11.3	$ 12.0	$ 25.2	$ 6.0
Incremental risk charge (IRC)	**$ 82.8**	**$ 71.9**	**$ 93.4**	**$ 41.9**	$ 57.1	$ 69.3	$ 97.2	$ 49.7

(1) Specific risk is the risk directly related to the issuer of a financial security, independent of market events. A portfolio approach is used to distinguish the specific risk from the general market risk. This approach consists of creating a sub-portfolio that contains the positions involving the specific risk of the issuer, such as provinces, municipalities and companies, and a sub-portfolio that contains the positions considered to be without issuer risk, such as governments in the local currency.

(2) Refers to the risk reduction related to diversification, namely the difference between the sum of the VaR of the various market risks and the aggregate VaR.

(3) The highs and lows of the various market risk categories can relate to different dates. It is not relevant to calculate a diversification effect.

The average of the trading portfolio's aggregate VaR was $5.0 million for 2023, up $0.4 million compared to 2022. As for the average of the aggregate SVaR, it was $10.3 million for fiscal 2023, down $1.7 million compared to 2022. The average of the incremental risk charge was $71.9 million, up $2.6 million compared to 2022.

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

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

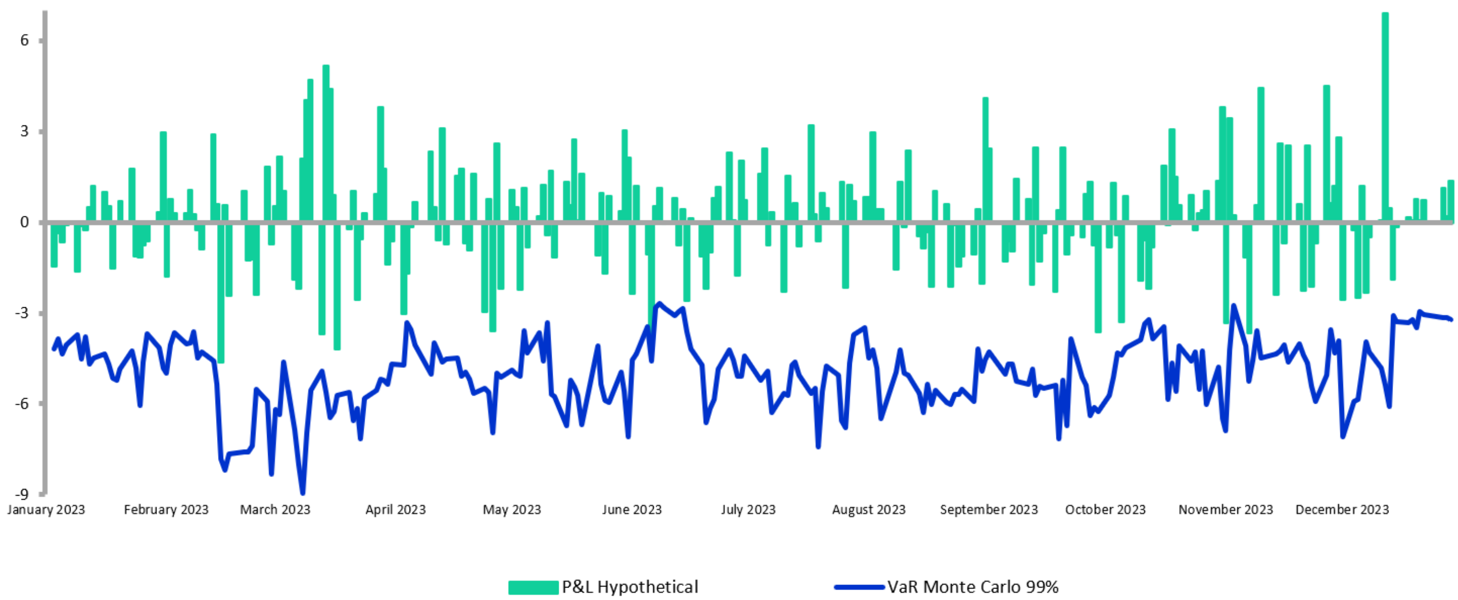
Back testing

Back testing, which is a daily comparison of the VaR with the profits and losses (P&L) on portfolios, is conducted to validate the VaR model used by ensuring that results correspond statistically to those of the VaR model. In addition, an independent modelling validation unit works on the model every year.

Desjardins Group performs back testing daily, applying a hypothetical P&L and an actual P&L to its trading portfolios. The hypothetical P&L is calculated by determining the difference in value resulting from changes in market conditions between two consecutive days. The portfolio mix between these two days remains static.

The following chart presents changes in VaR for trading activities as well as hypothetical P&L related to these activities. During fiscal 2023, no overage of actual or hypothetical P&L was observed in relation to the VaR for Desjardins Group.

VaR compared to hypothetical P&L for trading activities
(in millions of dollars)



Stress testing

Certain events that are considered highly unlikely and that could have a significant impact on trading portfolios may occur from time to time. These events are at the tail-end of the distribution and are the result of extreme situations. Use of a stress-testing program is required to assess the impact of these potential situations.

The stress-testing program used for trading portfolios includes historical, hypothetical and sensitivity scenarios based, for instance, on events such as the COVID-19 pandemic of 2020 or the 2008 financial crisis. Using such stress testing, changes can be monitored in the fair value of positions held depending on various scenarios. Most stress-testing is predictive. For a given stress test, shocks are applied to certain risk factors (such as interest rates, exchange rates or commodities) and the effects of these shocks are passed on to all the risk factors, taking historical correlations into account. The running of each stress test is considered to be independent of the others. In addition, certain stress testing is subject to limit tracking. Stress-testing results are analyzed and reported daily using a dashboard, together with VaR calculations, in order to detect vulnerability to such events. The stress-testing program is reviewed periodically to ensure that it is kept current.

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 banking activities other than trading, 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 only on the date indicated and can change significantly in subsequent years 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:
- the trend in interest rate level and volatility;
- the changes in the shape of the interest rate curve;
- member and client behaviour in their choice of products;
- the financial intermediation margin;
- the optionality of the various financial products offered.

In order to mitigate 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. Simulations are 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 according to portfolio volatility (daily, monthly or quarterly).

The assumptions used in the simulations 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 and equity, 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 and 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.

Table 40 – Interest rate sensitivity (before income taxes)[(1)*]
As at December 31

	2023		2022	
(in millions of dollars)	**Net interest income**[(2)]	**Economic value of equity**[(3)]	Net interest income[(2)]	Economic value of equity[(3)]
Impact of a 100-basis-point increase in interest rates	**$ 73**	**$ 6**	$ (100)	$ (402)
Impact of a 100-basis-point decrease in interest rates	**(77)**	**(118)**	108	382

(1) Interest rate sensitivity related to insurance activities is not reflected in the amounts above. For information on interest rate sensitivity related to insurance activities, refer to Note 17, "Insurance and reinsurance contracts", to the Combined Financial Statements.
(2) Represents the interest rate sensitivity of net interest income for the next 12 months.
(3) Represents the sensitivity of the present value of assets, liabilities and off-balance sheet instruments.

Foreign exchange risk management

Foreign exchange risk corresponds to the potential loss arising from a change in exchange rates.

Desjardins Group and its components are exposed to foreign exchange risk, particularly with respect to the U.S. dollar and the euro, as a result of their intermediation activities with members and clients, and their financing and investment activities. Desjardins Group frameworks set foreign exchange risk exposure limits, which are monitored by the Risk Management Executive Division and by the insurance components for their respective operations. To ensure that this risk is properly controlled, Desjardins Group and its components also use, among other things, derivative financial instruments such as forward exchange contracts and currency swaps. Desjardins Group's residual exposure to this risk is low because it reduces its foreign exchange risk by using derivative financial instruments.

Price risk management

In its non-trading activities, Desjardins Group is exposed to price risk, related mainly to components that operate in insurance and their investment portfolios. *Price risk is the risk of potential loss resulting from a change in the fair value of assets, such as shares, commodities or real estate properties, but not resulting from a change in interest rates or foreign exchange rates, or in the credit quality of a counterparty.*

Management of price risk related to real estate activities

The insurance components may be exposed to changes in the real estate market through the properties they own, whose fair value may fluctuate. They manage this risk using policies that set out diversification limits such as geographic limits and limits for real estate property categories. Each real estate investment is subject to an annual professional appraisal to determine its fair value in accordance with the standards prescribed by regulatory authorities.

Management of price risk related to stock markets

The insurance components may also be exposed to price risk related to stock markets, particularly through the equity securities and derivative financial instruments they hold as well as the minimum guarantees provided under segregated fund contracts, whose value is affected by market fluctuations. They manage this risk using the different limits set in policies and a hedging program to mitigate the effect of market volatility. For additional information, see Note 17, "Insurance and reinsurance contracts", to the Combined Financial Statements.

4.2.5 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 financing, 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 these two ratios as well as the NCCF, and reports them on a regular basis 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 Basel Committee on Banking Supervision (BCBS) in *Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring*. The scenarios make it possible to:

- measure the magnitude 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 these 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 because of regulatory, legal, operational or any other restrictions.

Table 41 – Liquid assets[1]
As at December 31, 2023

(in millions of dollars)	Liquid assets held by Desjardins Group	Securities held as collateral – Securities financing and derivative trading	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets
Cash and deposit 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**

As at December 31, 2022

(in millions of dollars)	Liquid assets held by Desjardins Group	Securities held as collateral – Securities financing and derivative trading	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets
Cash and deposit with financial institutions	$ 7,751	$ —	$ 7,751	$ 589	$ 7,162
Securities					
Issued or guaranteed by Canada, provinces and municipal corporations in Canada, school or public corporations in Canada, and foreign public administrations	50,469	16,651	67,120	34,407	32,713
Other securities in Canada	5,813	557	6,370	798	5,572
Issued or guaranteed by foreign issuers	567	3	570	6	564
Loans					
Insured residential mortgage-backed securities	9,564	—	9,564	3,065	6,499
Total	$ 74,164	$ 17,211	$ 91,375	$ 38,865	$ 52,510

(1) Excluding assets held by insurance subsidiaries.

Table 42 – Unencumbered liquid assets by entity[1]
As at December 31

(in millions of dollars)	2023	2022
Federation	**$ 35,264**	$ 27,381
Caisse network	**24,739**	20,858
Other entities	**3,766**	4,271
Total	**$ 63,769**	$ 52,510

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

Liquidity risk indicators

The purpose of monitoring liquidity indicators daily is to quickly identify a lack of liquidity, whether potential or real, within Desjardins Group and on financial markets. Warning levels subject to an escalation process are established for each of these indicators. If one or more indicators trigger a warning level, the Desjardins Group Finance and Risk Management Committee is alerted, based on the nature of the incident. This committee would also act as a crisis committee should the contingency plan be put into action.

This plan lists the sources of liquidity available in exceptional situations. In addition, it lays down the decision-making and information process. The aim of the plan is to allow quick and effective intervention in order to minimize disruptions caused by sudden changes in member and client behaviour and potential disruptions in capital markets or economic conditions. Furthermore, in the event of a crisis extensive enough to question Desjardins Group's creditworthiness, a living will has been prepared to enable the crisis committee to draw on a broader range of liquidity sources to deal with the situation.

Encumbered assets

In the normal course of its 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 financing or other transactions.

Table 43 – Encumbered assets
As at December 31, 2023

(in millions of dollars)	Combined Balance Sheet assets	Securities held as collateral	Total assets	Breakdown of total assets – Encumbered assets – Pledged as collateral	Breakdown of total assets – Encumbered assets – Other[(1)]	Breakdown of total assets – Unencumbered assets – Available as collateral	Breakdown of total assets – Unencumbered assets – 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**
Net loans and acceptances	**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**

As at December 31, 2022 Restated

(in millions of dollars)	Combined Balance Sheet assets	Securities held as collateral	Total assets	Breakdown of total assets – Encumbered assets – Pledged as collateral	Breakdown of total assets – Encumbered assets – Other[(1)]	Breakdown of total assets – Unencumbered assets – Available as collateral	Breakdown of total assets – Unencumbered assets – Other[(2)]
Cash and deposits with financial institutions	$ 8,913	$ —	$ 8,913	$ —	$ 589	$ 7,162	$ 1,162
Securities	85,295	23,686	108,981	41,121	545	38,869	28,446
Securities borrowed or purchased under reverse repurchase agreements	17,024	—	17,024	—	—	—	17,024
Net loans and acceptances[(3)]	249,695	—	249,695	28,097	—	71,454	150,144
Segregated fund net assets	21,356	—	21,356	—	—	—	21,356
Other assets	21,661	—	21,661	—	—	—	21,661
Total	$ 403,944	$ 23,686	$ 427,630	$ 69,218	$ 1,134	$ 117,485	$ 239,793

(1) Assets that cannot be used for legal or other reasons.
(2) "Other" unencumbered assets include those of the insurance companies as well as assets that in management's opinion would not be immediately available for collateral or financing purposes in their current form. Some of these other assets could eventually be pledged to the central bank.
(3) The data have been adjusted to conform to the current year's presentation notwithstanding IFRS 17, which was adopted on January 1, 2023.

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 was integrated into the AMF's *Liquidity Adequacy Guideline*. 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 eligible 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 essentially of cash and highly rated securities issued or guaranteed by various levels of government. The 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 deposits by members and clients and a sudden drying-up of the short-term institutional funding sources used on a day-to-day basis by Desjardins Group.

The following table presents quantitative information regarding the LCR, based on the template recommended by the disclosure requirements of the AMF's *Liquidity Adequacy Guideline*.

Table 44 – Liquidity coverage ratio[(1)]

(in millions of dollars and as a percentage)	For the quarter ended December 31, 2023 – Total non-weighted[(2)] value (average[(4)])	For the quarter ended December 31, 2023 – Total weighted[(3)] value (average[(4)])	For the quarter ended September 30, 2023 – Total weighted[(3)] value (average[(4)])
High-quality liquid assets			
Total high-quality liquid assets	**N/A**	**$ 52,057**	$ 47,184
Cash outflows			
Retail deposits and small business deposits, including:	**$ 97,096**	**7,546**	7,467
Stable deposits	**49,334**	**1,480**	1,542
Less stable deposits	**47,762**	**6,066**	5,925
Unsecured wholesale funding, including:	**40,929**	**20,167**	18,320
Operational deposits (all counterparties) and deposits in cooperative bank networks	**14,393**	**3,468**	3,555
Non-operational deposits (all counterparties)	**16,552**	**6,715**	6,482
Unsecured debt	**9,984**	**9,984**	8,283
Secured wholesale funding	**N/A**	**76**	62
Additional requirements, including:	**23,351**	**4,265**	4,413
Outflows related to exposures on derivatives and other collateral required	**1,402**	**1,284**	1,284
Outflows related to funding loss on debt products	**263**	**263**	534
Credit and liquidity facilities	**21,686**	**2,718**	2,595
Other contractual funding liabilities	**2,877**	**1,224**	1,580
Other contingent funding liabilities	**92,301**	**2,633**	2,583
Total cash outflows	**N/A**	**$ 35,911**	$ 34,425
Cash inflows			
Secured loans (e.g. reverse repurchase agreements)	**$ 13,003**	**$ 422**	$ 301
Inflows related to completely effective exposures	**3,307**	**1,653**	1,737
Other cash inflows	**1**	**1**	17
Total cash inflows	**$ 16,311**	**$ 2,076**	$ 2,055

	Total adjusted value[(5)] (December 31, 2023)	Total adjusted value[(5)] (September 30, 2023)
Total high-quality liquid assets	**$ 52,057**	$ 47,184
Total net cash outflows	**33,835**	32,370
Liquidity coverage ratio	**154%**	146%

(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 of 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 154% for the quarter ended December 31, 2023, a level slightly higher than the previous quarter. The LCR remains substantially higher than regulatory requirements. For the quarter ended December 31, 2023, the high quality liquid asset average was approximately $52.1 billion ($47.2 billion as at September 30, 2023) of which 94% (94% as at September 30, 2023) was composed of Level 1 assets according to Basel III criteria. These include, in particular, coin 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.

Table 45 – Net Stable Funding Ratio[1]

	As at December 31, 2023					As at September 30, 2023
	Unweighted value by residual maturity					
(in millions of dollars and as a percentage)	**No maturity**	**< 6 months**	**From 6 months to < 1 year**	**≥ 1 year**	**Weighted value**	Weighted value
Available Stable Funding (ASF) item						
Capital	**$ 33,305**	**$ —**	**$ —**	**$ 3,000**	**$ 36,305**	$ 35,210
Regulatory capital	**33,305**	**—**	**—**	**3,000**	**36,305**	35,210
Other capital instruments	**—**	**—**	**—**	**—**	**—**	—
Retail deposits and deposits from small business customers	**77,450**	**49,482**	**17,992**	**36,932**	**169,027**	166,817
Stable deposits	**45,436**	**8,847**	**4,279**	**11,390**	**67,024**	67,166
Less stable deposits	**32,014**	**40,635**	**13,713**	**25,542**	**102,003**	99,651
Wholesale funding	**24,782**	**40,490**	**4,352**	**22,314**	**40,265**	37,241
Operational deposits	**13,642**	**—**	**—**	**—**	**6,821**	6,715
Other wholesale funding	**11,140**	**40,490**	**4,352**	**22,314**	**33,444**	30,526
Liabilities with matching interdependent assets	**—**	**964**	**843**	**12,158**	**—**	—
Other liabilities[2]	**26,368**			**12,802**	**—**	—
NSFR derivative liabilities[2]	**N/A**			**3,770**	**N/A**	N/A
All other liabilities and equity not included in the above categories	**26,368**	**9,032**	**—**	**—**	**—**	—
Total ASF	**N/A**	**N/A**	**N/A**	**N/A**	**$ 245,597**	$ 239,268
Required Stable Funding (RSF) item						
Total NSFR high-quality liquid assets (HQLA)	**N/A**	**N/A**	**N/A**	**N/A**	**$ 851**	$ 750
Deposits held by other financial institutions for operational purposes	**$ —**	**$ —**	**$ —**	**$ —**	**—**	—
Performing loans and securities	**19,806**	**49,737**	**18,636**	**178,058**	**175,019**	172,902
Performing loans to financial institutions secured by Level 1 HQLA	**—**	**12,080**	**—**	**—**	**604**	655
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	**—**	**1,559**	**20**	**450**	**628**	732
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:	**13,911**	**25,370**	**10,910**	**68,375**	**85,310**	82,984
Loans with a risk weight of less than than or equal to 35% under the Basel II Standardized Approach for credit risk	**—**	**6,561**	**6,109**	**13,869**	**9,015**	8,993
Performing residential mortgages, of which:	**5,895**	**9,637**	**6,920**	**106,376**	**85,110**	85,449
Loans with a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	**5,895**	**9,637**	**6,920**	**106,376**	**85,110**	85,449
Securities that are not in default and do not quality as HQLA, including exchange-traded equities	**—**	**1,091**	**786**	**2,857**	**3,367**	3,082
Assets with matching interdependent liabilities	**—**	**964**	**843**	**12,158**	**—**	—
Other assets[2]	**—**			**30,398**	**18,500**	16,785
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**			**384**	**327**	244
NSFR derivative assets[2]	**N/A**			**5,771**	**319**	308
NSFR derivative liabilities before deduction of variation margin posted[2]	**N/A**			**6,389**	**—**	—
All other assets not included in the above categories	**—**	**—**	**—**	**17,854**	**17,854**	16,233
Off-balance sheet items[2]	**N/A**			**114,897**	**2,992**	2,903
Total RSF	**N/A**	**N/A**	**N/A**	**N/A**	**$ 197,362**	$ 193,340
Net Stable Funding Ratio	**N/A**	**N/A**	**N/A**	**N/A**	**124%**	124%

(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 December 31, 2023, the NSFR remained stable at 124%, compared to September 30, 2023. This stability reflects the impact of growth in deposits offset by similar growth in assets, mainly related to growth in loans.

Sources of financing

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. For more information on contractual maturities, see the table "Contractual maturities of on-balance sheet items and off-balance sheet commitments" in Note 30, "Financial instrument risk management", to the Combined Financial Statements. Total deposits, including wholesale funding, presented on the Combined Balance Sheets amounted to $279.3 billion as at December 31, 2023, up $19.5 billion since December 31, 2022. Additional information on deposits is presented in Section 3.1, "Balance sheet management", 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 2023, the Federation succeeded in maintaining a liquidity level sufficient to meet Desjardins Group's needs through its strict treasury policy, solid institutional funding and the contribution of the caisse network. 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:

Table 46 – Main financing programs

Financing program	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)	**A$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.

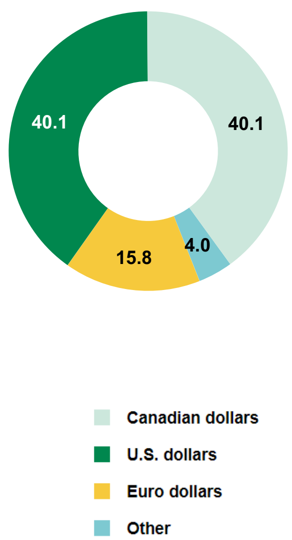
Table 47 – Remaining contractual term to maturity of wholesale funding
As at December 31

	2023								2022
(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	**$ 2,412**	**$ 549**	**$ 27**	**$ 6**	**$ 2,994**	**$ —**	**$ —**	**$ 2,994**	$ 3,005
Commercial paper	**11,068**	**5,710**	**260**	**—**	**17,038**	**—**	**—**	**17,038**	15,042
Medium-term notes	**—**	**—**	**1,656**	**1,714**	**3,370**	**4,094**	**6,198**	**13,662**	9,979
Mortgage securitization	**—**	**361**	**604**	**841**	**1,806**	**1,956**	**10,110**	**13,872**	13,075
Covered bonds	**1,097**	**—**	**—**	**1,096**	**2,193**	**2,058**	**8,671**	**12,922**	10,984
Subordinated notes	**—**	**—**	**—**	**—**	**—**	**—**	**2,954**	**2,954**	2,928
Total	**$ 14,577**	**$ 6,620**	**$ 2,547**	**$ 3,657**	**$ 27,401**	**$ 8,108**	**$ 27,933**	**$ 63,442**	$ 55,013
Including:									
Secured	**$ 1,097**	**$ 362**	**$ 604**	**$ 1,936**	**$ 3,999**	**$ 4,014**	**$ 21,735**	**$ 29,748**	$ 26,988
Unsecured	**13,480**	**6,258**	**1,943**	**1,721**	**23,402**	**4,094**	**6,198**	**33,694**	28,025

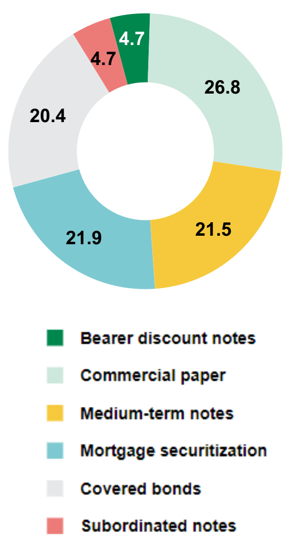
Desjardins Group's total wholesale funding presented in the table above was carried out by the Federation. Total wholesale funding increased by $8.4 billion compared to December 31, 2022. This increase was primarily due to the increase in medium-term notes, commercial paper and covered bonds. Desjardins 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.

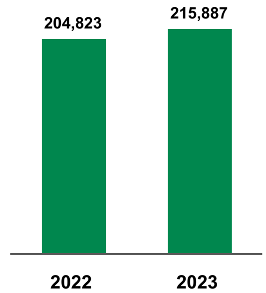
Wholesale funding by currency
As at December 31, 2023
(as a percentage)



Wholesale funding by category
As at December 31, 2023
(as a percentage)



Member deposits
As at December 31, 2023
(in millions of dollars)



Moreover, the Federation participated in new issues under the NHA Mortgage-Backed Securities Program for a total amount of $3.1 billion in 2023. During the same period and at the beginning of 2024, the Federation also made the following issues:

- On January 23, 2023, an issue totalling US$600 million, subject to the bail-in regime, under its multi-currency medium-term note program.
- On January 31, 2023, an issue totalling 325 million Swiss francs under its legislative covered bond program.
- On March 14, 2023, an issue totalling US$750 million, subject to the bail-in regime, under its multi-currency medium-term note program.
- On April 18, 2023, an issue totalling €750 million under its legislative covered bond program.
- On April 24, 2023, an issue totalling 34.3 billion Japanese yen, subject to the bail-in regime, under its multi-currency medium-term note program.
- On August 16, 2023, an issue totalling $500 million, subject to the bail-in regime, under its Canadian medium-term note program and in compliance with the Desjardins Sustainable Bond Framework.
- On August 30, 2023, an issue totalling 500 million GBP under its legislative covered bond program.
- On September 27, 2023, an issue totalling €500 million under its multi-currency medium-term note program.
- On October 11, 2023, an issue totalling 2.0 billion NOK (Norwegian krone) under its legislative covered bond program.
- On November 17, 2023, an issue totalling $1,250 million, subject to the bail-in regime, under its Canadian medium-term note program.
- On November 27, 2023, an issue totalling US$1.0 billion under its legislative covered bond program.
- 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.

Outstanding notes issued under the Federation's medium-term funding programs amounted to $40.5 billion as at December 31, 2023, compared to $34.0 billion as at December 31, 2022. 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 financing and to further extend their average term.

Credit rating 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 primarily 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, is 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.

Highlights of decisions by the rating agencies concerning Desjardins Group's instruments:

- On June 20, 2023, Fitch affirmed the ratings of the instruments issued by the Federation while maintaining the outlook as stable.
- On July 13, 2023, DBRS affirmed the ratings of the instruments issued by the Federation while maintaining the outlook as stable. This assessment reflects the strength of Desjardins Group in Québec, where it has leading market shares.
- On October 16, 2023, Standard & Poor's affirmed the ratings of the instruments issued by the Federation while maintaining the outlook as stable. This assessment reflects the strength of Desjardins Group's balance sheet.

A list of the various credit ratings assigned to the instruments of the *Fédération des caisses Desjardins du Québec* are found in the following table.

Table 48 – 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[(2)]	**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 senior medium- and long-term debt issued which qualifies for the recapitalization (bail-in) regime applicable to Desjardins Group.

Desjardins Group regularly monitors the additional level of obligations 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 necessary 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 several credit rating agencies.

4.2.6 Operational risk

Operational risk is the 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.

Operational risk is inherent to all of Desjardins Group's activities, including management and control practices in other risk areas (credit, market, liquidity, etc.) as well as activities carried out by a third party. This risk may, in particular, lead to losses or the non-achievement of objectives, mainly resulting from theft, fraud, damage to tangible assets, non-compliance with legislation or regulations, systems failures, unauthorized access to computer systems, cyber threats, or problems or errors in process management. To maintain this risk at an acceptable level, an operational risk management framework has been developed and deployed throughout the organization. The framework includes the usual practices for sound management of operations and is based on the three lines of defence model, clearly defining the roles and responsibilities in risk and operations management.

Operational risk management framework

The purpose of the operational risk management framework is to identify, measure, mitigate and monitor operational risk as well as make interventions and disclosures for operational risk in accordance with operational risk appetite and the frameworks adopted by the Board of Directors. It is supported by guidelines setting out operational risk management foundations. At the same time, the operational risk management framework connects with the other areas of risk.

The operational risk management framework is reviewed to ensure its adequacy and relevance based on development in industry practices or new regulations.

Governance

Operational risk management governance emphasizes accountability and effective risk oversight. Operational risk is governed by frameworks, which are reviewed periodically to ensure consistency with the Integrated Risk Management Framework approved by the Board of Directors.

Reporting is done on a regular basis to the committees that provide risk management oversight so that their members can assess Desjardins Group's operational risk exposure.

In addition, the primary mandate of the Desjardins Group Operational Risk Committee is to monitor the various categories of operational and regulatory risks to which Desjardins Group is exposed. It is composed of the owners of the operational and regulatory risk categories. Its governance is described in the Risk Management Governance Framework, addressed in Section 4.2.1, "Integrated Risk Management Framework", of this report.

Information technology and security risk

An information technology (IT) risk refers to the risk related to the inability to maintain in a management/perform or to modernize infrastructure, applications or technology data bases. A security risk is the risk of theft, loss, leak or disclosure of confidential information/data, such as loss of confidentiality, through an intentional or unintentional act, such as an insider threat, error, negligence or omission, including cyber-attacks.

Technology is a crucial element in the development, maintenance and resilience of Desjardins Group's operations. A failure or disruption of IT systems may have a serious impact on its members and clients, as well as on its operations. These two risks are at the very core of risk management activities. Modernization programs to ensure that disruptions to its critical assets and environments are prevented or contained and that preventive and reactive security controls are added to address internal and external threats make up our core and ongoing activities. In order to effectively monitor these risks, scenario analysis, analysis of major changes and monitoring of operational events are examples of activities allowing the identification of these risks and their management within the organization. Governance that follows industry sound practices is implemented to monitor and contain these risks at set acceptable tolerance levels. The Desjardins Group Security Office protects members and clients, their assets and their personal information.

Third party risk

A third party risk refers to the risk of loss or incidents as a result of outsourcing, including reliance on the third parties involved. A third party is an entity with which the organization does business, including suppliers and their subcontractors, trade partners, affiliates, brokers, distributors, resellers and agents.

Through its operational risk management program, Desjardins Group monitors its third parties with proactive mechanisms to ensure efficient management of third party risks and to comply with changing regulatory requirements. In addition, each major acquisition is subject to enhanced governance to continuously ensure that its performance is aligned with the needs of the organization.

On April 24, 2023, OSFI issued a revised version of its Guideline B-10, *Third-Party Risk Management*, effective on May 1, 2024. This guideline, which is prudential in nature, applies to Canadian federal financial institutions, including Desjardins Trust Inc. and certain subsidiaries of Desjardins General Insurance Group Inc. It implements mechanisms to effectively manage the risks associated with any third-party agreement throughout the business relationship life cycle. The Desjardins Group third-party risk management frameworks broadly meet the principles and expectations of the new version of the Guideline. Work is already underway to achieve full operationalization of the processes adjusted in accordance with this revision.

Business continuity risk

Business continuity risk refers to the risk of business disruption caused by the unavailability of operational resources and means including information and communication systems and technologies, buildings, human resources and suppliers.

Business impact assessments can identify the organization's priority activities, based on an assessment of interruption events, considering operational, reputation, regulatory and financial aspects. Owing to the changing nature of any organization and the implied impact on its level of preparation, an update is necessary at least every year, or whenever there is a significant change, by adding change management and continuous improvement principles. The business continuity approach ensures that continuity solutions are identified, implemented and validated to maintain an acceptable and approved service level, considering the priority activities and the continuity requirements needed according to the major consequences recognized. Exercises are planned at regular intervals to check the relevance and performance of the identified solutions in addition to ensuring that personnel are prepared.

Model risk

Model risk is a potential negative consequence of making a business decision based on the outputs of a poorly designed, used or managed model. This risk may arise, among others, from incorrect assumptions or inappropriate methodological choices, improper data, inappropriate deployment, incorrect use or insufficient maintenance.

A model is a method used to produce, based on assumptions and using inputs, a forecast, a classification or a proxy for unavailable information with an inherent uncertainty.

In order to ensure sound model risk management, Desjardins Group has a model risk management framework that covers all the models used in its operations. This framework includes model risk management practices required to meet the requirements of OSFI Guideline E-23, *Enterprise-Wide Model Risk Management for Deposit-Taking Institutions*. This framework also sets out the roles and responsibilities of model life cycle activity stakeholders such as design, performance monitoring and validation.

The validation group, which is independent from the units responsible for developing models and the units that use them, is in charge of carrying out validation work. This work consists of a series of points to be validated for evaluating the model on design methodology, including assumptions, reliability and data quality. This work also includes reviewing model implementation as well as assessing compliance with applicable regulatory requirements.

Data risk

Data risk is related to the quality and knowledge of the data used at Desjardins Group that affects strategic and business decision-making, the data life cycle and compliance with regulatory requirements.

As part of its program to improve operational control, Desjardins Group has adopted a data governance structure, supported by frameworks to ensure proper management and supervision. It is gradually integrating the necessary data risk management tools into the structure in both current processes and new activities. A monitoring framework is also being deployed as a second line of defence to objectively review front-line data risk assessments. The organization's growing data risk management maturity is accompanied by implementing controls to help strengthen data risk mitigation.

Approaches to identifying, measuring and monitoring operational risk

With respect to the operational risk management framework, the following table illustrates the tools and methods used to identify, measure and monitor operational risk.

	Description
Risk and control identification and measurement	A standard inventory of operational risks to which Desjardins Group is exposed has been prepared and is used as the basis for determining the most significant operational risks and evaluating the effectiveness of the mitigation measures in place to reduce them. The risk and control assessments, carried out on a periodic basis, can be related to projects, products, systems, processes and activities, as well as to strategic initiatives and important new products. Consideration of various internal and external factors (losses, audit findings, etc.) is an integral part of these assessments. When the results indicate operational risk exposures that exceed the established tolerance level, action plans are prepared to reduce exposure to an acceptable level.
Collection and analysis of internal events	Operational risk event data and loss data is collected to list and quantify events in accordance with predetermined thresholds. Operational risk events are indexed in a database. Through analysis, causes are better understood, trends are determined, and corrective measures are taken when necessary. Contingent liabilities, including the impact of litigation, are presented in Note 29, "Commitments, guarantees and contingent liabilities", to the Combined Financial Statements.
Risk indicators	To monitor their risk profile and track developments in it, the business segments and support functions establish the risk indicators in the risk appetite framework to help them proactively monitor any increase in their exposure to the most significant risks and act accordingly when the tolerance level is reached.
Risk disclosure	The nature and levels of operational risk are frequently disclosed to senior management as well as the various committees overseeing risk management. This promotes an effective management of operational risk that enables taking action quickly when required and establish the various priorities based on the importance of the risks involved.
Mitigation measures	Desjardins Group has a structure to ensure sound management of operational risks by overseeing the design and applying robust controls that contribute to risk mitigation. Once risks have been identified and assessed, Desjardins Group ensures they are maintained at an acceptable level, based on risk appetite, to promote achieving its goals and must continuously ensure the effectiveness of the various existing internal control mechanisms. Accordingly, in the event that established tolerance thresholds are exceeded, action plans are put in place to ensure that risk-taking is always consistent with Desjardins Group's risk appetite framework and goals.
Scenario analysis	Scenario analysis consists of assessing events that could lead to a major operational risk, but have little likelihood of occurring, such as an earthquake. The analysis makes it possible to identify vulnerabilities to such risks within the organization in order to apply the required mitigation measures.
Risk-sharing and insurance programs	Desjardins Group has developed insurance programs to give itself additional protection against material operational losses. These programs offer protection based on the business segment's needs, the institution's risk tolerance, as well as emerging risks on the market.
Calculation of capital exposed to operational risk	Since January 1, 2023, regulatory capital has been calculated under the new Basel III Standardized Approach. In response to these changes, a capital requirement calculator was developed in accordance with the AMF's *Capital Adequacy Guideline* requirements. The new approach involves an activity indicator component, derived from Desjardins Group's financial statements. Lastly, this component is combined with an internal loss multiplier to obtain capital requirements for operational risk purposes.

4.2.7 Insurance risk

Desjardins Group is exposed to insurance risk in the course of its life and health and property and casualty insurance operations.

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.

Insurance risk for the life and health insurance subsidiaries is composed of the following elements:
- Mortality risk: Financial consequence resulting from amounts payable on life insurance products that differ from the projections, due to mortality;
- Longevity risk: Financial consequence resulting from amounts payable on annuity contracts that differ from the projections, due to the survival of annuitants;
- Morbidity/disability risk: Financial consequence resulting from amounts payable on health insurance products that differ from the projections, due to the state of health of insureds;
- Policyholder behaviour risk: Financial consequence resulting from life or health policyholder or annuitant behaviour in keeping a policy or contract in force or exercising any clauses specified in policies or contracts;
- Expense risk: Financial consequence resulting from the administrative expenses incurred to service life or health insurance products or annuity contracts that differ from the projections.

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.

Property and casualty insurance risk is composed of the following elements:
- Underwriting risk: Financial consequence resulting from an increase in the frequency or severity of losses such as fire, theft, water damage, vandalism, covered by the insurance products offered, excluding disasters, which mainly cover physical damage to property, bodily injury as well as liability of insureds, such as civil and legal liability;
- Catastrophe risk: Financial consequence resulting from an increase in the frequency or severity of catastrophes covered by insurance policies;
- Reserve risk: Financial consequence resulting from inadequate provisions or actuarial reserves.

Identifying, assessing and mitigating the risks associated with new insurance products and changes made to existing ones are part of a thorough product approval process. All risks at the insurance subsidiaries, including insurance risk, are managed in accordance with their Integrated Risk Management Policy, in line with Desjardins Group's Integrated Risk Management Framework. The process of logging risks under this policy makes it possible to identify all risks likely to affect the subsidiary concerned that should be the subject of governance and a framework, as well as to maintain a register of all such risks and assess them using the appropriate method.

The subsidiaries are responsible for the risk they generate, including insurance risk. Each one has its own specific governance structure. Insurance risk is governed by several policies that clearly set out the roles and responsibilities of the different parties concerned so that they can comply with the various regulatory guidelines. The subsidiaries also have a robust infrastructure that includes the appropriate tools for ensuring the availability, integrity, completeness and aggregation of all the data necessary for sound insurance risk management.

Insurance risk arises from potential errors in projections concerning the many factors used to set premiums, including future returns on investments, underwriting experience in terms of loss experience, mortality and morbidity, and administrative expenses. These projections are essentially based on actuarial assumptions that must be consistent with the standards of practice in effect in Canada. The insurance subsidiaries also adopt strict pricing standards and policies and perform spot checks to compare their projections with actual results. Insurance product design and pricing are reviewed on a regular basis. Some product pricing may be adjusted depending on the accuracy of projections.

In addition, the subsidiaries limit their losses through reinsurance treaties that vary based on the nature of the operations. The property and casualty insurance subsidiaries also have additional protection with respect to large-scale catastrophic events.

To reduce reinsurance risk, the insurance subsidiaries do business with many reinsurers that meet financial strength criteria, most of which are governed by the same regulatory authorities as the subsidiaries. Such reinsurance treaties do not release the subsidiaries from their obligations toward their policyholders but do mitigate the risks to which they are exposed.

The subsidiaries comply with the standards for sound management practices established by the regulatory bodies that govern them and test their financial soundness using unfavourable scenarios and measure the effect of such scenarios on their capitalization ratio. These tests include stress testing, including the standardized acute stress scenarios required from time to time by regulators, as well as an examination of financial soundness. Test results showed that capital was adequate in each case.

Each insurance sector subsidiary provides independent reports and assessments of its exposure to different risks to its Board of Directors as well as to the appropriate levels at Desjardins Group. They report in particular on changes in material risks and the effectiveness of the procedures in place to mitigate them, the results of risk analyses, and the main assumptions and findings from the stress testing.

The activities specific to the insurance subsidiaries expose them, in addition to insurance risk, to other types of risk, notably the risks identified in Note 17, "Insurance and reinsurance contracts", to the Combined Financial Statements, as well as other risk factors identified in Section 4.1, "Risk factors that could impact future results".

4.2.8 Strategic risk

Strategic risk refers to the 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.

This risk forms an integral part of Desjardins Group's Integrated Risk Management Framework and is the subject of the Strategic Risk Management Policy. It is first up to senior management and the Board of Directors to address, define and monitor developments in the strategic policy directions of Desjardins Group according to its risk appetite and the consultation processes specific to Desjardins. Events that could compromise the achievement of Desjardins Group's strategic objectives are systematically and periodically monitored. To this end, Desjardins Group has implemented a rigorous process to update its strategic plan each year to factor in market developments, in particular major industry trends.

Business segments and support functions identify and periodically assess events and risks that could prevent the achievement of strategic objectives, and report thereon to the appropriate bodies. In addition, strategic positions, business acquisitions, new products and services, projects financed by the investment plan, major initiatives and transactions are subject to a risk analysis, including an objective review by the second line(s) of defence, before being implemented.

4.2.9 Reputation risk

Reputation risk refers to the 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.

A reputation is of critical importance, and reputation risk cannot be managed separately from other risks. Therefore, managing reputation risk in all its business segments is a constant concern for Desjardins Group. In this regard, Desjardins Group seeks to ensure that all employees are constantly aware of the potential repercussions of their actions on Desjardins's reputation and image. Desjardins Group considers it essential to foster a proactive approach to risk management in which integrity and ethical conduct are fundamental values.

Desjardins Group has defined a management framework, and roles and responsibilities with regard to reputation risk. This framework is in addition to various processes already in place to identify, measure and govern this risk, such as the previously mentioned operational risk management initiatives, the regulatory compliance program, ethical requirements, and reputation risk assessment as part of new initiatives and the introduction of new products. All these aspects aim to promote sound reputation risk management. In addition, the President and Chief Executive Officer of Desjardins Group is the main person responsible for the culture change process. The aim of this process is to effect a profound change in behaviour in order to always work in the best interests of members and clients. This process also helps manage reputation risks.

4.2.10 Environmental, social and governance (ESG) risk

ESG risks 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.

Environmental risk includes, in particular, climate change risks and biodiversity loss risk, in addition to greenwashing aspects. These risks include:
- The adverse impact that climate change can have on the organization through the vulnerabilities of Desjardins Group and its members and clients;
- The adverse impact that Desjardins has on them.

Social risk, on the other hand, takes into account how Desjardins Group and the companies in which it invests, work and act with employees, members, clients, partners, suppliers and communities. The Sustainability Accounting Standards Board (SASB) Foundation, now part of the International Financial Reporting Standards (IFRS) Foundation, defines two main social dimensions, with business issues, which can also be social risks:
- Social Capital includes human rights and community relations, privacy of client information, data security and consumer welfare.
- Human Capital includes employment, recruiting, and employee diversity and inclusion practices.

Governance risk is linked to an event, issue or governance factor, both externally and internally, which materializes in managing and operating Desjardins Group, its financing, investment and insurance activities, its commitments or as part of its major projects, whose direct and indirect consequences would be likely to generate financial losses or harm its reputation.

ESG risk governance

ESG risks are overseen by the Board of Directors, helped by the Desjardins Group Management Committee, which presents to it recommendations regarding ESG risk management strategies and frameworks, including climate change and biodiversity loss risks.

In fulfilling its responsibilities, the Desjardins Group Management Committee relies on the Desjardins Group Finance and Risk Management Committee and the Environmental, Social and Governance Steering Committee. The latter recommends ESG policy directions, including climate change, and monitors them. It is also responsible for ensuring that the organization is cohesive and that ESG risks are better taken into account in business decision-making processes.

The ESG Risk Committee, formerly the Climate Change Risk Committee, saw its mandate expanded in 2023. The purpose of this subcommittee of the Desjardins Group Finance and Risk Management Committee is now to see to:
- Gradually integrating ESG risk into cross-sector risk management practices and compliance with regulatory and disclosure expectations.
- Maintaining a harmonized approach throughout the various Desjardins Group components and legal entities, in particular by implementing policies and guidelines, clarifying the principles on which climate change risk management is based throughout the organization as well as the roles and responsibilities.
- Implementing the proposed initiatives and reporting all situations that may jeopardize meeting the related objectives.

Desjardins Group continues to implement its ESG risk policy directions. It also works to build a better understanding of these cross-sector risks within its various bodies and the organization while monitoring the best practices regarding these topics.

Strategy ESG

Sustainable development is a priority for Desjardins Group. It has developed a sustainable development policy for all its operations, incorporating orientations for the development of a sustainable and responsible economy as part of its risk appetite framework. It is also a signatory to several international United Nations frameworks for integrating ESG criteria into its business model: the Principles for Responsible Insurance (2019) and the Responsible Banking Principles (2019).

In 2021, Desjardins Group stated its net zero 2040 ambition for its extended operations and its financing and capital investment activities in three key sectors: energy, transportation and real estate. This ambition was formalized when Desjardins joined Business Ambition for 1.5°C, a global coalition organized by the Science-Based Targets initiative (SBTi). Desjardins Global Asset Management has made a commitment to the Net Zero Asset Managers Initiative.

In line with its ambitions, Desjardins Group was the first North American financial institution to join the Powering Past Coal Alliance to exit the thermal coal industry. In 2023, in striving to meet its climate commitments, in particular carbon neutrality, Desjardins set out targets applicable to the financing and capital investment activities in the energy sector. These targets are aimed more specifically at the oil and gas sectors, but also at the renewable energy sector, by 2030.

ESG risk management

Desjardins understands the importance of appropriately managing its risks and gauging their current and future impact. The acceleration of climate change and its increasingly visible impacts are also prompting Desjardins to adapt its practices, integrating these risks into its business model and ensuring compliance with the three lines of defence model.

As a result, ESG risks now form an integral part of Desjardins Group's Integrated Risk Management Framework and are the subject of Desjardins Group's Environmental, Social and Governance Risk Management Policy. The Policy is accompanied by a statement of appetite and Desjardins Group's Climate Change Risk Management Directive, recently enhanced by a Social Risk Management Directive, all aligned with the risk register. These governance documents, which constitute the organization's ESG risk management framework, play a significant role in prompting business sectors and support functions to integrate ESG risk management into their business operations and periodically identify the main risks affecting them and their impacts, together with Risk Management and Sustainable Development Office professionals.

Desjardins Group has continued to operationalize these governance documents: an inaugural climate risk appetite indicator was disclosed, qualitative risk analysis methodologies were refined and work focused on quantifying these risks, including scenario analyses and climate-related stress testing. ESG risk monitoring has been formalized by adopting a Climate Risk Monitoring Program. Reporting to the various bodies and governance have been improved in order to align with best practices. An ESG risk awareness campaign has also begun and will continue in 2024. In addition, Desjardins Group, in addition to the Social and Cooperative Responsibility Report prepared in accordance with the guidelines of the Global Reporting Initiative (GRI), is gradually integrating the requirements of IFRS S1 and S2 of the International Sustainability Standards Board (ISSB) and where applicable Guideline B-15 of the Office of the Superintendent of Financial Institutions (OSFI) of Canada. Desjardins Group also responds to the Climate Change Questionnaire provided by the Carbon Disclosure Project (CDP) and produces a report entitled, "Climate Action at Desjardins". These two public disclosures address the risks and opportunities associated with climate change and are aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Metrics and targets

Desjardins Group maintains its leadership in sustainable development through varied initiatives that are integrated into its Strategic Plan and performance management. In particular, this is achieved by monitoring the carbon footprint of its operational and financial activities, the exposures of its financings and investments in carbon-intensive sectors, namely energy, transportation and real estate, and its business volume in renewable energies, as well as by implementing targets related to reductions in its greenhouse gas (GHG) emissions. When considered relevant, these indicators and targets are gradually integrated into performance objectives.

To achieve its net zero 2040 goal, Desjardins has set intermediate and sector science-based targets, which it has had approved by the Science-Based Targets initiative (SBTi). Work is in progress to specify the transition plans for our key carbon-intensive sectors and operationalize the methodologies used to monitor our exposures. In connection with Desjardins Group's statement of appetite for climate change risks, an appetite indicator is used to assess the achievement of our strategies. Others risk metrics are currently being developed.

We issued the third public disclosure of our financed emissions, including investing and lending, as per the methodology of the Partnership for Carbon Accounting Financials (PCAF).

4.2.11 Regulatory risks

The financial services industry is one of the most strictly regulated and monitored sectors. For several years, the regulations governing the industry have been expanding significantly, notably in terms of the extent and the complexity of applicable regulations. The pressure exerted by regulatory authorities is mounting and their oversight powers are increasing, and this exposes Desjardins Group to monetary sanctions and greater reputation risk.

Regulatory authorities and bodies

This evolution is in response to numerous socio-economic phenomena such as the development of new, increasingly complex financial products, the continuing volatility in the securities industry, increasingly complex financial fraud, the fight against money laundering and terrorist financing, and the fight against tax evasion, to mention but a few. In addition to federal (Canada and the U.S.) and provincial government requirements, due consideration must be given to the requirements of the *Autorité des marchés financiers* (AMF), the Canadian Securities Administrators (CSA), the Office of the Superintendent of Financial Institutions (OSFI), the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), and the Canadian Investment Regulatory Organization (CIRO). Complying with important legislative and regulatory provisions, such as those on the protection of personal information, laws and regulations governing insurance, the *Foreign Account Tax Compliance Act*, the Standard for Automatic Exchange of Financial Account Information in Tax Matters, the *Dodd-Frank Wall Street Reform and Consumer Protection Act* and the Basel accords, requires considerable technical, human and financial resources and also affects the way Desjardins Group manages its current operations and implements its business strategies.

Compliance management framework

Fulfilling an independent supervisory function, the Vice-President and Chief Compliance and Privacy Officer of Desjardins Group fosters a proactive approach to compliance by fully integrating compliance into the organization's current operations.

The management framework applies to legal and regulatory risks, including the fight against financial crimes and corruption as well as fraud and privacy risks. It is based on identifying and monitoring of regulatory obligations and overseeing the functional units subject to them. The compliance management framework provides for the following:

- developing frameworks and documentation to comply with the regulatory requirements in effect;
- implementing training programs and coaching initiatives (advisory role);
- deploying operations oversight and inspection programs;
- reporting on the compliance status to the Company's Board of Directors and senior management.

To maintain its reputation for integrity as well as the confidence of its members and clients, the market and the general public, Desjardins Group has also adopted a code of professional conduct applicable to the officers and employees of all its components.

This compliance management framework provides reasonable assurance that Desjardins Group's operations are carried out in compliance with applicable regulations. Despite all these efforts, Desjardins Group may not be able to predict the exact impact of regulatory developments and appropriately implement strategies to respond. It could then sustain an adverse impact on its financial performance, its operations and its reputation. For further information, refer to the "Regulatory environment" section of this MD&A.

Compliance organizational structure

The Vice-President and Chief Compliance and Privacy Officer of Desjardins Group reports to the Executive Vice-President, Risk Management of Desjardins Group. The Chief Compliance Officers of the components report to the Vice-President and Chief Compliance and Privacy Officer, Desjardins Group.

Legal and regulatory

Legal and regulatory risk is the 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.

Legal and regulatory risk entails, inter alia, effectively preventing and handling possible disputes and claims that may lead in particular to judgments or decisions by a court of law or regulatory body that could result in orders to pay damages, financial penalties or sanctions. Moreover, the legal and regulatory environment is evolving quickly and could increase Desjardins Group's exposure to new types of litigation. In addition, some lawsuits against Desjardins Group may be very complex and be based on legal theories that are new or have never been verified. The outcome of such lawsuits may be difficult to predict or estimate until the proceedings have reached an advanced stage, which may take several years. Class action lawsuits or multi-party litigation may feature an additional risk of judgments with substantial monetary, non-monetary or punitive damages. Plaintiffs who bring a class action or other lawsuit sometimes claim very large amounts, and it is impossible to determine Desjardins Group's liability, if any, for some time. Legal liability or an important regulatory measure could have an adverse effect on the current activities of Desjardins Group, its results of operations and its financial position, in addition to damaging its reputation. Even if Desjardins Group won its court case or was no longer the subject of measures imposed by regulatory bodies, these situations could harm its reputation and have an adverse impact on its financial position, due in particular to the costs associated with such proceedings, and its brand image.

During fiscal 2023, several regulatory changes were proposed. In particular, the AMF issued the *Guideline on the management of incentives* on March 16, 2023, which is already in force, while the draft *Regulation respecting the handling of complaints and the resolution of disputes in the financial sector* was the subject of of a second consultation.

Protection of personal information

Privacy risk is the 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.

An Act to modernize legislative provisions as regards the protection of personal information came into force gradually as of September 2022 and provides for increased powers for the Commission on Access to Information (CAI) and the use of more significant sanctions against businesses since September 2023. Desjardins Group has completed the work associated with these new requirements, including obligations related to privacy impact assessments, consent, the confidentiality policy, automated decisions, rights of individuals and managing third parties. The 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* is still under parliamentary consideration. Desjardins Group continues to monitor work in progress.

Fraud and financial crimes

Fraud and financial crime risk is the 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.

To protect members and clients as well as the organization, Desjardins Group continually improves its processes and solutions to adequately prevent, detect and deal with fraud. To do so, fraud risks are identified on an ongoing basis and effective and robust mitigation measures are constantly evolving. With respect to the fight against money laundering and terrorist financing, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) imposing a monetary sanction to a Canadian financial institution confirms that this regulator is willing to impose more severe sanctions for non-compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act.*

Desjardins Group also has a Financial Crime Governance Framework, which it is continuously improving. In the second quarter of 2023, the Department of Finance initiated a parliamentary review of Canada's anti-money laundering regime. Desjardins Group, represented by the Chief Anti-Money Laundering Officer, Desjardins Group, had the opportunity to make its recommendations to improve the Canada's anti-money laundering regime.

5.0 Additional information

5.1 Controls and procedures

DISCLOSURE CONTROLS AND PROCEDURES

In accordance with the CSA guidance in National Instrument 52-109, the President and CEO as well as the Executive Vice-President Finance and Chief Financial Officer (CFO) caused to be designed disclosure controls and procedures (DCPs). These controls and procedures are designed to provide reasonable assurance that the information presented in annual, interim or other reports filed or transmitted under securities legislation is recorded, processed, summarized and reported within the time periods prescribed by such legislation. These controls and procedures are also designed to warrant that such information is assembled and disclosed to the management of Desjardins Group, including its signing officers, in accordance with what is appropriate to make timely decisions regarding disclosure.

As at December 31, 2023, Desjardins Group management, in collaboration with the President and CEO, and the CFO, assessed the design and effectiveness of its DCPs. Based on the results of this assessment, the President and CEO, and the CFO concluded that the DCPs were adequately designed and effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Desjardins Group management caused an adequate internal control over financial reporting process to be designed and has maintained it. This process is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Combined Financial Statements for external purposes in accordance with IFRS. Internal control over financial reporting (ICFR) includes, in particular, those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets;
- are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Combined Financial Statements in accordance with IFRS, and that cash receipts and payments are being made only in accordance with authorizations of management and directors;
- are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets that could have a significant impact on the Annual Combined Financial Statements or Interim Financial Reports.

Because of its inherent limitations, ICFR may not prevent or detect all misstatements on a timely basis. Management's assessment of the controls provides only reasonable, not absolute, assurance that all the problems related to control which could give rise to material misstatements have been detected.

Desjardins Group management, in collaboration with the President and CEO, and the CFO, have assessed the design and effectiveness of ICFR. This assessment was performed in accordance with the 2013 Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for financial controls and in accordance with the Control Objectives for Information and Related Technologies (COBIT) framework for IT general controls.

Based on the results of the assessment, the President and CEO, and the CFO, concluded that as at December 31, 2023, ICFR was adequately designed and effective.

The DCPs and ICFR set forth in Regulation 52-109 are applied in the Federation's Annual Information Form prepared in accordance with Regulation 51-102, and for the purposes of certifying Desjardins Group under Regulation 52-109, the Federation's information form is considered to be Desjardins Group's Annual Information Form.

CHANGE IN INTERNAL CONTROL OVER FINANCIAL REPORTING

On January 1, 2023, the adoption of IFRS 17, "Insurance Contracts", materially affected Desjardins Group's internal control over financial reporting. Additions and changes have been made to controls related to actuarial and financial processes to comply with the requirements of this new standard. These processes also use new applications and technological tools.

For the opening balances as at January 1, 2022, we performed the following procedures to obtain the necessary assurance on the reliability of the financial reporting:
- Validate the completeness of internal controls to cover the significant risks of errors in the financial statements and the MD&A,
- Assess the implementation of the technological tools necessary to process IFRS 17 requirements,
- Analyze the supplier's report (SOC 1) to obtain assurance on the proper functioning of the controls operated by the supplier,
- Reconcile the opening balances as at January 1, 2022, before and after the adoption of IFRS 17.

We also reviewed the design and implementation of the financial and technological controls in place in 2022 used to validate the activities producing the 2022 comparative data in the 2023 documents.

In 2023, Desjardins Group designed new controls over financial reporting and modified some of them. It also provides:
- Monitor the progress on certain controls that have been modified or implemented since January 1, 2023, to validate their design,
- Perform effectiveness testing on all controls used for financial reporting in 2023, including those implemented in 2022 and 2023.

With the exception of the changes described above, Desjardins Group did not make any other significant changes to processes that had materially affected, or may materially affect, its internal control over financial reporting.

Various other aspects of corporate governance are examined in more detail in the "Corporate governance" section of the 2023 Desjardins Group Annual Report.

5.2 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 under normal market conditions, on terms similar to those offered to unrelated parties.

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

Desjardins Group's key management personnel are the members of its Board of Directors and its Management Committee. They are responsible for the planning, management and control of Desjardins Group's operations, and have the authority to perform their duties.

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.

Additional information about related party transactions is presented in Note 32, "Related party disclosures", to the Combined Financial Statements.

5.3 Critical accounting policies and estimates

A description of the accounting policies used by Desjardins Group is essential to understanding the Combined Financial Statements as at December 31, 2023. The accounting policies are described in Note 2, "Accounting policies", to the Combined Financial Statements. 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 may affect the reported amounts of some assets, liabilities, income and expenses, as well as related information. The accounting policies that required management to make difficult, subjective or complex judgments, often involving uncertainties, are discussed below.

The economic environment continues to generate sources of uncertainty that have an impact on judgments as well as significant estimates and assumptions made by management in preparing the Combined Financial Statements. This particularly affects the loss allowance for expected credit losses. For more information about significant judgments made to estimate the loss allowance for expected credit losses, see Note 8, "Loans and allowance for credit losses", to the Combined Financial Statements.

STRUCTURED ENTITIES

A structured entity is consolidated when it is controlled by a Desjardins Group entity. Management must make significant judgments when it assesses the various elements and all related facts and circumstances as a whole to determine whether control exists, especially in the case of structured entities.

Additional information about structured entities is presented in Note 14, "Interests in other entities", to the Combined Financial Statements.

DETERMINATION OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement of financial instruments is determined using a three-level hierarchy, reflecting the importance of the inputs used for the measurements. Level 1 denotes measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities, while level 2 designates valuation techniques based primarily on observable market data. Level 3 concerns valuation techniques not based primarily on observable market data.

There is little subjectivity in the determination of the fair value of financial instruments, especially securities and commitments related to securities sold short, obtained from quoted prices on active markets. This fair value is based on the quoted price within the bid-ask spread that is most representative of fair value in the circumstances.

If there are no quoted prices on active markets, fair value is determined using models that maximize the use of observable inputs and minimize the use of unobservable inputs. In such cases, fair value estimates are established using valuation techniques such as cash flow discounting, comparisons with similar financial instruments, option pricing models and other valuation techniques commonly used by market participants, if these techniques have been demonstrated to provide reliable estimates. Valuation techniques rely on assumptions concerning the amount and timing of estimated future cash flows and discount rates that are mainly based on observable data, such as interest rate yield curves, exchange rates, credit curves and volatility factors. When one or several material inputs are not observable on the market, fair value is determined mainly based on internal inputs and estimates that take into account the characteristics specific to the financial instrument and any factor relevant to the measurement. For complex financial instruments, significant judgment is made in determining the valuation technique to be used and in selecting inputs and adjustments associated with this technique. Due to the need to use estimates and make judgments when applying many valuation techniques, fair value estimates for identical or similar assets may differ between entities. Fair value reflects market conditions on a given date and may not be representative of future fair values. It should not be considered as being realizable in the event of immediate settlement of these instruments.

Loans

The fair value of performing loans classified as at “Amortized cost” and loans classified as “At fair value through profit or loss” is determined by discounting expected contractual cash flows using market interest rates charged for similar new loans at the reporting date and reflects estimated prepayments, adjusted to take into account credit losses on the loan portfolio. Changes in interest rates and in the creditworthiness of borrowers are the main causes of changes in the fair value of loans held by Desjardins Group.

Deposits

The fair value of fixed-rate deposits is determined by discounting expected cash flows using market interest rates currently being offered for deposits with substantially the same term and reflects estimated prepayments. The fair value of deposits with floating-rate features or with no stated maturity is assumed to be equal to their carrying amount. The fair value of certain liabilities presented under “Deposits – Business and government” is based on the market price for similar instruments or on expected cash flow discounting. For financial liabilities designated as at fair value through profit or loss, the fair value takes option pricing models into account, and the valuation techniques are similar to those used for derivative financial instruments.

Subordinated notes

The fair value of subordinated notes is based on market prices.

Derivative financial instruments

The fair value of derivative financial instruments is determined using pricing models that incorporate the current market prices and the contractual prices of the underlying instruments, the time value of money, interest rate yield curves, credit curves and volatility factors. This fair value is presented without taking into account the impact of legally enforceable master netting agreements. However, Desjardins Group adjusts the measurement of these instruments based on credit risk, and such adjustments reflect the financial ability of the counterparties to the contracts and the creditworthiness of Desjardins Group, as well as credit risk mitigation measures such as legally enforceable master netting agreements. Note 21, "Derivative financial instruments and hedging activities", to the Combined Financial Statements specifies the nature of derivative financial instruments held by Desjardins Group.

Financial instruments whose fair value equals their carrying amount

The carrying amount of certain financial instruments is a reasonable approximation of their fair value given their short-term maturity or their features. These financial instruments include the following items: “Cash and deposits with financial institutions”; “Securities borrowed or purchased under reverse repurchase agreements”; “Clients’ liability under acceptances”; “Amounts receivable from clients, brokers and financial institutions”; some items included in “Other assets – Other”; “Acceptances”; “Commitments related to securities lent or sold under repurchase agreements”; “Amounts payable to clients, brokers and financial institutions”; and some items included in “Other liabilities – Other”.

Additional information on the fair value of financial instruments is presented in Note 5, "Fair value of financial instruments", to the Combined Financial Statements. Note 2, "Accounting policies", to the Combined Financial Statements provides information on the classification and measurement of financial assets and financial liabilities.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset is derecognized from the Combined Balance Sheets when the contractual rights to the cash flows from the asset expire, when the contractual rights to receive these cash flows are retained but Desjardins Group has the obligation to pay them to a third party under certain conditions, or when Desjardins Group transfers the contractual rights to receive the cash flows and substantially all the risks and rewards of ownership of the asset have been transferred.

When substantially all the risks and rewards of ownership of the transferred financial asset are retained by Desjardins Group, such asset is not derecognized from the Combined Balance Sheets and a financial liability is recognized, when appropriate.

When a financial asset is derecognized in its entirety, a gain or a loss is recognized in the Combined Statements of Income for an amount equal to the difference between the carrying amount of the asset and the value of the consideration received.

Management must use its judgment to determine whether the contractual rights to the cash flows have expired, have been transferred or have been retained with an obligation to pay them to a third party. With respect to the transfer of substantially all the risks and rewards of ownership of the assets, management evaluates Desjardins Group’s exposure before and after the transfer as well as the changes in the amount and timing of the net cash flows of the transferred asset.

Additional information about the derecognition of financial assets is presented in Note 9, "Derecognition of financial assets", to the Combined Financial Statements.

IMPAIRMENT OF FINANCIAL INSTRUMENTS

At each reporting date, Desjardins Group recognizes an allowance for expected credit losses for debt instruments classified as at “Amortized cost” or as “At fair value through other comprehensive income”, as well as certain off-balance sheet items, namely loan commitments and financial guarantees, which are not measured at fair value through profit or loss. This allowance is estimated based on an impairment model that comprises three stages:
- Stage 1: For financial instruments that have not had a significant increase in credit risk since initial recognition and are not considered as credit-impaired financial assets, an allowance for credit losses amounting to 12-month expected credit losses is recognized.
- Stage 2: For financial instruments that have had a significant increase in credit risk since initial recognition but are not considered as credit-impaired financial assets, an allowance for credit losses amounting to the lifetime expected credit losses is recognized.
- Stage 3: For financial instruments considered as credit impaired, an allowance for credit losses amounting to the lifetime expected credit losses continues to be recognized.

Financial instruments may, over their life, move from one impairment model stage to another based on the improvement or deterioration in their credit risk and the level of expected credit losses. Instruments are always classified in the various stages of the impairment model based on the change in credit risk between the reporting date and the initial recognition date of the financial instrument and an analysis of evidence of impairment.

Determination of significant increases in credit risk

To determine whether, at the reporting date, credit risk has significantly increased since initial recognition, Desjardins Group bases its assessment on the change in default risk over the expected life of the financial instrument, which requires significant judgment.

To this end, Desjardins Group compares the PD of the financial instrument at the reporting date with its PD at the date of initial recognition. In addition, it considers reasonable and supportable information indicating a significant increase in credit risk since initial recognition, including qualitative information and information about future economic conditions to the extent that it affects the assessment of the instrument’s PD. The criteria used to determine a significant increase in credit risk vary depending on the groups of financial instruments with shared credit risk characteristics and are mainly based on a relative change combined with an absolute change in the PD. They also include absolute PD thresholds and certain other criteria. All instruments that are more than 30 days past due are transferred to Stage 2 of the impairment model.

Definition of default and credit-impaired financial asset

The definition of default used in the impairment model corresponds to the definition used for internal credit risk management purposes and for regulatory purposes. It considers relevant quantitative and qualitative factors. In particular, a loan is in default when contractual payments are over 90 days past due. A financial asset is considered credit-impaired when it is in default, unless the detrimental impact on the estimated future cash flows is considered insignificant.

Measurement of the allowance for expected credit losses

The 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. Generally, the allowance for expected credit losses represents the present value of the difference between cash flows that are due, or the amount of the commitment that may be used under the terms and conditions of the contract, and total cash flows that Desjardins Group expects to receive. For credit-impaired financial assets, expected credit losses are calculated based on the difference between the gross carrying amount of the asset and estimated cash flows.

The measurement of the allowance for expected credit losses is estimated for each exposure at the reporting date and is based on the result of multiplying the three credit risk parameters, namely PD, LGD and EAD. The result of this multiplication is then discounted using the effective interest rate. The parameters are estimated using an appropriate segmentation that considers common credit risk characteristics. For financial instruments in Stage 1 of the impairment model, credit risk parameters are projected over a maximum horizon of 12 months, while for those in Stage 2 or Stage 3, they are projected over the remaining life of the instrument.

To determine the credit risk parameters, financial instruments are aggregated based on their common credit risk characteristics.

The allowance for expected credit losses also considers information about future economic conditions. To incorporate forward-looking information relevant to the determination of significant increases in credit risk and the measurement of the allowance for expected credit losses, Desjardins Group uses the econometric models for credit risk projection. These models estimate the impact of macroeconomic variables on the various credit risk parameters. Desjardins Group uses three scenarios to determine the allowance for expected credit losses and assigns to each scenario a probability of occurrence. Desjardins Group may also make adjustments to take into account the relevant information that affects the measurement of the allowance for credit losses and that has not been incorporated into the credit risk parameters.

For credit-impaired financial assets that are individually material, measuring the allowance for expected credit losses is based on an extensive review of the borrower's situation and the realization of collateral held. The measurement represents a probability-weighted present value, calculated using the effective interest rate, of cash flow shortfalls that takes into consideration the impact of various scenarios that may materialize and information about future economic conditions.

Key data and assumptions

Estimating the allowance for expected credit losses is based on a set of assumptions and methodologies specific to credit risk and changes in economic conditions and therefore requires significant judgment to be exercised. The main items requiring significant judgment that affected its measurement are the following:
- Changes in the borrowers' credit risk rating (or PD);
- Determination of significant increases in credit risk;
- Incorporation of forward-looking information.

The macroeconomic environment, which is notably characterized by high interest rates, growing geopolitical tensions and persistent inflation, still gives rise to uncertainty. Therefore, management has to continue making particularly complex judgments to estimate the allowance for credit losses in such situation.

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

Changes in the borrowers' credit risk rating or probability of default

The borrowers' credit risk rating is the foundation of the credit risk assessment model. The rating of a borrower is directly related to its estimated PD. Many variables are taken into consideration in credit risk assessment models. Changes in the borrowers' credit risk rating have an impact on determining significant increases in credit risk, as this is mainly based on the change in the borrower's PD, and measuring the allowance for expected credit losses.

Changes in the borrowers' credit risk rating may increase or decrease the allowance for expected credit losses. Generally, a deterioration in a borrower's credit risk rating gives rise to an increase in the allowance, while an improvement results in a decrease in the allowance.

Determination of significant increases in credit risk

To determine whether, at the reporting date, credit risk has significantly increased since initial recognition, Desjardins Group bases its assessment on the change in default risk over the expected life of the financial instrument. As this assessment takes into account forward-looking information at time of granting and at the reporting date, a significant increase in credit risk may be caused by a deterioration in economic forecasts integrated into the prospective evaluation, a deterioration in the borrower's situation or a combination of both of these factors.

The determination of significant increases in credit risk since initial recognition may have a significant upward or downward impact on the allowance for expected credit losses as the amount of the allowance for expected credit losses for loans in Stage 1 is equal to 12-month expected credit losses, while the amount of the allowance for expected credit losses for loans in Stage 2 is equal to the lifetime expected credit losses.

Incorporation of forward-looking information

Desjardins Group uses three different scenarios to determine the allowance for expected credit losses, namely a base scenario, an upside scenario and a downside scenario. Projections for each scenario are provided for a four-year horizon. The macroeconomic variables projected under each scenario and the related probability of occurrence have a significant impact on determining significant increases in credit risk and measuring the allowance for credit losses for expected credit losses. The models vary depending on the portfolios and include one or several of the main variables: gross domestic product, unemployment rate, the Consumer Price Index, housing prices, the corporate credit spread and the S&P/TSX index. The macroeconomic variable projection and the determination of the probabilities of occurrence are reviewed quarterly.

The incorporation of forward-looking information may increase or decrease the allowance for expected credit losses. Generally, an improvement in the outlook will give rise to a decrease in the allowance, while a deterioration will result in an increase in the allowance.

Additional information about loans and the allowance for credit losses, in particular a sensitivity analysis of the allowance for credit losses, is presented in Note 8, "Loans and allowance for credit losses" to the Combined Financial Statements.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Desjardins Group assesses at the reporting date whether there is evidence that an asset may be impaired. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

Estimating the recoverable amount of a non-financial asset to determine whether it is impaired requires management to make estimates and assumptions. The main estimates and assumptions used in calculating the recoverable amount are future cash flows estimated based on internal financial forecasts, expected future earnings, the growth rate and the discount rate.

INSURANCE CONTRACT LIABILITIES

Insurance contract liabilities are measured mainly using two approaches, namely the general model and the premium allocation approach.

Note 17, "Insurance and reinsurance contracts", to the Combined Financial Statements provides information about accounting for the various life and health and property and casualty insurance contract liabilities, the main assumptions used and the impact on profit or loss of changes to assumptions.

Contracts to which the general measurement model is applied

On initial recognition, the liability for a group of insurance contracts corresponds to the liability for remaining coverage, which is the total of the fulfilment cash flows, namely the estimate of the future cash flows, the adjustment for the time value of money and the risk adjustment for non-financial risk, as well as the contractual service margin (CSM) which represents unearned profit. At each reporting date, the carrying amount of a group of insurance contracts corresponds to the sum of the liability for remaining coverage, comprising the fulfilment cash flows related to services to be provided in future periods, and the CSM, and the liability for incurred claims, comprising the fulfilment cash flows related to past service, such as incurred claims and other incurred insurance service expenses.

Contracts to which the premium allocation approach is applied

On initial recognition, the carrying amount of the liability for remaining coverage of a group of insurance contracts is equal to the premiums received, minus the insurance acquisition cash flows allocated to that group on such date and adjusted, as the case may be, by the amount arising from the derecognition of an asset for insurance acquisition cash flows and any other asset or liability previously recognized and related to this group. At each reporting date, the liability for remaining coverage of a group on insurance contracts is equal to its carrying amount at the beginning of the year, plus the premiums received and amounts relating to the amortization of insurance acquisition cash flows, less the amount of insurance acquisition cash flows allocated and the amount recognized as revenue.

Key estimates and assumptions

The measurement of insurance contract liabilities is based on estimates and assumptions. The main assumptions used are described in the following paragraphs.

Estimates of future cash flows – Life and health insurance activities

The assumptions used to determine the estimates of future cash flows are those that are the most likely in management's judgment. The model used considers that best estimate future cash flows give the same result as the probability-weighted mean of the full range of possible outcomes. Assumptions are determined from the perspective of the life and health insurance subsidiary based on situations existing at the reporting date. The risks associated with the accuracy of the assumptions used to determine the estimates of future cash flows arise from the non-materialization of expected assumptions. The appointed actuary periodically carries out studies on the underwriting experience related to each assumption and modifies it, if appropriate, to take into account the current and future expected situation. Assumptions relating to mortality, morbidity, contract termination rate, expenses, taxes and policyholder dividends are prepared. In addition, the facts and circumstances indicating that a group of insurance contracts is or is becoming onerous are determined using judgment and data analysis.

Estimates of future cash flows – Property and casualty insurance activities

Facts and circumstances indicating a group is onerous

For each portfolio and each geographic area, the facts and circumstances indicating that a group of insurance contracts is or becomes onerous are determined quantitatively and qualitatively. The quantitative analysis is based on estimated combined ratios, which represent the sum of the loss ratio and the other insurance service expense ratio. When these ratios exceed a predetermined threshold, this signals that there are facts and circumstances indicating that a group of insurance contracts might be onerous. Loss experience monitoring reports are also used to identify facts and circumstances when there are significant variances from budget. The qualitative analysis is based on the judgments made by the members of a committee coming from various sectors (pricing, actuarial services, finances) who meet quarterly to discuss observed trends.

Liability for remaining coverage

Expected claims are based on historical ratios by portfolio and geographic area, adjusted to reflect expected future conditions. Selecting adjustment factors for historical ratios is based on the items mentioned in the "Liability for incurred claims" below as well as other items also requiring judgment, such as considering catastrophes and seasonality. Some insurance service expenses that the property and casualty insurance subsidiaries will have to incur to settle claims are not included in expected claims. These costs are allocated between groups of insurance contracts based on the efforts required to settle claims. Future premium receipts and expected other insurance service expenses, including insurance acquisition cash flows, if any, are also calculated by group of insurance contracts.

Liability for incurred claims

The liability for incurred claims includes the individual estimates of loss for each reported claim as well as a provision for claims incurred but not reported by the insured persons, for other insurance service expenses that will have to be incurred to settle those claims and for shortfalls in the estimates of losses for claims reported. The liability for incurred claims is estimated using appropriate actuarial techniques for loss prospective valuation in accordance with the Canadian Institute of Actuaries standards. The main assumption underlying these methods is that past claims development can be used to project future claims development. An additional qualitative judgment is made to assess the extent by which past trends may not apply in the future and make the necessary adjustments or changes to adequately determine the liability for incurred claims that represents the probability-weighted mean of the possible outcomes for future claim payments. The assumptions used to develop this estimate are selected by risk category and geographic area. In addition, the estimates take into consideration various quantitative and qualitative factors, including the average settlement cost per claim, the average number of claims and claims severity and frequency trends, and other factors like inflation and changes in market factors, such as public behaviour towards claims and economic conditions, as well as internal factors, such as the composition of the portfolio of insurance contracts, the terms of those contracts and the claim handling procedures. A degree of judgment is also involved in assessing the extent to which external factors, such as court decisions and government legislation, can influence this estimate.

Other estimates and assumptions

Adjustments to reflect the time value of money

The estimates of future cash flows have to be adjusted to reflect the time value of money and financial risks. Judgment is required in determining the yield curves to be used, as a result of the determination of the assets held in the reference portfolios, the risk-free rates, the adjustments for credit risk and the adjustments for liquidity.

Risk adjustment for non-financial risk

The 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 fulfil insurance contracts. The risks to which the risk adjustment for non-financial risk relate are insurance risk and other non-financial risks, such as lapse risk and expenditure risk, which is the risk of an unexpected increase in administration expenses related to managing the contract. This adjustment also reflects the degree of risk aversion of the insurance subsidiaries and a benefit to reflect the degree of diversification the insurance subsidiaries consider when determining this compensation. The risk adjustment for non-financial risk is determined at the consolidated level for each insurance subsidiary, net of reinsurance, and then allocated to each group of insurance contracts and each group of reinsurance contracts held based of their risk profile.

Contractual service margin (CSM)

At the end of each period, the life and health insurance subsidiary recognizes in the Combined Statements of Income an amount of the CSM based on coverage units allocated to services provided. To determine this amount, the CSM at the reporting date is allocated equally to each remaining coverage unit. Management has to make judgments to determine the appropriate coverage units that adequately reflect the quantity of insurance contract services provided over the insurance contract coverage period. The quantity of insurance contract services should consider the services arising from the insurance coverage as well as any investment-return services for insurance contracts without direct participation features and any investment-related services for insurance contracts with direct participation features. To determine the quantity of insurance contract services for the insurance coverage, the life and health insurance subsidiary uses the amount it expects the contract holder could claim if an insured event occurs.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are liabilities of uncertain timing or amount. A provision is recognized when Desjardins Group has an obligation (legal or constructive) as a result of a past event, the settlement of which should result in an outflow of resources embodying economic benefits, and when a reliable estimate can be made of the amount of the obligation. The amount of the obligation is discounted where the effect of the time value of money is material.

Provisions are based on management's best estimate of the amounts required to settle the obligations on the reporting date, taking into account the relevant uncertainties and risks. Management must make significant judgments in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflow of resources. Desjardins Group regularly examines the measurement of provisions and makes, on a quarterly basis, the adjustments required based on new available information. Actual results may differ materially from these forecasts.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Desjardins Group or an obligation that arises from a past event and for which an outflow of resources embodying economic benefits is not probable or cannot be estimated reliably. In the normal course of its business, Desjardins Group is involved in various litigation and legal proceedings.

Additional information is presented in Note 29, "Commitments, guarantees and contingent liabilities", to the Combined Financial Statements.

INCOME TAXES ON SURPLUS EARNINGS

The income tax expense on surplus earnings recognized in the Combined Statements of Income comprises the current and deferred tax expense on operating surplus earnings as well as the income tax consequences of remuneration on capital stock and dividends when certain conditions are met. The total income tax expense includes the income tax expense on surplus earnings recognized in the Combined Statements of Income as well as current and deferred taxes on items recognized outside profit or loss directly in the Combined Statements of Comprehensive Income or the Combined Statements of Changes in Equity.

The total income tax expense is based on the expected tax treatment of the transactions. To determine the current and deferred portions of income taxes on surplus earnings, management must make judgments to establish the assumptions concerning the dates on which deferred income tax assets and liabilities will be reversed. Significant judgment must be used to interpret the relevant tax legislation in order to determine the income tax expense. If Desjardins Group's interpretation differs from that of taxation authorities or if the reversal dates do not correspond with the forecasted dates, the provision for income taxes on surplus earnings may increase or decrease in subsequent years.

Note 28, "Income taxes on surplus earnings", to the Combined Financial Statements provides additional information on income taxes on surplus earnings.

EMPLOYEE BENEFITS

Desjardins Group offers to a majority of its employees a defined benefit pension plan and a defined benefit supplemental pension plan. For employees meeting certain criteria based on age and the number of years of participation in the plan, it also offers a post-retirement benefit plan that provides medical, dental and life insurance to retiring employees and their dependents.

Group pension plans are plans whose risks are shared by entities under common control. The main group pension plan offered, the Desjardins Group Pension Plan (DGPP), is a funded defined benefit group plan. Participants and employers share the risks and costs related to the DGPP, including any deficit, on a prorata basis of 35% and 65%, respectively.

For the DGPP, benefits are determined on the basis of the number of years of membership and take into consideration the average salary of the employee's five most highly paid years, for years of service accumulated before 2013, and the eight most highly paid years, for years of service accumulated subsequently. Benefits are indexed annually using the consumer price index, up to a maximum of 3% for years of service accumulated before 2013 and 1% for a period of 10 years starting at age 65 for years of service accumulated subsequently.

Defined benefit pension plans are plans for which Desjardins Group has formally committed to a level of benefits and therefore assumes actuarial and, when the plans are funded, investment risks. Since the terms of the pension plans are such that changes in salary levels will have an impact on the amount of future benefits, the cost of the benefits and the value of the defined benefit plan obligation are generally actuarially determined using various assumptions. Although management believes that the assumptions used in the actuarial valuation process are reasonable, there remains a degree of risk and uncertainty that may cause future actual results to materially differ from these assumptions, which could give rise to actuarial gains or losses.

Actuarial calculations are made based on management's best estimate assumptions primarily concerning the plan obligation discount rate, and also, but to a lesser extent, salary increases, the retirement age of employees, the mortality rate, the rate of increase in pension benefits and the members' future contributions that will be used to make up the deficit. The participants' estimated discounted contributions required to make up the deficit decrease the defined benefit plan obligation. A complete actuarial valuation is performed each year by a qualified actuary. The discount rates used have been determined by reference to the rates of high quality corporate bonds whose terms are consistent with those of the plans' cash flows.

The terms of the post-retirement benefit plans are such that changes in salary levels or healthcare costs will have an impact on the amount of future benefits. The cost of these benefits is accrued over a portion of the service lives of employees using accounting policies comparable to those used for defined benefit pension plans.

Note 18, "Employee benefits – Pension and post-retirement benefit plans", to the Combined Financial Statements provides further information on accounting for defined benefit plans and on the sensitivity of the key assumptions.

5.4 Future accounting changes

Accounting standards and amendments issued by the IASB, but not effective as at December 31, 2023, do not have a significant impact on Desjardins Group's financial statements. Regulatory authorities have stated that early adoption of these standards and amendments will not be permitted, unless they indicate otherwise.

5.5 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 in Section 1.1, "Profile and structure") 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 is compared to that of Desjardins Group in the table below.

Table 49 – CDO's financial information

As at December 31 or for the years ended December 31

	2023			2022 Restated		
(in millions of dollars and as a percentage)	**CDO**	**Desjardins Group Combined Balance Sheets**	**% proportion**	CDO	Desjardins Group Combined Balance Sheets	% proportion
Total assets	**$11,922**	**$ 422,940**	**2.8%**	$10,756	$ 403,944	2.7%
Total liabilities	**11,107**	**388,550**	**2.9**	9,936	371,537	2.7
Total equity	**815**	**34,390**	**2.4**	820	32,407	2.5

	2023			2022 Restated		
(in millions of dollars and as a percentage)	**CDO**	**Desjardins Group Combined Statements of Income**	**% proportion**	CDO	Desjardins Group Combined Statements of Income	% proportion
Total net income	**$ 183**	**$ 12,577**	**1.5%**	$ 286	$ 10,340	2.8%
Surplus earnings before member dividends	**5**	**2,259**	**0.2**	35	1,242	2.8
Net surplus earnings (deficit) for the year after member dividends	**(4)**	**1,955**	**(0.2)**	26	945	2.8

5.6 Five-year statistical review

Table 50 – Combined Balance Sheets
As at December 31

(in millions of dollars)	2023	2022 Restated	2021[(1)]	2020[(1)]	2019[(1)]
ASSETS					
Cash and deposits with financial institutions	**$ 8,987**	$ 8,913	$ 16,328	$ 12,126	$ 3,709
Securities					
Securities at fair value through profit of loss	**36,627**	33,987	39,772	34,960	35,168
Securities at fair value through other comprehensive income	**51,692**	51,258	53,286	52,679	22,909
Securities at amortized cost	**46**	50	41	29	1,616
	88,365	85,295	93,099	87,668	59,693
Securities borrowed or purchased under reverse repurchase agreements	**13,678**	17,024	12,019	9,658	10,032
Loans					
Residential mortgage	**165,858**	159,682	149,695	136,208	126,757
Consumer, credit card and other personal loans	**24,239**	24,211	24,386	25,310	27,022
Business and government	**77,018**	66,812	57,400	51,015	49,988
	267,115	250,705	231,481	212,533	203,767
Allowance for credit losses	**(1,180)**	(1,035)	(970)	(1,112)	(685)
	265,935	249,670	230,511	211,421	203,082
Segregated fund net assets	**24,754**	21,356	22,804	19,093	17,026
Other assets					
Clients' liability under acceptances	**—**	25	268	328	380
Premiums receivable	**N/A**	N/A	2,839	2,803	2,686
Derivative financial instruments	**5,861**	5,723	5,828	5,820	4,246
Amounts receivable from clients, brokers and financial institutions	**2,801**	3,486	2,557	2,499	2,229
Reinsurance contract assets	**1,676**	1,622	1,582	1,962	2,001
Right-of-use assets	**476**	543	530	565	566
Investment property	**974**	929	926	924	957
Property, plant and equipment	**1,549**	1,587	1,531	1,541	1,471
Goodwill	**563**	157	157	156	121
Intangible assets	**1,186**	663	497	424	381
Investments in companies accounted for using the equity method	**1,477**	1,465	1,380	1,189	1,034
Net defined benefits plan assets	**46**	679	62	—	—
Deferred tax assets	**1,244**	1,267	789	1,154	1,292
Other	**3,368**	3,540	3,378	2,704	2,090
	21,221	21,686	22,324	22,069	19,454
TOTAL ASSETS	**$ 422,940**	$ 403,944	$ 397,085	$ 362,035	$ 312,996
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits					
Individuals	**$ 151,519**	$ 145,377	$ 136,332	$ 127,928	$ 111,665
Business and government	**127,219**	114,172	101,644	96,853	81,556
Deposit institutions	**591**	287	379	455	697
	279,329	259,836	238,355	225,236	193,918
Insurance contract liabilities	**32,961**	30,202	34,762	34,827	31,595
Other liabilities					
Acceptances	**—**	25	268	328	380
Commitments related to securities sold short	**11,686**	9,859	11,342	9,353	10,615
Commitments related to securities lent or sold under repurchase agreements	**12,032**	24,565	31,177	19,152	10,562
Derivative financial instruments	**6,626**	6,691	5,500	4,884	4,278
Amounts payable to clients, brokers and financial institutions	**9,350**	8,978	7,938	6,810	5,552
Lease liabilities	**553**	622	596	633	624
Reinsurance contract liabilities	**38**	36	N/A	N/A	N/A
Segregated fund net liabilities for investment contracts	**21,233**	17,826	22,796	19,089	17,002
Net defined benefit plan liabilities	**867**	654	1,048	3,107	3,068
Deferred tax liabilities	**252**	223	301	372	281
Other	**10,669**	9,092	7,516	6,488	6,294
	73,306	78,571	88,482	70,216	58,656
Subordinated notes	**2,954**	2,928	1,960	1,493	1,398
TOTAL LIABILITIES	**388,550**	371,537	363,559	331,772	285,567
EQUITY					
Capital stock	**4,731**	4,786	4,982	5,021	5,134
Undistributed surplus earnings	**2,668**	8,982	1,546	1,874	2,352
Accumulated other comprehensive income	**(708)**	(2,058)	765	1,302	211
Reserves	**26,784**	19,802	25,321	21,316	18,959
Equity – Group's share	**33,475**	31,512	32,614	29,513	26,656
Non-controlling interest	**915**	895	912	750	773
TOTAL EQUITY	**34,390**	32,407	33,526	30,263	27,429
TOTAL LIABILITIES AND EQUITY	**$ 422,940**	$ 403,944	$ 397,085	$ 362,035	$ 312,996

(1) In accordance with to the standards that were in force before Desjardins Group retrospectively adopted IFRS 17, "Insurance Contracts", on January 1, 2023, with restatement of the comparative periods for fiscal 2022.

Table 51 – Combined Statements of Income

For the years ended December 31

(in millions of dollars)	2023	2022 Restated	2021[(1)]	2020[(1)]	2019[(1)]
INTEREST INCOME					
Loans	**$ 11,900**	$ 8,278	$ 6,928	$ 7,278	$ 7,709
Securities	**2,067**	1,107	473	488	412
	13,967	9,385	7,401	7,766	8,121
INTEREST EXPENSE					
Deposits	**6,459**	2,829	1,508	2,010	2,618
Subordinated notes	**139**	78	65	57	72
Other	**336**	148	42	59	135
	6,934	3,055	1,615	2,126	2,825
NET INTEREST INCOME	**7,033**	6,330	5,786	5,640	5,296
NET PREMIUMS	**N/A**	N/A	11,278	9,920	9,412
INSURANCE SERVICE RESULT					
Insurance revenue	**10,429**	9,725	N/A	N/A	N/A
Insurance service expenses	**(8,934)**	(8,612)	N/A	N/A	N/A
Net reinsurance service income (expenses)	**(129)**	(55)	N/A	N/A	N/A
	1,366	1,058	N/A	N/A	N/A
NET INSURANCE FINANCE RESULT					
Net insurance investment income (loss)	**2,971**	(4,371)	N/A	N/A	N/A
Net insurance finance income (expenses)	**(2,383)**	4,594	N/A	N/A	N/A
Net reinsurance finance income (expenses)	**103**	(215)	N/A	N/A	N/A
	691	8	N/A	N/A	N/A
NET INSURANCE SERVICE INCOME	**2,057**	1,066	N/A	N/A	N/A
OTHER INCOME					
Deposit and payment service charges	**483**	448	424	388	431
Lending fees and credit card service revenues	**951**	965	735	628	774
Brokerage and investment fund services	**1,339**	989	1,108	954	886
Management and custodial service fees	**751**	662	732	617	582
Net other investment income (loss)	**(486)**	(500)	319	3,116	3,087
Overlay approach adjustment for insurance operations financial assets	**N/A**	N/A	(404)	(42)	(192)
Foreign exchange income (loss)	**192**	119	121	103	64
Other	**257**	261	221	149	417
	3,487	2,944	3,256	5,913	6,049
TOTAL NET INCOME	**12,577**	10,340	20,320	21,473	20,757
PROVISION FOR CREDIT LOSSES	**529**	277	69	863	365
CLAIMS, BENEFITS, ANNUITIES AND CHANGES IN INSURANCE CONTRACT LIABILITIES	**N/A**	N/A	6,883	9,233	9,111
NON-INTEREST EXPENSE					
Salaries and employee benefits	**5,428**	5,120	4,437	3,902	3,655
Professional fees	**817**	1,084	1,013	664	633
Technology	**1,131**	924	893	791	736
Commissions	**705**	306	881	788	837
Occupancy costs	**408**	391	406	419	389
Communications	**358**	379	329	290	344
Business and capital taxes	**123**	118	459	418	389
Other	**1,247**	1,203	1,148	1,025	1,049
Gross non-interest expense	**10,217**	9,525	9,566	8,297	8,032
Non-interest expense included in insurance service expenses[(2)]	**(985)**	(1,023)	N/A	N/A	N/A
NET NON-INTEREST EXPENSE	**9,232**	8,502	N/A	N/A	N/A
OPERATING SURPLUS EARNINGS	**2,816**	1,561	3,802	3,080	3,249
Income taxes on surplus earnings	**557**	319	860	661	651
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	**2,259**	1,242	2,942	2,419	2,598
Member dividends	**412**	403	387	330	317
Tax recovery on member dividends	**(108)**	(106)	(103)	(85)	(85)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	**$ 1,955**	$ 945	$ 2,658	$ 2,174	$ 2,366
Of which:					
Group's share	**$ 1,884**	$ 927	$ 2,515	$ 2,090	$ 2,320
Non-controlling interests' share	**71**	18	143	84	46

(1) In accordance with the standards that were in force before Desjardins Group retrospectively adopted IFRS 17, "Insurance Contracts", on January 1, 2023, with restatement of the comparative periods for fiscal 2022.

(2) Represents the non-interest expense directly related to the fulfillment of insurance contracts presented under "Insurance service result".

Table 52 – Selected financial measures
As at December 31 or for the years ended December 31

(in millions of dollars and as a percentage)	2023	2022 Restated	2021[1]	2020[1]	2019[1]
Tier 1A capital ratio[2]	**20.4%**	20.2%	21.1%	21.9%	21.6%
Tier 1 capital ratio[2]	**20.4**	20.2	21.1	21.9	21.6
Total capital ratio[2]	**21.9**	21.9	22.1	22.6	21.6
TLAC ratio[3]	**29.4**	28.7	26.5	24.7	22.6
Leverage ratio[2]	**7.3**	7.6	8.5	8.5	8.8
TLAC leverage ratio[3]	**10.5**	10.6	10.4	9.5	9.1
Liquidity coverage ratio[4]	**154**	140	140	157	130
Net Stable Funding Ratio[4]	**124**	126	129	N/A	N/A
Net interest margin[5]	**2.28**	2.13	2.06	2.38	2.47
Return on equity[6]	**6.8**	3.8	8.9	8.3	9.9
Credit loss provisioning rate[6]	**0.20**	0.11	0.03	0.41	0.18
Gross credit-impaired loans/gross loans and acceptances[6]	**0.74**	0.48	0.47	0.62	0.56
Productivity index – Personal and Business Services[6][7]	**76.3**	79.2	73.7	65.5	62.9
Insurance and annuity premiums – Wealth Management and Life and Health Insurance[6]	**$ 6,313**	$ 5,806	$ 5,667	$ 4,711	$ 4,689
Total contractual service margin (CSM) – Wealth Management and Life and Health Insurance[8]	**2,595**	2,627	N/A	N/A	N/A
Direct written premiums – Property and Casualty Insurance[6]	**6,856**	6,205	6,053	5,726	5,536
Assets under administration[6]	**535,264**	447,312	482,911	458,177	437,000
Assets under management[6]	**81,551**	76,169	91,258	77,474	67,553
Average assets[6]	**409,820**	399,913	383,204	342,354	307,220
Average interest-bearing assets[5]	**308,315**	296,712	280,510	236,644	214,492
Net interest income	**7,033**	6,330	5,786	5,640	5,296
Average net loans and acceptances[6]	**257,524**	240,621	221,317	207,727	196,628
Average deposits[6]	**268,099**	249,801	234,571	214,148	189,889
Risk-weighted assets[2]	**140,481**	139,311	134,518	120,101	113,861

(1) In accordance with the standards that were in force before Desjardins Group retrospectively adopted IFRS 17, "Insurance Contracts", on January 1, 2023, with restatement of the comparative periods for fiscal 2022.

(2) In accordance with the *Capital Adequacy Guideline* issued by the AMF for financial services cooperatives in particular. See Section 3.2, "Capital Management".

(3) 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 Section 3.2, "Capital management".

(4) In accordance with the *Liquidity Adequacy Guideline* issued by the AMF. See Section 4.0, "Risk Management".

(5) For more information about non-GAAP financial measures and ratios, see "Non-GAAP and other financial measures" on pages 3 and 4.

(6) For further information about supplementary financial measures, see the Glossary on pages 106 to 113.

(7) Following the transition to IFRS 17, Desjardins Group now presents the productivity index of the Personal and Business Services segment, which is a supplementary financial measure, replacing Desjardins Group's productivity index, which was a non-GAAP financial measure.

(8) Total CSM of $2,813 million ($2,884 million as at December 31, 2022) presented net of reinsurance for a total of $218 million ($257 million of December 31, 2022). Included in the line items "Insurance contract liabilities" and "Reinsurance contract assets (liabilities)", on the Combined Balance Sheets. For more information, see Note 17, "Insurance and reinsurance contracts", to the Interim Combined Financial Statements.

5.7 Supplementary information

The tables below meet the financial disclosure requirements stipulated in the *Act Respecting Financial Services Cooperatives*.

Table 53 – Summary of the FCDQ's combined investments and loans
As at December 31

(unaudited, in millions of dollars and as a percentage)	Contractual maturities									Total		Average return[1]	
	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**	**More than 5 years**	**No stated maturity**	**2023**	2022[2]	**2023**	2022[2]
Securities	**$ 4**	**$ 257**	**$ 575**	**$ 288**	**$ 452**	**$ 3,113**	**$ 11,218**	**$ 10,792**	**$ 85**	**$ 26,784**	$ 28,725	**5.98%**	2.83%
Securities borrowed or purchased under reverse repurchase agreements	**11,461**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**11,461**	5,753	**4.24**	1.93
Loans	**17,648**	**3,007**	**748**	**844**	**958**	**3,090**	**4,752**	**966**	**2,873**	**34,886**	26,124	**6.79**	4.12
Loans to member caisses	**418**	**1,026**	**1,281**	**1,650**	**1,469**	**6,026**	**6,093**	**—**	**6,197**	**24,160**	23,411	**5.61**	2.78
Consumer, credit card and other personal loans	**22**	**50**	**130**	**137**	**177**	**939**	**4,067**	**6,062**	**6,066**	**17,650**	17,558	**7.52**	6.66
Allowance for credit losses	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(688)**	**(688)**	(623)	**—**	—
Total investments and loans	**$ 29,553**	**$ 4,340**	**$ 2,734**	**$ 2,919**	**$ 3,056**	**$ 13,168**	**$ 26,130**	**$ 17,820**	**$ 14,533**	**$114,253**	$100,948	**6.21%**	3.75%

(1) Excluding the impact of derivative financial instruments.
(2) The data have been adjusted to conform to the current year's presentation notwithstanding IFRS 17, which was adopted on January 1, 2023.

Table 54 – Summary of combined deposits by member caisses
As at December 31

(unaudited, in millions of dollars and as a percentage)	Contractual maturities									Total		Average return	
	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**	**More than 5 years**	**No stated maturity**	**2023**	2022	**2023**	2022
Demand deposits	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 4,482**	**$ 4,482**	$ 5,066	**4.88%**	1.72%
Term deposits	**291**	**618**	**1,171**	**860**	**770**	**1,936**	**6,623**	**5**	**—**	**12,274**	10,544	**3.80**	1.96
Total deposits by member caisses	**$ 291**	**$ 618**	**$ 1,171**	**$ 860**	**$ 770**	**$ 1,936**	**$ 6,623**	**$ 5**	**$ 4,482**	**$ 16,756**	$ 15,610	**4.12%**	1.88%

Table 55 – General and other reserves
For the years ended December 31

(in millions of dollars)	**General reserve**	**Capital gains reserve**	**Community Development Funds**	**Total**
Balance as at December 31, 2021, as reported	$ 16,360	$ 6,763	$ 191	$ 23,314
Adoption of IFRS 17	—	549	—	549
Restated Balance as at January 1, 2022	16,360	7,312	191	23,863
Transfer (restated)	1,676	91	21	1,788
Equity transactions (restated)	—	(7,896)	—	(7,896)
Balance as at December 31, 2022	$ 18,036	$ (493)	$ 212	$ 17,755
Transfer	**5,014**	**(149)**	**20**	**4,885**
Balance as at December 31, 2023	**$ 23,050**	**$ (642)**	**$ 232**	**$ 22,640**

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 in Québec, 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 last five quarters calculated as of December 31.

Average deposits
Average of deposits presented in the Combined Financial Statements at the end of the last five quarters calculated as of December 31.

Average equity before non-controlling interests
Average of equity before non-controlling interests presented in the Combined Financial Statements at the end of the last five quarters calculated as of December 31.

Average gross loans and acceptances
Average of loans, including clients' liability under acceptances, presented in the Combined Financial Statements at the end of the last five quarters calculated as of December 31.

Average 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 as well as all other assets not generating any net interest income.

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 last five quarters calculated as of December 31.

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 last five quarters calculated as of December 31.

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 share

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)

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, guarantor's, issuer'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.

Incremental risk charge (IRC)
Additional capital charge related to default and migration risks of positions with issuer risk in trading portfolios.

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.

Internal Models Method
Approach used to calculate, with internal models, risk-weighted assets for the four areas of market risk: interest rate risk, equity price risk, foreign exchange risk and commodity risk. The calculation is based on different risk measures, such as Value at Risk, stressed Value at Risk and the incremental risk charge (IRC).

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

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 income 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 income 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 Section 3.2 "Capital management" 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 before non-controlling interests.

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 fulfil 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.

Scaling factor
Adjustment representing 6.0% of risk assets measured using the Internal Ratings-Based Approach, applied to credit exposures in compliance with section 1.3 of the *Capital Adequacy Guideline* issued by the AMF.

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 four areas of market risk: interest rate risk, equity price risk, foreign exchange risk and commodity risk. The calculation is based on predefined rules such as those on the size and nature of the financial instruments held.
- 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.

Stressed Value at Risk
Value calculated in the same way as the Value at Risk, except for the historical data used, which are for a one-year stress period.

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).

COMBINED FINANCIAL STATEMENTS

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Management's Responsibility for Financial Reporting

The Combined Financial Statements of Desjardins Group and all information included in its annual Management's Discussion and Analysis are the responsibility of the management of Desjardins Group, which is responsible for ensuring reporting integrity and accuracy.

These Combined Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and the accounting requirements of the *Autorité des marchés financiers* (AMF) in Québec, which do not differ from IFRS. The IFRS represents Canada's generally accepted accounting principles. These Combined Financial Statements necessarily contain amounts established by management based on estimates which it deems fair and reasonable. All financial information in the annual Management's Discussion and Analysis is consistent with these audited Combined Financial Statements.

Desjardins Group management is responsible for the accuracy of Desjardins Group's Combined Financial Statements and related information, as well as the accounting systems from which they are derived, for which purpose it maintains controls over transactions and related accounting practices. These controls are designed to provide reasonable assurance that the financial accounts are complete and accurate, assets are protected and records are kept appropriately. They include an organizational structure that ensures effective segregation of duties, a code of professional conduct, hiring and training standards, policies and procedure manuals, and regularly updated control methods, designed to ensure adequate supervision of operations. The internal control system is supported by a compliance team, which helps management ensure that all regulatory requirements are met, and a team from the Desjardins Group Monitoring Office, which has full and unrestricted access to the Audit and Inspection Commission. Management has also implemented a financial governance structure based on market best practices. In our capacities as Chief Executive Officer and Chief Financial Officer of Desjardins Group, we have overseen the process to assess financial information communication procedures and controls as well as internal control over financial reporting. As at December 31, 2023, we concluded that information communication procedures and controls and internal control over financial reporting were effective.

The AMF examines the affairs of Desjardins Group using a risk-based oversight approach.

For the purposes of approving the financial information contained in the Desjardins Group Annual Report, the Board of Directors of the *Fédération des caisses Desjardins du Québec* (the Federation) relies on the recommendation of the Audit and Inspection Commission. The commission is mandated by the Board of Directors to review Desjardins Group's Combined Financial Statements and its Management's Discussion and Analysis. The Audit and Inspection Commission has five independent directors who are members of the Board of Directors of the Federation. In addition, it has two representatives of the insurance subsidiaries and one observer, who help ensure the necessary alignment with the insurance subsidiaries and the caisse network. The Audit and Inspection Commission exercises an oversight role for management to develop and implement adequate control procedures and systems to deliver quality financial reporting that includes all the required disclosures within the required timeframes.

The Combined Financial Statements were audited by PricewaterhouseCoopers LLP, the independent auditor appointed by the Federation's General Meeting, whose report follows. The independent auditor may meet with the members of the Audit and Inspection Commission at any time to discuss its audit and any related issues, including the integrity of the financial information provided and the quality of internal control systems.

Guy Cormier
President and Chief Executive Officer
Desjardins Group

Alain Leprohon, FCPA
Executive Vice-President Finance and
Chief Financial Officer
Desjardins Group

Lévis, Québec
February 21, 2024

Independent auditor's report

To the members of the Fédération des caisses Desjardins du Québec

Our opinion

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of Desjardins Group as at December 31, 2023 and 2022 and as at January 1, 2022, and its financial performance and its cash flows for the years ended December 31, 2023 and 2022 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
Desjardins Group's combined financial statements comprise:

- the combined balance sheets as at December 31, 2023 and 2022 and as at January 1, 2022;
- the combined statements of income for the years ended December 31, 2023 and 2022;
- the combined statements of comprehensive income for the years ended December 31, 2023 and 2022;
- the combined statements of changes in equity for the years ended December 31, 2023 and 2022;
- the combined statements of cash flows for the years ended December 31, 2023 and 2022; and
- the notes to the combined financial statements, comprising material accounting policy information and other explanatory information.

Certain required disclosures have been presented elsewhere in the Management's Discussion and Analysis, rather than in the notes to the combined financial statements. These disclosures are cross-referenced from the combined financial statements and are identified as audited.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the combined financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of Desjardins Group in accordance with the ethical requirements that are relevant to our audit of the combined financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the combined financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the combined financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Measurement of the allowance for expected credit losses on loans *Refer to note 2 – Accounting policies, and note 8 – Loans and allowance for credit losses, to the combined financial statements.* The allowance for expected credit losses on loans amounted to $1,180 million as at December 31, 2023 and represented management's estimate of the allowance for expected credit losses (ECL) at the reporting date. The measurement of the allowance for ECL is estimated for each exposure at the reporting date and is based on the result of multiplying the three credit risk parameters, namely probability of default (PD), loss given default (LGD) and exposure at default (EAD). The result of this multiplication is then discounted using the effective interest rate. For financial instruments in Stage 1 of the impairment model, credit risk parameters are projected over a maximum horizon of 12 months, while for those in Stage 2 or Stage 3, they are projected over the remaining life of the instrument. Desjardins Group uses three scenarios to determine the allowance for ECL, namely a base scenario, an upside scenario and a downside scenario. The macroeconomic variables projected under each scenario and the related probability of occurrence have a significant impact on determining significant increases in credit risk and measuring the allowance for ECL. Desjardins Group may also make adjustments to take into account the relevant information that affects the measurement of the allowance for credit losses and that has not been incorporated into the credit risk parameters. To take into account relevant risk factors related to the macroeconomic environment, management applied expert credit judgment in measuring the allowance for ECL. For credit-impaired loans that are individually material, the measurement of the allowance for ECL is based on an extensive review of the borrower's situation and the realization of collateral held. We considered this a key audit matter due to: • the inherent complexity of the calculations of the allowance for ECL as well as the significant judgments made by management in: – establishing the three scenarios, including projecting macroeconomic variables; – determining the probabilities of occurrence of the three scenarios; – determining significant increases in credit risk; and – applying expert credit judgment to reflect, among other things, the relevant risk factors related to the macroeconomic environment.	Our approach to addressing the matter included the following procedures, among others: • Testing the operating effectiveness of certain internal controls relating to the measurement of the allowance for ECL, including controls relating to: – the periodic monitoring and valuation of certain models; – the review of the macroeconomic variable projections and the probability of occurrence of the scenarios; – the assignment of borrower credit risk ratings; and – management's review and approval of the application of expert credit judgment and the allowance for ECL. • Testing management's process for measuring the allowance for ECL on loans by performing the following, among other things: – Evaluating, with the assistance of professionals with specialized skills and knowledge in credit risk and economics: ◦ the appropriateness of the methodologies used in calculating the allowance for ECL, including the independent recalculation of ECL on loans; ◦ the appropriateness of the three scenarios and the reasonableness of macroeconomic variables as well as the probability of occurrence assigned to the scenarios by considering publicly available economic data, forecasts from independent sources and sensitivity analyses to changes in some of these assumptions; ◦ the reasonableness of the establishment of credit risk parameters (PD, LGD, EAD); ◦ the reasonableness of the significant increases in credit risk determined by management; and ◦ the reasonableness of the application by management of expert credit judgment. – For a sample of credit-impaired loans that are individually material, evaluating the appropriateness of the methodology used in calculating the allowance for ECL and the reasonableness of assumptions. – Testing the data used in measuring the allowance for ECL.

- the evaluation of audit evidence, which required increased audit effort and significant judgments by the auditor, as the measurement of the allowance for ECL is a complex calculation that involves a large volume of interrelated inputs and assumptions, some of which are model-based; and
- the audit effort involved the use of professionals with specialized skills and knowledge in credit risk and economics.

Measurement of insurance contract liabilities – Estimates of fulfilment cash flows

Refer to note 2 – Accounting policies, and note 17 – Insurance and reinsurance contracts, to the combined financial statements.

Desjardins Group's insurance contract liabilities amounted to $32,961 million as at December 31, 2023 and included estimates of fulfilment cash flows (FCFs) of a) $23,159 million for life and health insurance activities and b) $6,858 million in the liability for incurred claims for the property and casualty insurance activities.

FCFs comprise the following items:

- Estimates of future cash flows, which are based on a probability-weighted mean of the full range of possible outcomes;
- Adjustment to reflect the time value of money; and
- Risk adjustment for non-financial risk.

Estimating future cash flows requires management to develop assumptions, including: a) with respect to the life and health insurance activities, assumptions for mortality, morbidity and contract cancellation rates; and b) with respect to the property and casualty insurance activities, past claims development, average settlement cost per claim, average number of claims and claims severity and frequency trends.

For the adjustment to reflect the time value of money, judgment is also required in determining the yield curves to be used, as a result of the determination of the assets held in the reference portfolios, the risk-free rates, the adjustments for credit risk and the adjustments for liquidity.

We considered this a key audit matter due to:

- the significant judgments made by management in estimating FCFs;
- the high degree of auditor judgment, subjectivity and effort in evaluating audit evidence related to the appropriateness of actuarial methods and techniques as well as the reasonableness of significant assumptions used by management; and
- the audit effort involved the use of professionals with specialized skills and knowledge in actuarial science.

Our approach to addressing the matter included the following procedures, among others:

- Testing management's process for estimating FCFs for the life and health insurance activities by performing the following, among other things:
  - Testing the operating effectiveness of certain internal controls over the completeness and accuracy of data used in estimating future cash flows;
  - Testing data used in determining the estimates of future cash flows; and
  - Evaluating, with the assistance of professionals with specialized skills and knowledge in actuarial science:
    - the appropriateness of the models and the reasonableness of the assumptions for mortality, morbidity and contract cancellation rates used in estimating future cash flows by evaluating the studies on experience used in determining these assumptions;
    - the appropriateness of the approach and the reasonableness of the reference asset portfolios and the risk-free rates used, as well as the adjustments for credit risk and the adjustments for liquidity; and
    - the appropriateness of the determination of the risk adjustment for non-financial risk.

For the estimates of FCFs for the liability for incurred claims for the property and casualty insurance activities:

- Testing the operating effectiveness of certain internal controls over the completeness and accuracy of data used in estimating future cash flows;
- Testing data used in determining the estimates of future cash flows;
- Developing, with the assistance of professionals with specialized skills and knowledge in actuarial science, an independent point estimate of future cash flows for a selection of business lines and comparing the independent point estimate with management's estimate to evaluate the reasonableness of management's estimate; and
- Evaluating, with the assistance of professionals having specialized skills and knowledge in actuarial science:
  - the appropriateness of the approach used and the reasonableness of the reference asset portfolios and the risk-free rates used, as well as the adjustments for credit risk and the adjustments for liquidity; and
  - the appropriateness of the determination of the risk adjustment for non-financial risk.

Adoption of IFRS 17, "Insurance Contracts" – Determination of the contractual service margin as at January 1, 2022

Refer to note 2 – Accounting policies, and note 17 – Insurance and reinsurance contracts, to the combined financial statements.

On January 1, 2023, Desjardins Group adopted IFRS 17, "Insurance Contracts", retrospectively unless it was impracticable to do so. On January 1, 2022, the transition date, management applied the fair value approach to all its groups of insurance contracts other than those to which the premium allocation approach has been applied. In accordance with this approach, the contractual service margin (CSM) at the transition date, amounting to $2,895 million, was determined as the difference between the fair value of the groups of insurance contracts and the FCFs measured at that date for the life and health insurance activities.

In the absence of an observable market, a valuation technique based on the present value of expected cash flows was used to measure the fair value of insurance contracts. The assumptions relating to discounted expected future cash flows and the risk adjustment for non-financial risk were adjusted from the perspective of market participants.

Applying the fair value approach required management to make certain judgments:

- the adjustments required to reflect the perspective of market participants are not different from the vision of management;
- the weighted average cost of capital of the life and health insurance subsidiary used as discount rate;
- the capital to remunerate was determined based on the internal target regulatory capital ratio defined by the life and health insurance subsidiary; and
- the required rate of return on capital is based on the required rate of return required by management on the various products of the life and health insurance subsidiary.

We considered this a key audit matter due to:

- the judgments made by management in determining the CSM as at January 1, 2022 using the fair value approach;
- the high degree of auditor judgment, subjectivity and effort in evaluating audit evidence related to the appropriateness of the valuation technique as well as the reasonableness of the assumptions used by management; and
- the audit effort involved the use of professionals with specialized skills and knowledge in valuation and actuarial science.

Our approach to addressing the matter included the following procedures, among others:

- Evaluating the appropriateness of management's accounting policies and their implementation;
- Testing, with the assistance of professionals having specialized skills and knowledge in valuation and actuarial science, management's process for determining the CSM using the fair value approach by performing the following, among other things:
  - Evaluating the appropriateness of the valuation technique used;
  - Evaluating the appropriateness of the calculation performed;
  - Testing data used in the valuation technique;
  - Evaluating the reasonableness of the expected cash flows from insurance contracts used in measuring fair value by reconciling such expected cash flows with the future cash flows included in FCFs;
  - Evaluating the reasonableness of the risk adjustment for non-financial risk from the perspective of market participants;
  - Evaluating the reasonableness of the capital to remunerate determined based on the internal target regulatory capital ratio and the required rate of return on equity used; and
  - Evaluating the reasonableness of the weighted average cost of capital used by determining a range of independent estimates reflecting the perspective of market participants and comparing it with the rate selected by management.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the combined financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the combined financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the combined financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the combined financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the combined financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the combined financial statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing Desjardins Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Desjardins Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Desjardins Group's financial reporting process.

Auditor's responsibilities for the audit of the combined financial statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Desjardins Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Desjardins Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Desjardins Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Desjardins Group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the combined financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Martin Bernier.

PricewaterhouseCoopers LLP[(1)]
(1) FCPA auditor, public accountancy permit No. A115888

Montréal (Québec)
February 21, 2024

Combined Balance Sheets

(in millions of Canadian dollars)	Notes	As at December 31, 2023	As at December 31, 2022 Restated (Note 2)	As at January 1, 2022 Restated (Note 2)
ASSETS				
Cash and deposits with financial institutions		**$ 8,987**	$ 8,913	$ 16,328
Securities	7			
Securities at fair value through profit or loss		**36,627**	33,987	39,730
Securities at fair value through other comprehensive income		**51,692**	51,258	53,286
Securities at amortized cost		**46**	50	41
		88,365	85,295	93,057
Securities borrowed or purchased under reverse repurchase agreements		**13,678**	17,024	12,019
Loans	8 and 9			
Residential mortgages		**165,858**	159,682	149,695
Consumer, credit card and other personal loans		**24,239**	24,211	24,214
Business and government		**77,018**	66,812	57,400
		267,115	250,705	231,309
Allowance for credit losses	8	**(1,180)**	(1,035)	(970)
		265,935	249,670	230,339
Segregated fund net assets	10	**24,754**	21,356	22,846
Other assets				
Clients' liability under acceptances		**—**	25	268
Derivative financial instruments	21	**5,861**	5,723	5,828
Amounts receivable from clients, brokers and financial institutions		**2,801**	3,486	2,557
Reinsurance contract assets	17	**1,676**	1,622	1,848
Right-of-use assets	11	**476**	543	530
Investment property	12	**974**	929	926
Property, plant and equipment	12	**1,549**	1,587	1,531
Goodwill		**563**	157	157
Intangible assets	13	**1,186**	663	466
Investments in companies accounted for using the equity method	14	**1,477**	1,465	1,380
Net defined benefit plan assets	18	**46**	679	62
Deferred tax assets	28	**1,244**	1,267	593
Other	15	**3,368**	3,540	2,934
		21,221	21,686	19,080
TOTAL ASSETS		**$ 422,940**	$ 403,944	$ 393,669
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits	16			
Individuals		**$ 151,519**	$ 145,377	$ 136,332
Business and government		**127,219**	114,172	101,644
Deposit-taking institutions		**591**	287	379
		279,329	259,836	238,355
Insurance contract liabilities	17	**32,961**	30,202	33,847
Other liabilities				
Acceptances		**—**	25	268
Commitments related to securities sold short		**11,686**	9,859	11,342
Commitments related to securities lent or sold under repurchase agreements		**12,032**	24,565	31,177
Derivative financial instruments	21	**6,626**	6,691	5,680
Amounts payable to clients, brokers and financial institutions		**9,350**	8,978	7,938
Lease liabilities		**553**	622	596
Reinsurance contract liabilities	17	**38**	36	45
Segregated fund net liabilities for investment contracts	10	**21,233**	17,826	18,628
Net defined benefit plan liabilities	18	**867**	654	1,048
Deferred tax liabilities	28	**252**	223	163
Other	19	**10,669**	9,092	8,924
		73,306	78,571	85,809
Subordinated notes	20	**2,954**	2,928	1,960
TOTAL LIABILITIES		**388,550**	371,537	359,971
EQUITY				
Capital stock	23	**4,731**	4,786	4,982
Undistributed surplus earnings		**2,668**	8,982	1,559
Accumulated other comprehensive income	25	**(708)**	(2,058)	317
Reserves		**26,784**	19,802	25,870
Equity – Group's share		**33,475**	31,512	32,728
Non-controlling interests	14	**915**	895	970
TOTAL EQUITY		**34,390**	32,407	33,698
TOTAL LIABILITIES AND EQUITY		**$ 422,940**	$ 403,944	$ 393,669

The accompanying notes are an integral part of the Combined Financial Statements.

On behalf of the Board of Directors of the *Fédération des caisses Desjardins du Québec*,

Guy Cormier
Chair of the Board

Johanne Charbonneau, FCPA
Vice-Chair of the Board

Combined Statements of Income

For the years ended December 31

(in millions of Canadian dollars)	Notes	2023	2022 Restated (Note 2)
INTEREST INCOME			
Loans		**$ 11,900**	$ 8,278
Securities		**2,067**	1,107
		13,967	9,385
INTEREST EXPENSE			
Deposits		**6,459**	2,829
Subordinated notes		**139**	78
Other		**336**	148
		6,934	3,055
NET INTEREST INCOME	27	**7,033**	6,330
INSURANCE SERVICE RESULT			
Insurance revenue	17	**10,429**	9,725
Insurance service expenses		**(8,934)**	(8,612)
Net reinsurance service income (expenses)		**(129)**	(55)
		1,366	1,058
NET INSURANCE FINANCE RESULT			
Net insurance investment income (loss)	17	**2,971**	(4,371)
Net insurance finance income (expenses)		**(2,383)**	4,594
Net reinsurance finance income (expenses)		**103**	(215)
		691	8
NET INSURANCE SERVICE INCOME		**2,057**	1,066
OTHER INCOME			
Deposit and payment service charges		**483**	448
Lending fees and card service revenues		**951**	965
Brokerage and investment fund services		**1,339**	989
Management and custodial service fees		**751**	662
Net other investment income (loss)	27	**(486)**	(500)
Foreign exchange income (loss)		**192**	119
Other		**257**	261
		3,487	2,944
TOTAL NET INCOME		**12,577**	10,340
PROVISION FOR CREDIT LOSSES	8	**529**	277
NON-INTEREST EXPENSE			
Salaries and employee benefits		**5,428**	5,120
Professional fees		**817**	1,084
Technology		**1,131**	924
Commissions		**705**	306
Occupancy costs		**408**	391
Communications		**358**	379
Business and capital taxes		**123**	118
Other		**1,247**	1,203
Gross non-interest expense		**10,217**	9,525
Non-interest expense included in insurance service expenses		**(985)**	(1,023)
NET NON-INTEREST EXPENSE		**9,232**	8,502
OPERATING SURPLUS EARNINGS		**2,816**	1,561
Income taxes on surplus earnings	28	**557**	319
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS		**2,259**	1,242
Member dividends		**412**	403
Tax recovery on member dividends	28	**(108)**	(106)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS		**$ 1,955**	$ 945
of which:			
Group's share		**$ 1,884**	$ 927
Non-controlling interests' share	14	**71**	18

The accompanying notes are an integral part of the Combined Financial Statements.

Combined Statements of Comprehensive Income

For the years ended December 31

(in millions of Canadian dollars)	2023	2022 Restated (Note 2)
Net surplus earnings for the year after member dividends	**$ 1,955**	$ 945
Other comprehensive income, net of income taxes		
Items that will not be reclassified subsequently to the Combined Statements of Income		
Remeasurement of net defined benefit plan assets and liabilities	**(813)**	691
Net change in gains and losses on equity securities designated as at fair value through other comprehensive income	**96**	(1)
Net change in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	**(8)**	7
	(725)	697
Items that will be reclassified subsequently to the Combined Statements of Income		
Net change in unrealized gains and losses on debt securities classified as at fair value through other comprehensive income		
Net unrealized gains (losses)	**425**	(1,672)
Reclassification of net (gains) losses to the Combined Statements of Income	**280**	189
	705	(1,483)
Net change in cash flow hedges		
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**384**	(897)
Reclassification to the Combined Statements of Income of net (gains) losses on derivative financial instruments designated as cash flow hedges	**151**	(2)
	535	(899)
Share of associates and joint ventures accounted for using the equity method	**3**	(5)
	1,243	(2,387)
Total other comprehensive income, net of income taxes	**518**	(1,690)
COMPREHENSIVE INCOME FOR THE YEAR	**$ 2,473**	$ (745)
of which:		
Group's share	**$ 2,397**	$ (759)
Non-controlling interests' share	**76**	14

The accompanying notes are an integral part of the Combined Financial Statements.

Income taxes on other comprehensive income

The tax expense (recovery) related to each component of other comprehensive income for the year is presented in the following table.

For the years ended December 31

(in millions of Canadian dollars)	2023	2022 Restated (Note 2)
Items that will not be reclassified subsequently to the Combined Statements of Income		
Remeasurement of net defined benefit plan assets and liabilities	**$ (295)**	$ 249
Net change in gains and losses on equity securities designated as at fair value through other comprehensive income	**13**	—
Net change in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	**(3)**	3
	(285)	252
Items that will be reclassified subsequently to the Combined Statements of Income		
Net change in unrealized gains and losses on debt securities classified as at fair value through other comprehensive income		
Net unrealized gains (losses)	**137**	(596)
Reclassification of net (gains) losses to the Combined Statements of Income	**97**	67
	234	(529)
Net change in cash flow hedges		
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**139**	(324)
Reclassification to the Combined Statements of Income of net (gains) losses on derivative financial instruments designated as cash flow hedges	**54**	(1)
	193	(325)
	427	(854)
Total income tax expense (recovery)	**$ 142**	$ (602)

Combined Statements of Changes in Equity

For the years ended December 31

(in millions of Canadian dollars)	Capital stock (Note 23)	Undistributed surplus earnings	Accumulated other comprehensive income (Note 25)	Reserves: Stabilization reserve	Reserves: Reserve for future member dividends	Reserves: General and other reserves	Reserves: Total reserves	Equity - Group's share	Non-controlling interests (Note 14)	Total equity
BALANCE AS AT DECEMBER 31, 2021, as reported	$ 4,982	$ 1,546	$ 765	$ 795	$ 1,212	$ 23,314	$ 25,321	$ 32,614	$ 912	$ 33,526
Adoption of IFRS 17 (Note 2)	—	13	(448)	—	—	549	549	114	58	172
RESTATED BALANCE AS AT JANUARY 1, 2022	$ 4,982	$ 1,559	$ 317	$ 795	$ 1,212	$ 23,863	$ 25,870	$ 32,728	$ 970	$ 33,698
Net surplus earnings for the year after member dividends (restated)	—	927	—	—	—	—	—	927	18	945
Other comprehensive income for the year (restated)	—	689	(2,375)	—	—	—	—	(1,686)	(4)	(1,690)
Comprehensive income for the year (restated)	—	1,616	(2,375)	—	—	—	—	(759)	14	(745)
Other changes to capital stock	(196)	—	—	—	—	—	—	(196)	—	(196)
Transactions related to non-controlling interests	—	—	—	—	—	—	—	—	(9)	(9)
Transfer between undistributed surplus earnings and reserves (restated)	—	(1,828)	—	(452)	492	1,788	1,828	—	—	—
Remuneration on capital stock	—	(262)	—	—	—	—	—	(262)	—	(262)
Dividends	—	—	—	—	—	—	—	—	(80)	(80)
Equity transactions (restated)[1]	—	7,896	—	—	—	(7,896)	(7,896)	—	—	—
Other	—	1	—	—	—	—	—	1	—	1
BALANCE AS AT DECEMBER 31, 2022	$ 4,786	$ 8,982	$ (2,058)	$ 343	$ 1,704	$ 17,755	$ 19,802	$ 31,512	$ 895	$ 32,407
New financial asset designation (Note 2)	**—**	**(199)**	**119**	**—**	**—**	**—**	**—**	**(80)**	**—**	**(80)**
RESTATED BALANCE AS AT JANUARY 1, 2023	**$ 4,786**	**$ 8,783**	**$ (1,939)**	**$ 343**	**$ 1,704**	**$ 17,755**	**$ 19,802**	**$ 31,432**	**$ 895**	**$ 32,327**
Net surplus earnings for the year after member dividends	**—**	**1,884**	**—**	**—**	**—**	**—**	**—**	**1,884**	**71**	**1,955**
Other comprehensive income for the year	**—**	**(718)**	**1,231**	**—**	**—**	**—**	**—**	**513**	**5**	**518**
Comprehensive income for the year	**—**	**1,166**	**1,231**	**—**	**—**	**—**	**—**	**2,397**	**76**	**2,473**
Other changes to capital stock	**(55)**	**—**	**—**	**—**	**—**	**—**	**—**	**(55)**	**—**	**(55)**
Remuneration on capital stock	**—**	**(293)**	**—**	**—**	**—**	**—**	**—**	**(293)**	**—**	**(293)**
Dividends	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(56)**	**(56)**
Transfer between undistributed surplus earnings and reserves	**—**	**(6,982)**	**—**	**273**	**1,824**	**4,885**	**6,982**	**—**	**—**	**—**
Other	**—**	**(6)**	**—**	**—**	**—**	**—**	**—**	**(6)**	**—**	**(6)**
BALANCE AS AT DECEMBER 31, 2023	**$ 4,731**	**$ 2,668**	**$ (708)**	**$ 616**	**$ 3,528**	**$ 22,640**	**$ 26,784**	**$ 33,475**	**$ 915**	**$ 34,390**

[1] The increase in undistributed surplus earnings for the year results from equity transactions between Desjardins Group entities. Undistributed surplus earnings arising from such transactions were included in the surplus earnings distribution plans in 2023. These transactions had no impact on Desjardins Group's equity.

The accompanying notes are an integral part of the Combined Financial Statements.

Combined Statements of Cash Flows

For the years ended December 31

(in millions of Canadian dollars)	2023	2022 Restated (Note 2)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Operating surplus earnings	**$ 2,816**	$ 1,561
Non-cash adjustments:		
Depreciation of right-of-use assets, property, plant and equipment and investment property, and amortization of intangible assets	**464**	383
Amortization of premiums and discounts	**119**	334
Provision for credit losses	**529**	277
Net realized (gains) losses on securities classified as at fair value through other comprehensive income	**187**	157
Net (gains) losses on disposal of property, plant and equipment, intangible assets and investment property	**10**	(2)
Other	**(183)**	(109)
Change in operating assets and liabilities:		
Securities at fair value through profit or loss	**(2,640)**	5,747
Securities borrowed or purchased under reverse repurchase agreements	**3,346**	(5,005)
Loans	**(16,794)**	(19,608)
Insurance and reinsurance contract assets and liabilities	**2,707**	(3,428)
Derivative financial instruments, net amount	**(335)**	1,548
Net amounts receivable from and payable to clients, brokers and financial institutions	**1,057**	111
Deposits	**19,493**	21,481
Commitments related to securities sold short	**1,827**	(1,483)
Commitments related to securities lent or sold under repurchase agreements	**(12,533)**	(6,612)
Other	**(81)**	934
Payment of the contingent consideration	**(60)**	(87)
Income taxes paid on surplus earnings	**(46)**	(856)
Payment of member dividends	**(398)**	(386)
	(515)	(5,043)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Issuance of subordinated notes	**—**	997
Sale (purchase) of debt securities and subordinated notes to (from) third parties on the market	**—**	17
Repayment of lease liabilities	**(78)**	(61)
Other changes to capital stock	**(55)**	(196)
Remuneration on capital stock	**(262)**	(208)
Transactions related to non-controlling interests	**—**	(9)
Dividends paid	**(56)**	(80)
	(451)	460
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of securities at fair value through other comprehensive income and at amortized cost	**(36,744)**	(36,789)
Proceeds from disposals of securities at fair value through other comprehensive income and at amortized cost	**21,273**	22,300
Proceeds from maturities of securities at fair value through other comprehensive income and at amortized cost	**17,506**	12,294
Business acquisition, net of cash and cash equivalents acquired	**(743)**	—
Acquisitions of property, plant and equipment, intangible assets and investment property	**(519)**	(613)
Proceeds from disposals of property, plant and equipment, intangible assets and investment property	**9**	21
Distributions received from associates and joint ventures	**383**	81
Acquisitions of joint ventures and associates accounted for using the equity method	**(125)**	(126)
	1,040	(2,832)
Net increase (decrease) in cash and cash equivalents	**74**	(7,415)
Cash and cash equivalents at beginning of year	**8,913**	16,328
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 8,987**	$ 8,913
Supplemental information on cash flows from (used in) operating activities		
Interest paid	**$ 6,098**	$ 2,658
Interest received	**14,529**	9,949
Dividends received	**290**	253

The accompanying notes are an integral part of the Combined Financial Statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION

Nature of operations

Desjardins Group is made up of the Desjardins caisses in Québec, Caisse Desjardins Ontario Credit Union Inc. (CDO), the *Fédération des caisses Desjardins du Québec* (the Federation) and its subsidiaries, and the *Fonds de sécurité Desjardins*. A number of the subsidiaries are active across Canada. The various business segments in which Desjardins Group operates are described in Note 31, “Segmented information”. The address of its head office is 100 Des Commandeurs Street, Lévis, Québec, Canada.

Combined Financial Statements

As an integrated financial services group, Desjardins Group is a complete economic entity. These Combined Financial Statements have been prepared to present the financial position, the financial performance and the cash flows of this economic entity. The Desjardins caisses exercise a collective power over the Federation, which is the cooperative entity responsible for assuming orientation, framework, coordination and development activities for Desjardins Group. The role of the Federation is also to protect the interests of Desjardins Group members.

As Desjardins caisses and the Federation are financial services cooperatives, these Combined Financial Statements differ from the consolidated financial statements of a group with a traditional organizational structure. Consequently, the Combined Financial Statements of Desjardins Group are a combination of the accounts of the Desjardins caisses of Québec, CDO, the Federation and its subsidiaries and the *Fonds de sécurité Desjardins*. The capital stock of Desjardins Group represents the aggregate of the capital stock issued by the Desjardins caisses of Québec, the Federation and CDO.

Statement of compliance

Pursuant to the *Act Respecting Financial Services Cooperatives* (the Act), these 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 *Autorité des marchés financiers* (AMF) in Québec, which do not differ from IFRS. The impact of adopting IFRS 17, “Insurance Contracts” on Desjardins Group’s Combined Financial Statements is presented in Note 2, “Accounting policies”. Certain comparative figures for the year ended December 31, 2022 have been restated, and a restated opening Balance Sheet as at January 1, 2022 is presented to reflect this new standard. In addition, certain comparative figures have been reclassified to conform with the presentation of the Combined Financial Statements for the current year. These reclassifications had no impact on Desjardins Group’s profit or loss or total assets and liabilities.

The Combined Financial Statements for the year ended December 31, 2023 were approved by the Board of Directors of Desjardins Group, which is the Board of Directors of the Federation, on February 21, 2024.

The significant measurement and presentation rules applied to prepare these Combined Financial Statements are described below.

Significant judgments, estimates and assumptions

The preparation of combined financial statements in accordance with IFRS requires management to make judgments and estimates and rely on assumptions which have an impact on the reported amount of certain assets, liabilities, income and expenses as well as related disclosures. The accounting policies that required management to make difficult, subjective or complex judgments, often about matters that are inherently uncertain, are related to consolidation of structured entities, determination of the fair value of financial instruments, derecognition of financial assets, impairment of financial instruments, impairment of non-financial assets, measurement of insurance contract liabilities and transition approaches used in applying IFRS 17 as at January 1, 2022, provisions, income taxes on surplus earnings, employee benefits as well as intangible assets. Consequently, actual results could differ from those estimates and assumptions.

The economic environment continues to give rise to sources of uncertainty having an impact on judgments as well as significant estimates and assumptions made by management in preparing the Combined Financial Statements. This specifically affects the allowance for expected credit losses. For more information on significant judgments made to estimate the allowance for expected credit losses, see Note 8, “Loans and allowance for credit losses”.

NOTE 2 – ACCOUNTING POLICIES

Scope of the Group

The Combined Financial Statements of Desjardins Group include the assets, liabilities, operating results and cash flows of the Desjardins caisses in Québec, CDO, the Federation and its subsidiaries and the *Fonds de sécurité Desjardins*. The financial statements of all Group entities have been prepared using similar accounting policies. All intercompany transactions and balances have been eliminated.

Management must use its judgment to determine whether the facts and circumstances resulting from a relationship with another entity give Desjardins Group control, joint control or significant influence over such entity. In particular, significant judgments must be made with respect to structured entities.

Investments in associates and joint ventures

Desjardins Group's investments in associates and joint ventures are presented under "Investments in companies accounted for using the equity method" in the Combined Balance Sheets.

Presentation and functional currency

These Combined Financial Statements are expressed in Canadian dollars, which is also the functional currency of Desjardins Group. Dollar amounts presented in the tables of the Notes to the Combined Financial Statements are in millions of dollars, unless otherwise stated.

CHANGES IN ACCOUNTING POLICIES

Adoption of IFRS 17, "Insurance Contracts"

On January 1, 2023, Desjardins Group adopted IFRS 17, "Insurance Contracts", which replaced IFRS 4, "Insurance Contracts". IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of all insurance and reinsurance contracts.

The adoption of this standard resulted in major changes to Desjardins Group's Combined Financial Statements. Certain comparative figures for the year ended December 31, 2022 have been restated, and a restated opening Balance Sheet as at January 1, 2022 is presented to reflect these changes. The accounting policies applied subsequent to adopting IFRS 17 are described in section k), Insurance and reinsurance contracts, below.

ACCOUNTING POLICIES

a) Financial assets and liabilities

Financial assets and liabilities are recognized on the date Desjardins Group becomes a party to their contractual provisions, namely the date of acquisition or issuance of the financial instrument. Regular-way purchases and sales of financial assets are recognized on a trade-date basis.

Classification and measurement

Financial assets are classified based on their contractual cash flow characteristics and the business model under which they are held.

Contractual cash flow characteristics

In order to meet the cash flow characteristics criterion for purposes of classifying a financial asset, the cash flows from this asset must be solely payments of principal and interest on the principal amount outstanding. Principal is generally the fair value of the financial asset at initial recognition. Interest consists mainly of consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time, but it may also include consideration for other basic lending risks and costs, such as liquidity risk and administrative costs, as well as a certain profit margin.

Business models

Desjardins Group's business models are determined in a manner that reflects how groups of financial assets are managed to achieve a particular business objective. The business models refer to how Desjardins Group manages its financial assets in order to generate cash flows. They therefore reflect whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Determining business models requires the use of judgment and is based on all relevant evidence that is available to Desjardins Group at the date of the assessment.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

Desjardins Group's business models are defined as follows:
- Held to collect contractual cash flows: The objective of holding financial assets is achieved by collecting contractual cash flows.
- Held to collect contractual cash flows and sell: The objective is achieved by both collecting contractual cash flows and selling financial assets.
- Other business models: The objective is not consistent with any of the above-mentioned business models.

The classification and measurement of financial assets can be summarized as follows:

Classes		Categories	Recognition	
			Initial	Subsequent
Financial assets	At fair value through profit or loss (i)	Classified as at fair value through profit or loss (ii)	Fair value	Fair value
		Designated as at fair value through profit or loss (iii)	Fair value	Fair value
	At fair value through other comprehensive income (iv)	Classified as at fair value through other comprehensive income (v)	Fair value	Fair value
		Designated as at fair value through other comprehensive income (vi)	Fair value	Fair value
	Amortized cost (vii)		Fair value	Amortized cost

(i) Financial assets included in the "At fair value through profit or loss" class comprise financial assets "Classified as at fair value through profit or loss" and "Designated as at fair value through profit or loss". Therefore:
- Changes in fair value of financial assets included in this class are recorded under "Net insurance investment income (loss)" and "Net other investment income (loss)" in the Combined Statements of Income.
- Interest income calculated using the effective interest method and dividend income from the "At fair value through profit or loss" class of the Personal and Business Services segment and the Other category are mainly recognized under "Interest income – Securities". For the other segments, such income is mainly recognized under "Net insurance investment income (loss)" and "Net other investment income (loss)".

(ii) Financial assets "Classified as at fair value through profit or loss" include the following:
- Debt instruments that are managed for trading purposes or on a fair value basis or do not meet the criteria of the contractual cash flow test performed to determine whether cash flows are solely payments of principal or interest.
- Equity instruments that were not "Designated as at fair value through other comprehensive income".
- Derivative financial instruments.

Section n), "Derivative financial instruments and hedging activities", specifies the nature of the recognition of derivative financial instruments designated as part of hedging relationships.

(iii) Financial assets "Designated as at fair value through profit or loss" are debt instruments designated as such by management upon initial recognition, on an instrument-by-instrument basis. Management may make this irrevocable designation if doing so eliminates or significantly reduces a measurement or recognition inconsistency for the financial asset.

Desjardins Group's financial assets included in this measurement category comprise mainly debt securities and loans held in respect of insurance activities.

(iv) Financial assets included in the "At fair value through other comprehensive income" class comprise financial assets "Classified as at fair value through other comprehensive income" and "Designated as at fair value through other comprehensive income". Therefore:
- Changes in fair value of financial assets included in this class, except for changes related to the allowance for expected credit losses and exchange gains and losses on financial assets "Classified as at fair value through other comprehensive income", are recorded in the Combined Statements of Comprehensive Income as net unrealized gains and losses. For financial assets "Classified as at fair value through other comprehensive income", gains and losses are reclassified to the Combined Statements of Income when the asset is derecognized, while for financial assets "Designated as at fair value through other comprehensive income", gains and losses are never reclassified subsequently to the Combined Statements of Income and are reclassified immediately to undistributed surplus earnings.
- Dividends from equity instruments "Designated as at fair value through other comprehensive income" are mainly recognized under "Net insurance investment income (loss)".
- Premiums and discounts on the purchase of financial assets "At fair value through other comprehensive income" are amortized over the life of the securities using the effective interest method and recognized under "Interest income – Securities" for the Personal and Business Services segment and the Other category. For the other segments, they are mainly recognized under "Net insurance investment income (loss)" and "Net other investment income (loss)".

(v) Financial assets "Classified as at fair value through other comprehensive income" include debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and meet the criteria of the contractual cash flow test performed to determine whether cash flows are solely payments of principal or interest.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

(vi) Financial assets “Designated as at fair value through other comprehensive income” include equity instruments for which an irrevocable election was made, on an instrument-by-instrument basis. This election is made for some equity instruments of public companies held in respect of insurance activities to mitigate volatility in the Combined Statements of Income and some equity instruments of private companies that are held on a long-term basis.

(vii) Securities included in the “Amortized cost” class are financial assets that are held within a business model whose objective is achieved by collecting contractual cash flows and meet the criteria of the contractual cash flow test performed to determine whether cash flows are solely payments of principal or interest.

Securities included in this class are initially recognized at fair value in the Combined Balance Sheets and, at subsequent reporting dates, they are measured at amortized cost using the effective interest method. Income recognized on securities included in the “Amortized cost” class is presented under “Interest income – Loans” in the Combined Statements of Income when it is recognized by the Personal and Business Services segment and the Other category. For the other segments, it is recognized mainly under “Net insurance investment income (loss)” and “Net other investment income (loss)”.

Financial assets are not reclassified following their initial recognition, except when the business model for managing those financial assets is changed.

Financial liabilities are classified based on their characteristics and the intention of management upon their issuance.

The classification and measurement of financial liabilities can be summarized as follows:

Classes		Categories	Recognition	
			Initial	Subsequent
Financial liabilities	At fair value through profit or loss (i)	Classified as at fair value through profit or loss (ii)	Fair value	Fair value
		Designated as at fair value through profit or loss (iii)	Fair value	Fair value
	Amortized cost (iv)		Fair value	Amortized cost

(i) Financial liabilities included in the “At fair value through profit or loss” class comprise financial liabilities “Classified as at fair value through profit or loss” and “Designated as at fair value through profit or loss”. Therefore:
- Changes in fair value of financial liabilities included in this class are mainly recorded under “Net insurance investment income (loss)” and “Net other investment income (loss)” in the Combined Statements of Income. However, for financial liabilities designated as at fair value, the change in fair value that is attributable to Desjardins Group’s own credit risk is recognized in other comprehensive income that will not be reclassified subsequently to the Combined Statements of Income and is reclassified immediately to undistributed surplus earnings.
- Interest expense related to financial liabilities included in the “At fair value through profit or loss” class is recognized under “Interest expense” in the Combined Statements of Income for the Personal and Business Services segment and the Other category. For the other segments, interest expense is recognized under “Net other investment income (loss)” in the Combined Statements of Income.

(ii) Financial liabilities “Classified as at fair value through profit or loss” are securities held for trading and include debt securities issued with the intention to repurchase them in the near term and securities that are part of a portfolio of securities that are managed together and for which there is evidence of an actual pattern of short-term profit-taking, such as “Commitments related to securities sold short”. Derivative financial instruments are also classified as held for trading.

Section n), “Derivative financial instruments and hedging activities”, of this note specifies the nature of the recognition of derivative financial instruments designated as part of hedging relationships.

(iii) Financial liabilities “Designated as at fair value through profit or loss” are designated as such by management upon initial recognition, on an instrument-by-instrument basis, and are essentially debt securities. Management may make this irrevocable designation if doing so eliminates or significantly reduces a measurement or recognition inconsistency for the financial liability, if a group of financial liabilities is managed and its performance is evaluated on a fair value basis, or if the liabilities are hybrid financial liabilities containing at least one embedded derivative that would otherwise be separated from the host contract and recognized separately.

Financial liabilities included in this measurement category comprise deposits containing at least one embedded derivative that would otherwise be separated from the host contract and recognized separately.

(iv) Financial liabilities that are not in the “At fair value through profit or loss” class are included in the “Amortized cost” class.

Financial liabilities included in this class are initially recognized at fair value in the Combined Balance Sheets and, at subsequent reporting dates, they are measured at amortized cost using the effective interest method. Interest expense on securities included in the “Amortized cost” class is recognized under “Interest expense” in the Combined Statements of Income for the Personal and Business Services segment and the Other category. Interest expense for the other segments is recognized mainly under “Net insurance investment income (loss)” and “Net other investment income (loss)” in the Combined Statements of Income.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

Determination of the fair value of financial instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

There is little subjectivity in the determination of the fair value of financial instruments, especially securities and commitments related to securities sold short, obtained from quoted prices on active markets. This fair value is based on the quoted price within the bid-ask spread that is most representative of fair value in the circumstances.

If there are no quoted prices on active markets, fair value is determined using models that maximize the use of observable inputs and minimize the use of unobservable inputs. In such cases, fair value estimates are established using valuation techniques such as cash flow discounting, comparisons with similar financial instruments, option pricing models and other valuation techniques commonly used by market participants, if these techniques have been demonstrated to provide reliable estimates. Valuation techniques rely on assumptions concerning the amount and timing of estimated future cash flows and discount rates that are mainly based on observable data, such as interest rate yield curves, exchange rates, credit curves and volatility factors. When one or several material inputs are not observable on the market, fair value is determined mainly based on internal inputs and estimates that take into account the characteristics specific to the financial instrument and any factor relevant to the measurement. For complex financial instruments, significant judgment is made in determining the valuation technique to be used and in selecting inputs and adjustments associated with this technique. Due to the need to use estimates and make judgments when applying many valuation techniques, fair value estimates for identical or similar assets may differ between entities. Fair value reflects market conditions on a given date and may not be representative of future fair values. It should not be considered as being realizable in the event of immediate settlement of these instruments.

Loans

The fair value of performing loans classified as at “Amortized cost” and loans classified as “At fair value through profit or loss” is determined by discounting expected contractual cash flows using market interest rates charged for similar new loans at the reporting date and reflects estimated prepayments, adjusted to take into account credit losses on the loan portfolio. Changes in interest rates and in the creditworthiness of borrowers are the main causes of changes in the fair value of loans held by Desjardins Group.

Deposits

The fair value of fixed-rate deposits is determined by discounting expected cash flows using market interest rates currently being offered for deposits with substantially the same term and reflects estimated prepayments. The fair value of deposits with floating-rate features or with no stated maturity is assumed to be equal to their carrying amount. The fair value of certain liabilities presented under “Deposits – Business and government” is based on the market price for similar instruments or on expected cash flow discounting. For financial liabilities designated as at fair value through profit or loss, the fair value takes option pricing models into account, and the valuation techniques are similar to those used for derivative financial instruments.

Subordinated notes

The fair value of subordinated notes is based on market prices.

Derivative financial instruments

The fair value of derivative financial instruments is determined using pricing models that incorporate the current market prices and the contractual prices of the underlying instruments, the time value of money, interest rate yield curves, credit curves and volatility factors. This fair value is presented without taking into account the impact of legally enforceable master netting agreements. However, Desjardins Group adjusts the measurement of these instruments based on credit risk, and such adjustments reflect the financial ability of the counterparties to the contracts and the creditworthiness of Desjardins Group, as well as credit risk mitigation measures such as legally enforceable master netting agreements. Note 21, “Derivative financial instruments and hedging activities”, specifies the nature of derivative financial instruments held by Desjardins Group.

Financial instruments whose fair value equals their carrying amount

The carrying amount of certain financial instruments is a reasonable approximation of their fair value given their short-term maturity or their features. These financial instruments include the following items: “Cash and deposits with financial institutions”; “Securities borrowed or purchased under reverse repurchase agreements”; “Clients’ liability under acceptances”; “Amounts receivable from clients, brokers and financial institutions”; some items included in “Other assets – Other”; “Acceptances”; “Commitments related to securities lent or sold under repurchase agreements”; “Amounts payable to clients, brokers and financial institutions”; and some items included in “Other liabilities – Other”.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

Transaction costs

Transaction costs for financial instruments are capitalized and then amortized over the life of the instrument using the effective interest method for financial instruments classified as “At fair value through other comprehensive income” and at “Amortized cost”, while they are never subsequently reclassified to the Combined Statements of Income for financial instruments designated as “At fair value through other comprehensive income”. For financial instruments classified or designated as “At fair value through profit or loss”, these costs are expensed as incurred.

Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when there is a legally enforceable and unconditional right to set off the recognized amounts and Desjardins Group intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

A financial asset is derecognized from the Combined Balance Sheets when the contractual rights to the cash flows from the asset expire, when the contractual rights to receive these cash flows are retained but Desjardins Group has the obligation to pay them to a third party under certain conditions, or when Desjardins Group transfers the contractual rights to receive the cash flows and substantially all the risks and rewards of ownership of the asset have been transferred.

When substantially all the risks and rewards of ownership of the transferred financial asset are retained by Desjardins Group, such asset is not derecognized from the Combined Balance Sheets and a financial liability is recognized, when appropriate.

When a financial asset is derecognized in its entirety, a gain or a loss is recognized in the Combined Statements of Income for an amount equal to the difference between the carrying amount of the asset and the value of the consideration received.

Management must use its judgment to determine whether the contractual rights to the cash flows have expired, have been transferred or have been retained with an obligation to pay them to a third party. With respect to the transfer of substantially all the risks and rewards of ownership of the assets, management evaluates Desjardins Group’s exposure before and after the transfer as well as the changes in the amount and timing of the net cash flows of the transferred asset.

A financial liability is derecognized when the related obligation is discharged, cancelled or expires. The difference between the carrying amount of the transferred financial liability and the consideration paid is recognized in the Combined Statements of Income.

b) Cash and deposits with financial institutions

“Cash and deposits with financial institutions” includes cash and cash equivalents. Cash equivalents consist of deposits with the Bank of Canada, deposits with financial institutions—including net amounts receivable related to cheques and other items in the clearing process—as well as certain fixed-income securities. These financial instruments mature in the short term, are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

c) Securities

The classification and measurement of securities are determined using the criteria stated in section a), “Financial assets and liabilities”, above.

Securities purchased under reverse repurchase agreements and securities borrowed

Securities purchased under reverse repurchase agreements and securities borrowed are not recognized in the Combined Balance Sheets, as substantially all the risks and rewards of ownership of these securities have not been obtained.

Reverse repurchase agreements are treated as collateralized lending transactions. An asset corresponding to the consideration paid for the securities acquired, including accrued interest, is recognized under “Securities borrowed or purchased under reverse repurchase agreements” in the Combined Balance Sheets.

As part of securities borrowings, Desjardins Group pledges cash or securities as collateral. When cash is pledged as collateral, an asset corresponding to the amount that will be received upon the delivery of the borrowed securities is recognized under “Securities borrowed or purchased under reverse repurchase agreements” in the Combined Balance Sheets. When securities are pledged as collateral, such securities are not derecognized, as substantially all the risks and rewards of ownership of these securities are retained.

Securities sold under repurchase agreements and securities lent

Securities sold under repurchase agreements and securities lent are not derecognized from the Combined Balance Sheets, as substantially all the risks and rewards of ownership of these securities are retained.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

Repurchase agreements are treated as collateralized borrowing transactions. A liability corresponding to the consideration received for the securities sold, including accrued interest, is recognized under “Commitments related to securities lent or sold under repurchase agreements” in the Combined Balance Sheets.

As part of securities loans, Desjardins Group receives cash or securities as collateral. When cash is received as collateral, a liability corresponding to the obligation to deliver cash is recognized under “Commitments related to securities lent or sold under repurchase agreements” in the Combined Balance Sheets. When securities are received as collateral, such securities are not recognized, as substantially all the risks and rewards of ownership of these securities have not been obtained.

Securities sold short

Securities sold short as part of trading activities, which represent Desjardins Group’s obligation to deliver securities that it did not possess at the time of sale, are recognized as liabilities at their fair value. Realized and unrealized gains and losses on these securities are recognized under “Net insurance investment income (loss)” and “Net other investment income (loss)” in the Combined Statements of Income.

d) Loans

The classification and measurement of loans are determined using the criteria stated in section a), “Financial assets and liabilities”, above. The majority of loans are classified as at “Amortized cost”.

Fees collected and direct costs related to the origination, restructuring and renegotiation of loans classified as at “Amortized cost” are treated as being integral to the yield of the loans. They are deferred and amortized using the effective interest method, and the amortization is recognized as interest income over the life of the loan. Collateral is obtained if deemed necessary, based on an assessment of the borrower’s creditworthiness. Such collateral normally takes the form of assets such as capital assets, receivables, inventory, equipment, securities (government securities, equity securities, etc.) or cash.

Restructured loans are loans for which Desjardins Group renegotiated the initial terms by granting concessions to the borrower in the context of financial difficulties or to prevent a failure by the borrower to meet its initial obligations. Once the terms of the loan have been renegotiated and accepted by the borrower, the loan is considered as restructured.

When the modification of the terms of a loan classified as at “Amortized cost” has no significant impact on contractual cash flows, the renegotiated loan is not derecognized. At the date of restructuring, the loan is reduced to the amount of the estimated net cash flows receivable under the modified terms, discounted at the effective interest rate (prior to the restructuring), which may result in a gain or loss on modification. When the modification of the terms has a significant impact on contractual cash flows, the initial loan should be derecognized, which may result in a gain or loss on derecognition. In addition, a new loan should be recognized based on the new contractual terms. When the modification of the terms does not result in the derecognition of the loan, the date of initial recognition of the loan remains unchanged for purposes of applying the impairment model. The default risk based on the modified contractual terms is then compared to the default risk based on the initial terms to determine whether there has been a significant increase in credit risk since initial recognition. When the modification of the terms results in the derecognition of the loan and the recognition of a new loan, the date of the modification should become the date of initial recognition of the new loan for purposes of applying the impairment model. A new loan is usually considered as being in Stage 1 of the impairment model, but it may have to be considered as credit-impaired upon origination.

e) Impairment of financial instruments

At each reporting date, Desjardins Group recognizes an allowance for expected credit losses for debt instruments classified as at “Amortized cost” or as “At fair value through other comprehensive income”, as well as certain off-balance sheet items, namely loan commitments and financial guarantees, which are not measured at fair value through profit or loss. This allowance is estimated based on an impairment model that comprises three stages:

- Stage 1: For financial instruments that have not had a significant increase in credit risk since initial recognition and are not considered as credit-impaired financial assets, an allowance for credit losses amounting to 12-month expected credit losses is recognized.
- Stage 2: For financial instruments that have had a significant increase in credit risk since initial recognition but are not considered as credit-impaired financial assets, an allowance for credit losses amounting to the lifetime expected credit losses is recognized.
- Stage 3: For financial instruments considered as credit impaired, an allowance for credit losses amounting to the lifetime expected credit losses continues to be recognized.

Financial instruments may, over their life, move from one impairment model stage to another based on the improvement or deterioration in their credit risk and the level of expected credit losses. Instruments are always classified in the various stages of the impairment model based on the change in credit risk between the reporting date and the initial recognition date of the financial instrument and an analysis of evidence of impairment.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

Determination of significant increases in credit risk

To determine whether, at the reporting date, credit risk has significantly increased since initial recognition, Desjardins Group bases its assessment on the change in default risk over the expected life of the financial instrument, which requires significant judgment.

To this end, Desjardins Group compares the probability of default (PD) of the financial instrument at the reporting date with its PD at the date of initial recognition. In addition, it considers reasonable and supportable information indicating a significant increase in credit risk since initial recognition, including qualitative information and information about future economic conditions to the extent that it affects the assessment of the instrument's PD. The criteria used to determine a significant increase in credit risk vary depending on the groups of financial instruments with shared credit risk characteristics and are mainly based on a relative change combined with an absolute change in the PD. They also include absolute PD thresholds and certain other criteria. All instruments that are more than 30 days past due are transferred to Stage 2 of the impairment model.

For securities at "Amortized cost" or "Classified as at fair value through other comprehensive income", Desjardins Group elected to use the low credit risk exemption. Consequently, when credit risk is equivalent to the credit risk of the "investment grade" category at the reporting date, the credit risk on the securities is deemed to not have significantly increased since initial recognition.

Definition of default and credit-impaired financial asset

The definition of default used in the impairment model corresponds to the definition used for internal credit risk management purposes and for regulatory purposes. It considers relevant quantitative and qualitative factors. In particular, a loan is in default when contractual payments are over 90 days past due. A financial asset is considered credit-impaired when it is in default, unless the detrimental impact on the estimated future cash flows is considered insignificant.

Measurement of the allowance for expected credit losses

The 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. Generally, the allowance for expected credit losses represents the present value of the difference between cash flows that are due, or the amount of the commitment that may be used under the terms and conditions of the contract, and total cash flows that Desjardins Group expects to receive. For credit-impaired financial assets, expected credit losses are calculated based on the difference between the gross carrying amount of the asset and estimated cash flows.

The measurement of the allowance for expected credit losses is estimated for each exposure at the reporting date and is based on the result of multiplying the three credit risk parameters, namely PD, loss given default (LGD) and exposure at default (EAD). The result of this multiplication is then discounted using the effective interest rate. The parameters are estimated using an appropriate segmentation that considers common credit risk characteristics. The LGD of certain loans and off-balance sheet items is estimated at 0% due to the nature of the credit enhancement obtained. For financial instruments in Stage 1 of the impairment model, credit risk parameters are projected over a maximum horizon of 12 months, while for those in Stage 2 or Stage 3, they are projected over the remaining life of the instrument.

To determine the credit risk parameters, financial instruments are aggregated based on their common credit risk characteristics. The following table presents the main aggregation variables for the applicable parameters.

PD	LGD	EAD[1]
Loans, loan commitments and financial guarantees: • Type of clients • Risk level • Type of instrument • Industry	*Loans, loan commitments and financial guarantees:* • Type of clients • Type of collateral • Type of guarantor • Risk level • Type of instrument • Industry	*Loans:* • Type of clients • Type of product *Loan commitments and financial guarantees:* • Type of clients • Risk level • Utilization rate • Authorized amount • Type of product • Balance

[1] To determine the EAD, a credit conversion factor is applied.

The allowance for expected credit losses also considers information about future economic conditions. To incorporate forward-looking information relevant to the determination of significant increases in credit risk and the measurement of the allowance for expected credit losses, Desjardins Group uses the econometric models for credit risk projection. These models estimate the impact of macroeconomic variables on the various credit risk parameters. Desjardins Group uses three scenarios (base, upside and downside) to determine the allowance for expected credit losses and assigns to each scenario a probability of occurrence. Desjardins Group may also make adjustments to take into account the relevant information that affects the measurement of the allowance for credit losses and that has not been incorporated into the credit risk parameters. Incorporating forward-looking information is based on a set of assumptions and methodologies specific to credit risk and economic projections and therefore requires a high degree of judgment.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

For credit-impaired financial assets that are individually material, measuring the allowance for expected credit losses is based on an extensive review of the borrower's situation and the realization of collateral held. The measurement represents a probability-weighted present value, calculated using the effective interest rate, of cash flow shortfalls that takes into consideration the impact of various scenarios that may materialize and information about future economic conditions. In some cases, Desjardins Group may not recognize any allowance for credit losses when the probability of the collateral realization scenario is 100% and the estimated realizable value of the collateral exceeds the gross carrying amount of the loan.

Expected life

The expected life of most financial instruments is equal to the maximum contractual term during which Desjardins Group is exposed to credit risk, including extension options that may be exercised solely by the borrower. The exception to this rule concerns revolving credit facilities, which consist of personal and business lines of credit and credit card loans. Their life is estimated as being the period over which there is exposure to credit risk but for which expected credit losses would not be mitigated by normal credit risk management actions.In making this estimate, Desjardins Group considers the period over which it was exposed to credit risk on similar financial instruments and the credit risk management actions that it expects to take once the credit risk on a financial instrument has increased.

Recognition of the allowance for expected credit losses

The allowance for expected credit losses on loans is recorded under "Allowance for credit losses" in the Combined Balance Sheets and under "Provision for credit losses" in the Combined Statements of Income.

The allowance for expected credit losses on loan commitments and financial guarantees is recorded under "Other liabilities – Other" in the Combined Balance Sheets and under "Provision for credit losses" in the Combined Statements of Income.

The allowance for expected credit losses on securities at "Amortized cost" is recorded against "Securities – Securities at amortized cost" in the Combined Balance Sheets and under "Provision for credit losses" in the Combined Statements of Income. The allowance for expected credit losses on securities "Classified as at fair value through other comprehensive income" is recognized under "Net unrealized gains on debt securities classified as at fair value through other comprehensive income" in the Combined Statements of Comprehensive Income and under "Provision for credit losses" in the Combined Statements of Income.

Foreclosed assets

Assets foreclosed to settle credit-impaired loans are recognized on the date of the foreclosure at their fair value less costs to sell. Any difference between the carrying amount of the loan and the fair value recorded for the foreclosed assets is recognized under "Provision for credit losses" in the Combined Statements of Income.

Loan write-off

A loan is written off, in whole or in part, when recovery is no longer reasonably expected, which is when all attempts at restructuring or collection have been made and, based on an assessment of the file in its entirety, there are no other means to recover the loan. For secured loans, balances are generally written off once the collateral has been realized. Loans for which a consumer proposal or bankruptcy proceedings are ongoing but for which Desjardins Group has no reasonable expectation of recovery are written off, but they may continue to be subject to recovery measures by an insolvency trustee. Credit card balances are written off completely when no payment has been received at the end of a period of 180 days. These balances could however still be subject to enforcement activity during a certain period after they have been written off. When a loan is written off completely, any subsequent payments are recorded under "Provision for credit losses" in the Combined Statements of Income.

f) Leases

Lessee

Desjardins Group mainly leases premises that are used in the normal course of its operations. A right-of-use asset and a lease liability are recognized in the Combined Balance Sheets at the commencement date of the lease, except for short-term and low-value leases. In addition, Desjardins Group applies the practical expedient which allows not to separate non-lease components from lease components for a contract.

Right-of-use assets are presented in the Combined Balance Sheets and the depreciation of right-of-use assets is recognized under "Non-interest expense – Occupancy costs" in the Combined Statements of Income.

The lease liability is initially measured at the present value of the lease payments that have not yet been paid. Generally, Desjardins Group uses its incremental borrowing rate as discount rate. Lease liabilities are presented in the Combined Balance Sheets and interest expense on lease liabilities is recognized under "Interest expense" in the Combined Statements of Income.

Lessor

Leases in which Desjardins Group is the lessor are leases for premises. Desjardins Group mainly enters into operating leases.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

When Desjardins Group is the lessor, lease income from operating leases is recognized on a straight-line basis over the lease term under “Net insurance investment income (loss)” and “Net other investment income (loss)” and the leased asset remains recognized in the Combined Balance Sheets.

g) Property, plant and equipment and investment property

Property, plant and equipment

Property, plant and equipment are recognized at cost and are depreciated using the straight-line method. The depreciation expense for property, plant and equipment is recognized under “Non-interest expense – Occupancy costs” in the Combined Statements of Income.

Investment property

Investment properties are recognized at cost and are depreciated using the straight-line method. The depreciation expense for investment properties is recognized under “Net insurance investment income (loss)” and “Net other investment income (loss)” in the Combined Statements of Income.

Depreciation

Property, plant and equipment and investment property are depreciated using the following depreciation periods:

	Depreciation periods
Land	Non-depreciable
Buildings and investment property	5 to 80 years
Computer equipment	3 to 10 years
Furniture, fixtures and other	1 to 20 years
Leasehold improvements	Expected term of the lease

Derecognition

Gains and losses on the disposal or sale of buildings are recognized in the Combined Statement of Income for the year in which they are realized under “Non-interest expense – Occupancy costs” for property, plant and equipment and under “Net insurance investment income (loss)” and “Net other investment income (loss)” for investment property.

h) Intangible assets

Intangible assets include acquired and internally generated intangible assets. The cost of intangible assets with finite useful lives is amortized using the straight-line method over their estimated useful lives, which do not exceed 40 years.

Gains or losses resulting from the derecognition of an intangible asset are recognized under “Non-interest expense – Other” in the Combined Statements of Income upon derecognition of the asset.

i) Impairment of non-financial assets

Desjardins Group assesses at the reporting date whether there is evidence that an asset may be impaired. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

When there is evidence that an asset may be impaired, estimating the recoverable amount of a non-financial asset to determine whether it is impaired requires management to make estimates and assumptions. The main estimates and assumptions used in calculating the recoverable amount are future cash flows estimated based on internal financial forecasts, expected future earnings, the growth rate and the discount rate.

Goodwill

Goodwill is tested for impairment once a year and when there is possible evidence of impairment. The impairment test for goodwill is performed based on the recoverable amount of each CGU (or each group of CGUs) to which goodwill is allocated. Significant judgments must be made to estimate the data taken into account in the model used to determine the recoverable amount of each CGU.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

j) Acceptances and clients' liability under acceptances

Acceptances represent a form of negotiable short-term debt that is issued by our clients and that we guarantee for a fee. The potential liability of Desjardins Group under acceptances is recognized under "Acceptances", in "Other liabilities". Desjardins Group has equivalent offsetting claims against its clients in the event of a call on these commitments, which are recognized under "Clients' liability under acceptances", in "Other assets". Fees are recognized under "Other income – Other".

k) Insurance and reinsurance contracts

Classification

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.

Certain contracts issued by the insurance subsidiaries do not transfer a significant insurance risk. These contracts are classified as investment contracts in accordance with IFRS 9, "Financial Instruments", or as service contracts in accordance with IFRS 15, "Revenues from Contracts with Customers".

Insurance contracts issued are classified as insurance contracts without direct participation features or as insurance contracts with direct participation features.

The life and health insurance subsidiary classifies individual segregated fund contracts and life insurance contracts with participation features as insurance contracts with direct participation features. All other insurance contracts are insurance contracts without direct participation features.

Insurance contracts with direct participation features are contracts that are essentially contracts for investment-related services under which a return on clearly defined underlying items is promised. The underlying items include specific investment portfolios that determine the amounts that are payable to the insured persons. The policy of the life and health insurance subsidiary is to hold such specific investments.

Significant judgments are made by management when analyzing the conditions that have to be met to classify insurance contracts as insurance contracts with direct participation features. These contracts must be measured using the variable fee approach, of which the specific features compared to the general measurement model are described in subsequent sections.

The insurance subsidiaries use reinsurance contracts to mitigate their exposure to insurance risk. These reinsurance contracts transfer significant insurance risks in the underlying insurance contracts and are classified as reinsurance contracts held in accordance with IFRS 17. These reinsurance agreements do not release the Company from its obligations towards its contract holders.

Investment component

Certain insurance contracts include an investment component that does not have to be presented separately as the component and the insurance contract are highly interrelated. These components are therefore recognized with insurance contract liabilities. An investment component is an amount that the insurance subsidiaries are required to repay to the insurance contract holder in all circumstances, regardless of whether the insured event occurs.

Aggregation of insurance contracts and reinsurance contracts held

Insurance contracts are aggregated by portfolios, which comprise contracts that, based on management's judgment, are subject to similar risks and are managed together.

The portfolios of insurance contracts are then divided into three groups based on the expected profitability of the contracts, if any:
- contracts that are onerous at initial recognition;
- contracts that, at initial recognition, have no significant possibility of becoming onerous;
- other contracts in the portfolio.

If contracts within a portfolio fall into a different group only because law or regulation specifically constrains the practical ability to set a different price for policyholders with different characteristics, the property and casualty insurance subsidiaries elected to include those contracts in the same group.

The portfolios of reinsurance contracts held are determined separately from the portfolios of insurance contracts. The reinsurance contracts held are divided into the following groups, if any:
- contracts on which there is a net gain at initial recognition;
- contracts that, at initial recognition, have no significant possibility of becoming profitable;
- other contracts in the portfolio.

The groups of insurance contracts and reinsurance contracts held are determined at initial recognition, and the composition of such groups in not reassessed subsequently. Management exercised its judgment to determine the insurance contracts that could be aggregated to assess the expected profitability of the contracts for purposes of identifying onerous contracts at initial recognition.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

Each of the groups only include contracts issued one year or less apart and are determined based on the calendar year.

Desjardins Group presents separately in the Combined Balance Sheets the carrying amount of portfolios of insurance contracts that are assets, portfolios of insurance contracts that are liabilities, portfolios of reinsurance contracts that are assets and portfolios of reinsurance contracts that are liabilities.

Recognition and derecognition

Groups of insurance contracts must be recognized at the earliest of the following:
- the beginning of the coverage period;
- the date when the first payment from an insurance contract holder of the group becomes due, or when the first payment is received if there is no contractual due date;
- for a group of onerous contracts, when the facts and circumstances indicate that the group of contracts is onerous.

Groups of reinsurance contracts must be recognized at the earliest of the following:
- the beginning of the coverage period;
- the date an onerous group of underlying insurance contracts is recognized, to the extent that a reinsurance contract applying to these contracts is entered into at that date.

Insurance contract liabilities are derecognized when the obligation specified in the contract expires or is discharged or cancelled.

Contracts to which the general measurement model is applied

<u>Initial measurement</u>

On initial recognition, the liability for a group of insurance contracts corresponds to the liability for remaining coverage, which is the total of the fulfilment cash flows and the contractual service margin (CSM).

Fulfilment cash flows

Fulfilment cash flows comprise the following items:

- Estimates of future cash flows

  Estimates of future cash flows are based on a probability-weighted mean of the full range of possible outcomes and reflect the perspective of the insurance subsidiaries, to the extent that they are consistent with observable market variables.

  The measurement of a group of contracts includes all the future cash flows within the boundary of each contract of the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period in which the insurance subsidiaries can compel the contract holder to pay the premiums or in which they have a substantive obligation to provide the contract holder with insurance contract services. A substantive obligation to provide insurance contract services ends when the insurance subsidiaries have the practical ability to reassess the risks of the particular insurance contract holder or the risks of the portfolio of insurance contracts that contains the contract.

  Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, such as premiums, commissions, benefits and other obligations to contract holders. Costs directly attributable to portfolios of insurance contracts include, in particular, claim handling costs, contract administration costs and insurance acquisition cash flows.

- Adjustment to reflect the time value of money

  Estimates of future cash flows are adjusted, using discount rates that are current at measurement date, to reflect the time value of money and the financial risks related to those cash flows.

- Risk adjustment for non-financial risk

  The risk adjustment for non-financial risk is determined separately from estimates of future cash flows and the adjustment to reflect the time value of money. The risk adjustment for non-financial risk reflects the compensation required for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

Certain fulfilment cash flows are measured at the level of the portfolios of insurance contracts and then allocated to each of the groups using systematic and rational methods, applied in a consistent manner in each reporting period.

Contractual service margin

The CSM represents the unearned profit that will be recognized under “Insurance revenue”, in the Combined Statements of Income, as insurance contract services are provided. On initial recognition, no amounts are recognized in profit or loss as the CSM is measured at an amount corresponding to the net expected inflow of fulfilment cash flows.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

If the sum of fulfilment cash flows is a net outflow, the group of insurance contracts is onerous, and the CSM amounts to nil. A loss on onerous contracts is immediately recognized under “Insurance service expenses”, in the Combined Statements of Income, and a loss component is added to the liability for remaining coverage.

Subsequent measurement

At each reporting date, the carrying amount of a group of insurance contracts corresponds to the sum of the following two amounts:
- the liability for remaining coverage, comprising the fulfilment cash flows related to services to be provided in future periods, and the CSM;
- the liability for incurred claims, comprising the fulfilment cash flows related to past service, such as incurred claims and other incurred insurance service expenses.

Fulfilment cash flows

At each reporting date, the fulfilment cash flows of groups of insurance contracts are revised to reflect any changes in underlying assumptions and current market conditions.

Contractual service margin

The carrying amount of the CSM of a group is obtained by adjusting the opening balance to reflect new contracts, the interest accreted for insurance contracts without direct participation features, the amount recognized as revenue, the changes in fulfilment cash flows relating to future service and the change in the insurer’s share of the fair value of the underlying items for contracts with direct participation features.

Changes in fulfilment cash flows relating to future service adjust the CSM, while those relating to current or past service are directly recognized in the Combined Statements of Income. The effect of the time value of money and its changes as well as the effect of the financial risk and its changes on estimates of future cash flows are recognized in the Combined Statements of Income when they relate to insurance contracts without direct participation features, while they adjust the CSM for insurance contracts with direct participation features.

For insurance contracts with direct participation features, changes in the amount corresponding to the life and health insurance subsidiary’s share of the fair value of the underlying items are related to future service and adjust the CSM, while the changes in the fair value of the underlying items, which represent the adjustment of the obligations to policyholders, are not related to future service and do not adjust the CSM. These changes are instead recognized under “Net insurance finance income (expenses)” in the Combined Statements of Income.

For its individual segregated funds, the life and health insurance subsidiary applies a financial risk mitigation strategy using derivatives and other financial instruments measured at fair value through profit or loss, which allows for an economic offset between the insurance contracts and these instruments that mitigates the effect of financial risks. Consistent with what IFRS 17 allows, the subsidiary chose not to adjust the CSM for changes reflecting some or all of the changes in the effect of the time value of money and financial risk for its individual segregated fund contracts. These changes are instead recognized under “Net insurance finance income (expenses)” in the Combined Statements of Income, which permits a natural offset of gains and losses resulting from changes in the fair value of financial instruments recognized under IFRS 9.

Reinsurance contracts held

The reinsurance contracts held are all contracts without direct participation features. They are measured in the same way as insurance contracts, except for certain items explained in the following paragraphs.

Fulfilment cash flows

The fulfilment cash flows of reinsurance contracts held comprise the same items as those of insurance contracts without direct participation features, except that:
- the future cash flows of a group of reinsurance contracts held must include an adjustment to reflect the risk of non-performance, which is the risk that the reinsurer fails to perform its obligation;
- the risk adjustment for non-financial risk represents the risk transferred to the reinsurer.

Contractual service margin

The groups of reinsurance contracts held cannot be onerous and do not have unearned profit, the CSM corresponds instead to the net cost or net gain related to using reinsurance.

On initial measurement, the CSM of a group of reinsurance contracts held is adjusted, if needed, to reflect any revenue recognized in the Combined Statements of Income related to the recognition of a loss on onerous contracts associated with the underlying insurance contracts. A loss-recovery component is thus added to the asset for remaining coverage of the reinsurance contracts held.

On subsequent measurements, the carrying amount of the CSM of a group is obtained by adjusting the opening balance to reflect new reinsurance contracts, the interest accreted, the amount recognized as expenses for services received, the changes in fulfilment cash flows relating to future service and the change in the loss-recovery component.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

An onerous group of insurance contracts may include both contracts that are eligible for a recovery under a reinsurance contract held and contracts that are not eligible for such recovery. To calculate the loss-recovery component, the insurance subsidiaries use a systematic and rational basis of allocation to determine the portion of the losses recognized for the group of insurance contracts that relates to insurance contracts eligible for a recovery under a reinsurance contract held.

The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the insurance subsidiaries expect to recover from the group of reinsurance contracts held.

Contracts to which the premium allocation approach is applied

The life and health insurance subsidiary uses the premium allocation approach to measure its groups of group insurance, the vast majority of which having a duration of one year or less, as well as for some groups of short-term insurance contracts. The property and casualty insurance subsidiaries use this method to measure all of their contracts, substantially all of which having a duration of one year or less.

Using this simplified measurement method is allowed if the coverage period of each contract in a group is one year or less, or if it is determined that the measurement using the premium allocation approach would not differ materially from the measurement produced applying the general model described above.

<u>Initial measurement</u>

On initial recognition, the carrying amount of the liability for remaining coverage of a group of insurance contracts is equal to the premiums received, minus the insurance acquisition cash flows allocated to that group on such date and adjusted, as the case may be, by the amount arising from the derecognition of an asset for insurance acquisition cash flows and any other asset or liability previously recognized and related to this group.

The insurance acquisition cash flows of insurance contracts are deferred and included in the liability for remaining coverage when they are incurred. Subsequently, they are expensed over the coverage period of the contracts comprising the group.

<u>Subsequent measurement</u>

The liability for remaining coverage of a group on insurance contracts is equal to its carrying amount at the beginning of the year, plus the premiums received and amounts relating to the amortization of insurance acquisition cash flows, less the amount of insurance acquisition cash flows allocated and the amount recognized as revenue.

The carrying amount of the liability for remaining coverage of the contracts of one year or less is not adjusted to reflect the time value of money and the effect of financial risk.

If, at any time, facts and circumstances indicate that a group of insurance contracts is onerous, the insurance subsidiaries must determine whether the value of the fulfilment cash flows related to the remaining coverage of the group measured in the same way as the groups of contracts to which the general model is applied exceeds the carrying amount of the liability for remaining coverage measured using the premium allocation approach. The excess is recognized as a loss on onerous contracts and presented under “Insurance service expenses” in the Combined Statements of Income, and a loss component is added to the liability for remaining coverage. This loss item is remeasured at each reporting date.

<u>Reinsurance contracts held</u>

The premium allocation approach is used to measure the groups of reinsurance contracts held when that method is used to measure the underlying groups of insurance contracts.

When a loss on onerous contracts is recognized for a group of insurance contracts in which there are one or more contracts underlying a reinsurance contract held, the insurance subsidiaries calculate a loss-recovery component and adjust the amount of the asset for remaining coverage of the group of reinsurance contracts held.

An onerous group of insurance contracts may include both contracts that are eligible for a recovery under a reinsurance contract held and contracts that are not eligible for such recovery. To calculate the loss-recovery component, the insurance subsidiaries use a systematic and rational basis of allocation to determine the portion of the losses recognized for the group of insurance contracts that relates to insurance contracts eligible for a recovery under a reinsurance contract held.

The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component that Desjardins Group expects to recover from the reinsurance contracts making up the group of reinsurance contracts.

Liability for incurred claims

The liability for incurred claims comprises the fulfilment cash flows related to past service such as incurred claims and other expenses related to claims settlement. The liability for incurred claims is measured using all reasonable and supportable information available without undue cost or effort to determine the amount, timing and uncertainty of future cash flows.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

Assets for insurance acquisition cash flows

Insurance acquisition cash flows are incurred to sell, underwrite and start a group of insurance contracts. They include cash flows that are directly attributable to a group of insurance contracts or a portfolio, as well as cash flows that are not directly attributable, which are allocated to the various groups using a systematic and rational method.

When these cash flows are incurred before the recognition of the related groups of insurance contracts, an asset for insurance acquisition cash flows is recognized and presented against the insurance contract liabilities in the Combined Balance Sheets. Subsequently, the insurance subsidiaries derecognize the portion of this asset that is related to the insurance contracts recognized in the group during the year.

In some cases, insurance acquisition cash flows are partly attributable to the expected renewal of the insurance contracts in these groups. A systematic and rational method is used to allocate these cash flows to the group and the various groups for which renewals are expected.

At each reporting date, management determines whether there are facts and circumstances indicating that the asset for insurance acquisition cash flows might be impaired. An impairment loss is recognized when the carrying amount of that asset exceeds the expected net cash inflows from the related group of insurance contracts. In addition, when the asset for insurance acquisition cash flows is relating to expected renewals for a group of contracts, the carrying amount of the asset must not exceed the expected net cash inflows arising specifically from renewals.

Impairment losses on an asset for insurance acquisition cash flows are recognized under "Insurance service expenses" in the Combined Statements of Income in the year when they occur. These impairment losses may be subsequently reversed, in whole or in part, to the extent that the impairment conditions no longer exist or have improved. In such case, the insurance subsidiaries recognize an impairment loss reversal under "Insurance service expenses".

Insurance revenue

For contracts other than those to which the premium allocation approach is applied, insurance revenue represents changes in the liability for remaining coverage that relate to services for which the insurance subsidiaries expect to receive consideration.

These changes are:
- incurred claims and other insurance service expenses expected every quarter, measured at the amounts expected at the beginning of each quarter;
- the change in the risk adjustment for non-financial risk relating to expired risks;
- the amount of CSM for services provided.

Insurance revenue also includes an amount relating to insurance acquisition cash flows. This amount represents a portion of the premiums that relate to recovering the insurance acquisition cash flows, allocated to each reporting period in a systematic way on the basis of the passage of time.

The amount of CSM recognized under "Insurance revenue" in the Combined Statements of Income is based on coverage units allocated to services provided. Management makes significant judgments to determine the coverage units in groups of insurance contracts. Additional information on judgments made are presented in Note 17, "Insurance and reinsurance contracts".

For insurance contracts to which the premium allocation approach is applied, insurance revenue is the amount of expected premium receipts, which is allocated to each period of insurance contract services on the basis of the passage of time.

Insurance service expenses

Insurance service expenses comprise:
- incurred claims and other incurred insurance service expenses;
- amortization of insurance acquisition cash flows;
- changes related to incurred claims;
- losses and reversals of losses on onerous contracts.

For groups of contracts other than those to which the premium allocation approach is applied, the amount of amortization of insurance acquisition cash flows is identical to the amount of recovery of the insurance acquisition cash flows presented in insurance revenue.

For groups of contracts to which the premium allocation approach is applied, the amount of amortization of insurance acquisition cash flows is allocated to each period on the basis of the passage of time.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

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.

After a loss on an onerous group of insurance contracts is recognized, certain changes in fulfilment cash flows for insurance contracts other than those to which the premium allocation approach is applied are allocated on a systematic basis between the loss component and the liability for remaining coverage, excluding the loss component. The changes allocated to the loss component are recognized as a reduction in expected revenue and corresponding expenses for the year. These fulfilment cash flows are systematically allocated based on the loss component balance, and this balance is therefore reduced to zero at the end of the coverage period. If the changes in fulfilment cash flows reduce the loss component to zero before the end of the coverage period, the excess is recognized in the CSM.

For insurance contracts to which the premium allocation approach is applied, the decreases in the loss component related to past service are recognized against the insurance expenses incurred during the year.

Net reinsurance service income (expenses)

Income and expenses from reinsurance contracts held are presented separately from revenues and expenses from insurance contracts. Income and expenses from reinsurance contracts held, excluding reinsurance finance income (expenses), are presented on a net basis as net reinsurance service income (expenses) in the Combined Statements of Income.

Income comprises the amounts recoverable from reinsurers for incurred claims and other incurred insurance service expenses and changes in the loss-recovery component.

For contracts other than those to which the premium allocation approach is applied, expenses comprise the following amounts related to changes in the asset for remaining coverage:
- expected recoveries of incurred claims and other incurred insurance service expenses, measured at the amounts expected at the beginning of each quarter;
- changes in the risk adjustment for non-financial risk for expired risks;
- the amount of CSM for services received.

For contracts to which the premium allocation approach is applied, expenses correspond to the amount of expected ceded premiums allocated to the year. The amount of expected ceded premiums is allocated to the periods of reinsurance contract services on the basis of the passage of time.

Insurance and reinsurance finance income (expenses)

Insurance finance income and expenses for groups of insurance contracts without direct participation features and reinsurance contracts held comprise the change in the carrying amount of the group arising from the effect of the time value of money and changes in the time value of money and the effect of financial risk and changes in financial risk.

Insurance finance income and expenses for groups of insurance contracts with direct participation features comprise the change in the carrying amount of the group arising from the change in the fair value of the underlying items as well as the effect of financial risk mitigation.

The risk adjustment for non-financial risk is disaggregated between the insurance service result and the insurance and reinsurance finance income and expenses.

Net insurance investment income (loss)

Net insurance investment income (loss) comprises investment income and loss from assets held in respect of Desjardins Group’s insurance activities that are within the scope of IFRS 17.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

l) Segregated funds

Certain insurance contracts allow contract holders to invest in segregated funds held by the life and health insurance subsidiary for their benefit. All risks and rewards of ownership of these investments accrue to the contract holders, even though these investments are held by this subsidiary. Accordingly, the investments held on behalf of segregated fund holders are presented under “Segregated fund net assets” in the Combined Balances Sheets. They are classified as at fair value through profit or loss. The other financial instruments included in segregated fund net assets are recognized at amortized cost. In addition, if a segregated fund controls a mutual fund in which it has invested, such mutual fund is consolidated in segregated fund net assets and a liability to holders of redeemable units in an underlying fund is recognized and classified as at amortized cost.

The group segregated fund liabilities are recognized at amortized cost in accordance with IFRS 9. They are recognized under “Segregated fund net liabilities for investment contracts” in the Combined Balance Sheets.

For variable annuity contracts offered through individual segregated funds, the life and health insurance subsidiary offers minimum guarantees for death benefits, maturity value and withdrawals during the payout period. The individual segregated fund liabilities are recognized in accordance with IFRS 17 and the contracts are classified as contracts with direct participation features. The liabilities associated with these guarantees and the obligation to the holders of such contracts, which corresponds to the individual segregated fund net assets, are recognized under “Insurance contract liabilities” in the Combined Balance Sheets.

Net income on investments held on behalf of individual segregated fund holders is recognized under “Net insurance investment income (loss)” in the Combined Statements of Income and a corresponding amount is recognized under “Net insurance finance income (expenses)”. Net income on investments held on behalf of group segregated fund holders is recognized under “Net other investment income (loss)” in the Combined Statements of Income.

The life and health subsidiary earns income in the form of segregated fund management fees. For group segregated funds, this income is recognized under “Management and custodial service fees” in the Combined Statements of Income, while for individual segregated funds, it is recognized under “Insurance revenue”.

m) Provisions and contingent liabilities

Provisions are liabilities of uncertain timing or amount. A provision is recognized when Desjardins Group has an obligation (legal or constructive) as a result of a past event, the settlement of which should result in an outflow of resources embodying economic benefits, and when a reliable estimate can be made of the amount of the obligation. The amount of the obligation is discounted where the effect of the time value of money is material.

Provisions are based on management’s best estimate of the amounts required to settle the obligations on the reporting date, taking into account the relevant uncertainties and risks. Management must make significant judgments in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflow of resources. Desjardins Group regularly examines the measurement of provisions and makes, on a quarterly basis, the adjustments required based on new available information. Actual results may differ materially from these forecasts.

Charges to and reversals of provisions are recognized in profit or loss under the items corresponding to the nature of the expenditures covered.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Desjardins Group or an obligation that arises from a past event and for which an outflow of resources embodying economic benefits is not probable or cannot be estimated reliably.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

n) Derivative financial instruments and hedging activities

Derivative financial instruments

Derivative financial instruments are financial contracts whose value depends on assets, interest rates, foreign exchange rates or financial indexes. The vast majority of Desjardins Group's derivative financial instruments are negotiated by mutual agreement with the counterparty and include forward exchange contracts, currency swaps, interest rate swaps, credit default swaps, total return swaps, forward rate agreements, as well as currency, interest rate and stock index options. Other transactions are carried out as part of regulated trades and consist mainly of futures. The types of contracts used are defined in Note 21, "Derivative financial instruments and hedging activities".

Derivative financial instruments, including embedded derivatives which are required to be accounted for separately, are recognized at fair value on the Combined Balance Sheets. Changes in fair value of embedded derivatives required to be accounted for separately are recognized under "Net other investment income (loss)" in the Combined Statements of Income.

<u>Hybrid financial instruments</u>

When a hybrid contract contains a host that is an asset within the scope of IFRS 9, the entire hybrid contract is classified and recognized based on the characteristics of the hybrid contract.

An embedded derivative is separated from the host and accounted for separately as a derivative when the host is not an asset within the scope of IFRS 9 and the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid contract is not measured at fair value with changes in fair value recognized in the Combined Statements of Income.

<u>Objectives of holding derivatives</u>

Desjardins Group uses derivative financial instruments for trading or asset-liability management purposes.

Derivative financial instruments held for trading purposes are used to meet the needs of members and clients, and to allow Desjardins Group to generate income on its own trading activities.

Derivative financial instruments held for asset-liability management purposes are used to manage current and expected risks related to market risk. They enable Desjardins Group to transfer, modify or reduce the interest rate and foreign currency exposures of assets and liabilities recorded in the Combined Balance Sheets, as well as firm commitments and forecasted transactions.

Hedging activities

Desjardins Group elected to continue applying the requirements of IAS 39 for hedge accounting (including the requirements related to the interest rate benchmark reform) instead of adopting the provisions of IFRS 9.

Desjardins Group mainly designates its derivative financial instruments as part of a fair value or cash flow hedging relationship.

When derivative financial instruments are used to manage assets and liabilities, Desjardins Group must determine, for each derivative, whether or not hedge accounting is appropriate. To qualify for hedge accounting, a hedging relationship must be designated and documented at its inception. Such documentation must address the specific strategy for managing risk, the asset, liability or cash flows that are being hedged as well as the measure of hedge effectiveness. Consequently, the effectiveness of each hedging relationship must be assessed, regularly and on an individual basis, to determine with reasonable assurance whether the relationship is effective and will continue to be effective. The derivative financial instrument must prove highly effective to offset changes in the fair value or the cash flows of the hedged item attributable to the risk being hedged.

Desjardins Group may also use derivative financial instruments as an economic hedge for certain transactions in situations where the hedging relationship does not qualify for hedge accounting or where it elects not to apply hedge accounting.

The designation of a derivative financial instrument as hedging instrument is discontinued in the following cases: the hedged item is sold or matures, the derivative financial instrument is repurchased or matures, the hedge is no longer effective, or Desjardins Group terminates the designation of the hedge or no longer expects that the forecasted transaction will occur.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

Hedging instruments that meet the strict hedge accounting conditions are recognized as follows:

Fair value hedges

In a fair value hedge transaction, changes in fair value of the hedging derivative financial instrument are recognized under "Net other investment income (loss)" in the Combined Statements of Income, as are changes in fair value of the hedged asset or liability attributable to the hedged risk. The gain or loss attributable to the hedged risk is applied to the carrying amount of the hedged item. When the changes in fair value of the hedging derivative financial instrument and the hedged item do not entirely offset each other, the resulting amount, which represents the ineffective portion of the relationship, is recognized under "Net other investment income (loss)" in the Combined Statements of Income.

When a fair value hedging relationship is discontinued, hedge accounting is discontinued prospectively. The hedged item is no longer adjusted to reflect the fair value impact of the designated risk. Previously recorded adjustments to the hedged item are amortized using the effective interest method and are recognized in net interest income, in the Combined Statements of Income, following the underlying instrument, over the remaining life of the hedged item. However, if the hedged item ceased to exist, the adjustments for the impact of the designated risk are immediately recognized under "Net other investment income (loss)" in the Combined Statements of Income.

Cash flow hedges

In a cash flow hedge transaction, gains and losses resulting from changes in the fair value of the effective portion of the derivative financial instrument are recognized under "Net gains (losses) on derivative financial instruments designated as cash flow hedges", in other comprehensive income, until the hedged item is recognized in the Combined Statements of Income, at which time such changes are recognized in net interest income in the Combined Statements of Income, following the underlying instrument. The ineffective portion of cash flow hedge transactions is immediately recognized under "Net other investment income (loss)" in the Combined Statements of Income.

When a cash flow hedging relationship no longer qualifies for hedge accounting, Desjardins Group discontinues hedge accounting prospectively. Gains or losses recognized in other comprehensive income are amortized to net interest income, in the Combined Statements of Income, following the underlying instrument, over the expected remaining life of the hedging relationship that was discontinued. If a designated hedged item is sold or matures before the related derivative financial instrument ceases to exist, all gains or losses are immediately recognized in profit or loss under "Net other investment income (loss)".

Interest rate benchmark reform ("IRBR")

Desjardins Group applies the relief measures, which allow maintaining hedge accounting during the period of uncertainty preceding the replacement of current interest rate benchmarks by an alternative rate. The application of these relief measures is based on the presumption that current interest rate benchmarks designated in hedging relationships remain unchanged and the use of the exception to the requirement to cease hedge accounting when a hedging relationship does not meet the ranges established to determine the effectiveness of hedging relationships. The application of these relief measures will end at the earlier of: when the uncertainty arising from interest rate benchmark reform is no longer present; and when the hedging relationship is discontinued.

o) Financial guarantees

A financial guarantee is a contract that could contingently require Desjardins Group to make specified payments to the guaranteed party to repay a loss that such party incurred as a result of a default by a specified third party to make a payment upon maturity in accordance with the original or modified terms and conditions of a debt security.

Financial guarantees are initially recognized as liabilities in the Combined Financial Statements for an amount corresponding to the fair value of the commitment resulting from the issuance of the guarantee. After initial recognition, except in cases where it must be measured at fair value through profit or loss, the guarantee is measured at the higher of the following amounts:
(i) The amount initially recorded less, when appropriate, accumulated amortization recognized in the Combined Statements of Income;
(ii) The amount of the allowance for credit losses.

If a financial guarantee meets the definition of a derivative, it is measured at fair value through profit or loss at each reporting date and presented as a derivative financial instrument. Guarantees presented as derivative financial instruments are a type of over-the-counter credit derivative under which one party transfers to another party the credit risk of an underlying financial instrument.

The carrying amount of guarantees does not reflect the maximum potential amount of future payments under guarantees. Desjardins Group considers the difference between these two amounts as off-balance sheet credit instruments.

p) Reserves

Reserves included in equity are mainly from the caisses. They are based on the balance of the reserves as at December 31 of the prior year and the surplus earnings distribution plans for such year, which must be approved by the general meeting of each caisse within the first four months following year end.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

The stabilization reserve consists of amounts appropriated from the surplus earnings for a year by the Federation. Amounts appropriated to that reserve are essentially used to pay interest on F capital shares issued by the Federation.

The reserve for future member dividends is made up of amounts appropriated by the caisses. Amounts appropriated to this reserve are used to pay member dividends and to appropriate amounts to the Community Development Fund.

The general reserve is essentially made up of amounts appropriated by the caisses and the Federation. This reserve can only be used to eliminate a deficit and, when surplus earnings and the stabilization reserve are not sufficient, to pay interest on F capital shares.

Other reserves are mainly made up of amounts appropriated by the caisses that can only be taken into account in the calculation of the distribution plan when the amounts previously appropriated to these reserves are realized by the caisses.

q) Revenue recognition

In addition to the items mentioned in section a), "Financial assets and liabilities", the specific recognition criteria that follow must also be met before revenue can be recognized.

Recognition criteria

Revenue is recognized when Desjardins Group has transferred control of a good or service (the performance obligation is satisfied). Management must use its judgment to determine when performance obligations are satisfied and establish the transaction price and the amounts allocated to such obligations.

Net interest income

Interest income and expense are mainly earned or incurred by the Personal and Business Services segment and the Other category. They are recognized using the effective interest method for all financial instruments measured at "Amortized cost", for interest-bearing financial assets "Classified as at fair value through other comprehensive income" and for financial instruments included in the "At fair value through profit or loss" class.

The effective interest method is used in the calculation of the amortized cost of a financial asset or liability and in the allocation of interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

When calculating the effective interest rate, Desjardins Group estimates cash flows considering all contractual terms of the financial instruments, but it does not consider future credit losses. The calculation includes transaction costs and income between parties to the contract as well as premiums or discounts. Transaction costs and income that form an integral part of the effective rate of the contract, such as file setup fees and finders' fees, are assimilated to supplemental interest.

For financial assets that are not considered credit-impaired (Stages 1 and 2), interest income is calculated on the gross carrying amount of the financial instrument. For credit-impaired financial assets (Stage 3), interest income is calculated by applying the effective interest rate to the amortized cost of the asset, which corresponds to the gross carrying amount less the allowance for expected credit losses.

Service charges, commissions, brokerage fees and other

Desjardins Group earns revenue from service charges, commissions and brokerage fees related to the broad range of services and products it provides its members and clients.

Service charges, commissions, brokerage fees and investment fund fees are recognized once the service has been provided or the product has been delivered. This income is recognized under "Deposit and payment service charges" and "Brokerage and investment fund services" in the Combined Statements of Income.

Loan syndication fees are recognized as revenue when the syndication agreement is signed unless the yield on the loan retained by Desjardins Group is less than the yield of other comparable lending institutions that participate in the financing. In such instances, an appropriate portion of the fees is deferred using the effective interest method. This income is recognized under "Lending fees and credit card service revenues" in the Combined Statements of Income.

Commissions and costs arising from the negotiation, or the participation thereto, of a transaction on behalf of a third party—such as the arrangement of share or other securities acquisitions or business purchases or sales—are recognized at the outcome of the underlying transactions. Income from such commissions is recognized under "Brokerage and investment fund services" in the Combined Statements of Income. Income from lending fees and credit card service revenue is recorded under "Lending fees and credit card service revenues" in the Combined Statements of Income.

Portfolio management fees and fees for other services are recognized based on the applicable service contracts, pro rata over the period during which the service is provided. Portfolio management income is recorded under "Management and custodial service fees" in the Combined Statements of Income.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

Asset management fees related to investment funds are recognized pro rata over the period during which the service is provided. The same principles are applied to wealth management, financial planning and custodial services that are provided on an ongoing basis over a long period of time. Asset management income is recognized under “Management and custodial service fees” in the Combined Statements of Income.

Dividend income is recognized when Desjardins Group’s right to receive payment of the dividend is established.

r) Assets under management and assets under administration

Assets under management and assets under administration are held by and for the benefit of clients. These assets are therefore excluded from the Combined Balance Sheets of Desjardins Group. Income from these management services is recognized under “Management and custodial service fees” in the Combined Statements of Income when the service is provided.

s) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities measured at historical cost are translated at the exchange rate prevailing at the transaction date, while those that are measured at fair value are translated at the exchange rate prevailing at the date fair value was determined. Income and expenses are translated at the average exchange rate for the year. Realized and unrealized gains and losses resulting from the translation are recognized under “Foreign exchange income (loss)” in the Combined Statements of Income. However, the following items are presented in other comprehensive income in the Combined Statements of Comprehensive Income:

- Translation gains and losses on financial assets “Designated as at fair value through other comprehensive income”.
- Gains and losses on derivatives designated as cash flow hedging instruments.

t) Income taxes on surplus earnings

The income tax expense on surplus earnings recognized in the Combined Statements of Income comprises the current and deferred tax expense on operating surplus earnings as well as the income tax consequences of remuneration on capital stock and dividends when certain conditions are met. The total income tax expense includes the income tax expense on surplus earnings recognized in the Combined Statements of Income as well as current and deferred taxes on items recognized outside profit or loss directly in the Combined Statements of Comprehensive Income or the Combined Statements of Changes in Equity.

The total income tax expense is based on the expected tax treatment of the transactions. To determine the current and deferred portions of income taxes on surplus earnings, management must make judgments to establish the assumptions concerning the dates on which deferred income tax assets and liabilities will be reversed. Significant judgment must be used to interpret the relevant tax legislation in order to determine the income tax expense. If Desjardins Group’s interpretation differs from that of taxation authorities or if the reversal dates do not correspond with the forecasted dates, the provision for income taxes on surplus earnings may increase or decrease in subsequent years.

u) Member dividends

The board of directors of each caisse recommends for approval the surplus earnings distribution plan at the annual general meeting of members, which is held in the four months following year-end. The amount of member dividends to be paid is part of this plan. Member dividends take into consideration the financial framework for the appropriation of surplus earnings in relation with the Desjardins Group Integrated Financial Plan, which provides for member dividends based on Desjardins Group’s financial capacity and capitalization. The difference between the amount of member dividends actually paid following the general meetings held by the caisses, and the estimated amount is charged to combined profit or loss for the year in which the payments are made.

Member dividends are calculated based on average balances maintained in the following product families: Accounts, Loans and Lines of Credit, Savings and Investments and Funds. For credit card volumes, member dividends are calculated based on net purchases for the relevant year. For the Insurance product family, member dividends are calculated based on the premium paid for the relevant year. Lastly, for certain activities relating to Desjardins Securities Inc. (Desjardins Signature Service, Securities Brokerage, Desjardins Online Brokerage), the calculation is based on commissions and fees for the relevant year. Member dividends are recognized under “Member dividends” in the Combined Statements of Income.

v) Employee benefits

Short-term benefits

Short-term benefits include salaries and commissions, social security contributions and certain bonuses payable within 12 months after the reporting date. An expense is recorded for these benefits in the period during which the services giving right to them were rendered.

Post-employment benefits

Pension and post-retirement benefit plans

Desjardins Group offers to a majority of its employees a defined benefit pension plan and a defined benefit supplemental pension plan. It also offers a post-retirement benefit plan that provides medical, dental and life insurance to retiring employees and their dependents.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

The cost of these plans is recognized in the Combined Statements of Income and includes current service cost, past service cost and net interest on net defined benefit plan assets and liabilities. Past service cost resulting from a plan amendment or curtailment is immediately recognized in the Combined Statements of Income.

Remeasurements of net defined benefit plan assets and liabilities are recognized in items of other comprehensive income that will not be reclassified subsequently to the Combined Statements of Income and are immediately reclassified to undistributed surplus earnings. These remeasurements include actuarial gains and losses and the difference between the actual return on plan assets and the interest income generated by such assets, which is recognized in the Combined Statements of Income. Actuarial gains and losses result from changes in actuarial assumptions used to determine the defined benefit plan obligation and experience gains and losses on such obligation.

Net defined benefit plan assets and liabilities are equal to the present value of the plans' obligation, calculated using the projected unit credit method, less the fair value of plan assets. The value of any net defined benefit plan asset is, when appropriate, limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the pension plans.

The net assets of certain pension plans are recognized under "Net defined benefit plan assets" in the Combined Balance Sheets. The net liabilities of certain pension plans and the net liabilities of other post-retirement benefit plans are recognized under "Net defined benefit plan liabilities" in the Combined Balance Sheets.

IMPACT OF CHANGES IN ACCOUNTING POLICIES

Adoption of IFRS 17, "Insurance Contracts"

On January 1, 2022, the transition date, the insurance subsidiaries applied IFRS 17 retrospectively unless it was impracticable to do so, in which case the modified retrospective approach or the fair value approach was applied. In all cases, the net difference related to the transition was recognized in equity.

The insurance subsidiaries applied the retrospective approach to all insurance contracts and reinsurance contracts held to which the premium allocation approach has been applied as if IFRS 17 had always been applied.

Impracticable retrospective approach

Management exercised its judgment and considered that the retrospective approach was impracticable, without undue cost or effort, for the groups of long-term insurance contracts and long-term reinsurance contracts held as well as claims assumed in acquisitions, notably for the following reasons:

- since the initial recognition of the contracts, the judgments and assumptions required to measure insurance contracts in accordance with IFRS 17 were not available in the actuarial valuation systems with reasonable effort;
- the effort required to aggregate the information at the level of the groups that should have been established under IFRS 17 was too significant;
- the information available to allocate acquisition costs and other attributable costs for each of the groups under IFRS 17 was limited or inexistent, as this level of detail was not required and did not exist.

Modified retrospective approach

IFRS 17 requires that insurance contracts acquired in a business combination be recognized as if the entity issued these contracts at the acquisition date. However, the property and casualty insurance subsidiaries have chosen to apply the modified retrospective approach to claims assumed in the acquisition of the Canadian property and casualty insurance operations of State Farm as applying retrospectively the standard was impracticable. Under the modified retrospective approach, assumed claims incurred before the acquisition of the contracts in a business combination have to be recognized and measured as a liability for incurred claims. In applying the modified retrospective approach, the property and casualty insurance subsidiaries used reasonable and supportable information that was available at the transition date.

Fair value approach

At the transition date, the life and health insurance subsidiary applied the fair value approach to all its groups of insurance contracts and reinsurance contracts held other than those to which the premium allocation approach has been applied.

In accordance with the fair value approach, the life and health insurance subsidiary determined the contractual service margin of the liability for remaining coverage at the transition date as the difference between the fair value of the groups of insurance contracts and the fulfilment cash flows measured at that date. To determine fair value, the requirements in IFRS 13, "Fair Value Measurement", were applied. In the absence of an observable market, a valuation technique based on the present value of expected cash flows was used to measure the fair value of insurance contracts and reinsurance contracts held.

As permitted when the fair value approach is used, the life and health insurance subsidiary did not limit the composition of groups to contracts issued one year or less apart. Upon transition, each portfolio comprises only one group.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

In applying the fair value approach, the life and health insurance subsidiary:
- used only reasonable and supportable information that was available at the transition date;
- adjusted the assumptions relating to expected future cash flows and the risk adjustment for non-financial risk from the perspective of market participants;
- included profit margins beyond the risk adjustment for non-financial risk to reflect what a market participant would require to assume insurance contract obligations;
- excluded future renewals and new business that would be outside the contractual boundary of contracts under IFRS 17.

Judgments made in applying the fair value approach

Applying the fair value approach also required management to make certain judgments. The following judgments are key items in establishing the fair value of insurance contracts and reinsurance contracts held at the transition date:
- the adjustments required to reflect the perspective of market participants are not different from the vision of the life and health insurance subsidiary;
- the weighted average cost of capital of the life and health insurance subsidiary was used as discount rate;
- the capital to remunerate was determined based on the internal target regulatory capital ratio defined by the life and health insurance subsidiary;
- the required rate of return on capital is based on the required rate of return required by management on the various products of the life and health insurance subsidiary.

Impact

As at January 1, 2022 – Transition date

Overall, adopting IFRS 17 increased equity by $172 million as at January 1, 2022. Undistributed surplus earnings and reserves increased by an aggregate amount of $562 million, while accumulated other comprehensive income decreased by $448 million as a result of discontinuing the overlay approach. The non-controlling interests' share increased by $58 million.

In addition, adopting IFRS 17 led to the reclassification of assets and liabilities resulting from changes in the aggregation of certain assets and liabilities, the reclassification of certain insurance contract liabilities amounting to $1,354 million as investment contracts recognized under "Other assets – Other" and the separate presentation of an amount of $18,628 million in segregated fund net liabilities for investment contracts.

As at January 1, 2023

The requirements in IFRS 17 permit revising the designation or classification of financial assets recognized in accordance with IFRS 9 held in respect of insurance activities at the date of initial application of IFRS 17. Desjardins Group chose to not restate the comparative figures in its Combined Financial Statements to reflect the changes in designations or classifications for these financial assets that were made as at January 1, 2023. These changes had a net unfavourable impact of $80 million on equity. These changes are detailed below.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

New financial asset designations

The insurance subsidiaries chose to revise, on an instrument-by-instrument basis at the date of adoption of IFRS 17 as at January 1, 2023, the classification of certain financial assets recognized under IFRS 9, including certain financial assets that were not held in respect of insurance activities. However, only financial assets held in respect of insurance activities as at such date were eligible for a reassessment of their business model. The following table presents the changes in measurement categories that were made.

	Measurement categories under IFRS 9		Carrying amount	
	Before adopting IFRS 17	After adopting IFRS 17	Before adopting IFRS 17	After adopting IFRS 17
Financial assets				
Cash and deposit with financial institutions	Designated as at fair value through profit or loss(1)	Classified as at fair value through profit or loss(2)	$ 420	$ 420
	Designated as at fair value through profit or loss(1)	Classified as at fair value through other comprehensive income	868	868
Securities	Designated as at fair value through profit or loss(1)	Classified as at fair value through profit or loss(2)	$ 54	$ 54
	Designated as at fair value through profit or loss(1)	Classified as at fair value through other comprehensive income	1,119	1,119
	Classified as at fair value through other comprehensive income	Designated as at fair value through profit or loss(3)	953	953
	Classified as at fair value through profit or loss	Designated as at fair value through other comprehensive income(4)	979	979
Loans	Amortized cost	Designated as at fair value through profit or loss(3)	$ 1,782	$ 1,671

(1) The designation of certain financial assets as at fair value through profit or loss was cancelled as the condition for such designation was no longer met.
(2) The assessment of the business model of certain financial assets held in respect of insurance activities was revised, as collecting contractual cash flows was no longer integral to achieving the objective of the business model.
(3) Certain financial assets held in respect of insurance activities were designated as at fair value through profit or loss to eliminate or significantly reduce an accounting inconsistency with insurance contract liabilities.
(4) Certain equity instruments were designated as at fair value through other comprehensive income to mitigate volatility in the Combined Statements of Income.

FUTURE ACCOUNTING CHANGES

Accounting standards and amendments issued by the IASB, but not effective as at December 31, 2023, do not have a significant impact on Desjardins Group's financial statements. Regulatory authorities have stated that early adoption of these standards and amendments will not be permitted, unless they indicate otherwise.

NOTE 3 – INTEREST RATE BENCHMARK REFORM

Progress and risks arising from the interest rate benchmark reform

The IRBR is a global initiative that includes Canada and is being led by the central banks and regulatory authorities. The objective is to improve benchmark indexes by making sure they comply with robust international standards. Interest rate benchmarks are used in transactions on over-the-counter derivative financial instruments, securities, loans and other variable-rate instruments, among others.

To ensure a smooth transition from interest rate benchmarks to risk-free rates, Desjardins Group has set up an IRBR working group comprising members having diverse fields of expertise and coming from various sectors affected by the reform (the "Desjardins IRBR Working Group"). The mandate of the Desjardins IRBR Working Group is to analyze all aspects of this reform, identify and mitigate the risks it poses, as well as coordinate and execute a transition plan.

Desjardins Group is exposed to several risks in relation to IRBR, including interest, market, reputation and operational risks, which mainly arise from updating systems and processes, modifying contractual clauses and managing the transition with respect to members' and clients' needs.

The plan of the Desjardins IRBR Working Group is intended to ensure that the recommendations from the various relevant authorities with respect to the deployment schedule for the key transitional measures are implemented, including the integration of contractual clauses required in connection with the reform.

Subsequently, on May 16, 2022, Refinitiv Benchmark Services (UK) Limited (RBSL), the administrator of the Canadian Dollar Offered Rate (CDOR), announced that it would cease publishing all tenors of CDOR after June 28, 2024. This announcement triggered the two-stage transition period recommended by the Canadian Alternative Reference Rate (CARR) Working Group in its December 2021 White Paper. At the end of the first stage of the transition plan, which occurred on June 30, 2023, the CARR Working Group expected that CDOR would be replaced by the Canadian Overnight Repo Rate Average (CORRA) for new derivative products (except in certain specific circumstances) and for securities. At the end of the second stage of the transition plan, which should occur on June 28, 2024, CDOR-based loan contracts will have to have transitioned to the CORRA rate or any alternative reference rate available at the cessation date. For certain maturities, the use of Term CORRA, which has been available since September 5, 2023, is restricted to loans and derivative financial instruments associated with ancillary hedging strategies. On July 27, 2023, the CARR Working Group announced that lenders would no longer be able to offer new CDOR loans after November 1, 2023.

The Desjardins IRBR Working Group has integrated the impact of these announcements into its transition plan related to the discontinuation of CDOR, including the impact on hedging relationships. The work of the Desjardins IRBR Working Group continues in accordance with the timeline set out in the Desjardins Group's transition plan.

The following table presents quantitative information about exposures for financial instruments and commitments subject to the reform that have yet to transition to risk-free benchmark rates and mature after June 28, 2024[(1)].

As at December 31, 2023	**CDOR** Maturing after June 28, 2024
Non-derivative financial assets[(2)]	**$ 10,176**
Non-derivative financial liabilities[(3)]	**3,491**
Derivative financial instruments[(4)(5)]	**225,751**
Loan commitments[(6)]	**10,303**

(1) This table excludes exposures to interest rate benchmarks for which no cessation plans have been announced, including EURIBOR (Euro Interbank Offered Rate) and BBSW (Australian Bank Bill Swap Rate).
(2) Non-derivative assets include the gross carrying amount of loans and the carrying amount of securities.
(3) Non-derivative financial liabilities include the carrying amount of deposits, commitments related to securities sold short and subordinated notes.
(4) Derivative financial instruments include the notional amount of interest rate contracts, foreign exchange contracts and other derivative contracts.
(5) Includes $32,024 million of derivative financial instruments designated as part of fair value hedging relationships and $31,371 million of derivative financial instruments designated as part of cash flow hedging relationships.
(6) Includes loan commitments for which it is possible to draw amounts in several currencies.

NOTE 4 – CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

CLASSIFICATION AND CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

The following tables present the carrying amount of financial assets and liabilities according to their classification in the classes defined in the financial instrument standards.

	At fair value through profit or loss		At fair value through other comprehensive income			
As at December 31, 2023	Classified as at fair value through profit or loss	Designated as at fair value through profit or loss	Classified as at fair value through other comprehensive income(1)	Designated as at fair value through other comprehensive income	Amortized cost(1)	Total
Financial assets						
Cash and deposits with financial institutions	$ 589	$ —	$ 2,132	$ —	$ 6,266	$ 8,987
Securities	17,674	18,953	50,180	1,512	46	88,365
Securities borrowed or purchased under reverse repurchase agreements	—	—	—	—	13,678	13,678
Loans	—	1,704	—	—	264,231	265,935
Segregated fund net assets	24,860	—	—	—	(106)	24,754
Other financial assets						
Derivative financial instruments(2)	5,861	—	—	—	—	5,861
Amounts receivable from clients, brokers and financial institutions	—	—	—	—	2,801	2,801
Other	—	—	—	—	2,167	2,167
Total financial assets	**$ 48,984**	**$ 20,657**	**$ 52,312**	**$ 1,512**	**$ 289,083**	**$ 412,548**
Financial liabilities						
Deposits(3)	$ —	$ 1,317	$ —	$ —	$ 278,012	$ 279,329
Other financial liabilities						
Commitments related to securities sold short	11,686	—	—	—	—	11,686
Commitments related to securities lent or sold under repurchase agreements	—	—	—	—	12,032	12,032
Derivative financial instruments(2)	6,626	—	—	—	—	6,626
Amounts payable to clients, brokers and financial institutions	—	—	—	—	9,350	9,350
Segregated fund net liabilities for investment contracts	—	—	—	—	21,233	21,233
Other	75	—	—	—	6,927	7,002
Subordinated notes	—	—	—	—	2,954	2,954
Total financial liabilities	**$ 18,387**	**$ 1,317**	**$ —**	**$ —**	**$ 330,508**	**$ 350,212**

(1) As at December 31, 2023, the allowance for credit losses on securities at "Amortized cost" was immaterial, and the allowance for credit losses on securities "Classified as at fair value through other comprehensive income" totalled $18 million. Detailed information on the allowance for credit losses on loans is presented in Note 8, "Loans and allowance for credit losses".

(2) Include derivative financial instruments designated as hedging instruments amounting to $298 million in assets and $650 million in liabilities. Detailed information on derivatives designated as hedging instruments is presented in Note 21, "Derivative financial instruments and hedging activities".

(3) The maturity amount that Desjardins Group will be contractually required to pay to holders of deposits designated as at fair value through profit or loss fluctuates and will differ from the fair value of such deposits as at the reporting date.

NOTE 4 – CARRYING AMOUNT OF FINANCIAL INSTRUMENTS *(continued)*

CLASSIFICATION AND CARRYING AMOUNT OF FINANCIAL INSTRUMENTS ***(continued)***

	At fair value through profit or loss		At fair value through other comprehensive income			
As at December 31, 2022 Restated (Note 2)	Classified as at fair value through profit or loss	Designated as at fair value through profit or loss	Classified as at fair value through other comprehensive income[1]	Designated as at fair value through other comprehensive income	Amortized cost[1]	Total
Financial assets						
Cash and deposits with financial institutions	$ —	$ 949	$ 258	$ —	$ 7,706	$ 8,913
Securities	16,025	17,962	51,193	65	50	85,295
Securities borrowed or purchased under reverse repurchase agreements	—	—	—	—	17,024	17,024
Loans	—	—	—	—	249,670	249,670
Segregated fund net assets	21,374	—	—	—	(18)	21,356
Other financial assets						
Clients' liability under acceptances	—	—	—	—	25	25
Derivative financial instruments[2]	5,723	—	—	—	—	5,723
Amounts receivable from clients, brokers and financial institutions	—	—	—	—	3,486	3,486
Other	—	—	—	—	1,894	1,894
Total financial assets	$ 43,122	$ 18,911	$ 51,451	$ 65	$ 279,837	$ 393,386
Financial liabilities						
Deposits[3]	$ —	$ 745	$ —	$ —	$ 259,091	$ 259,836
Other financial liabilities						
Acceptances	—	—	—	—	25	25
Commitments related to securities sold short	9,859	—	—	—	—	9,859
Commitments related to securities lent or sold under repurchase agreements	—	—	—	—	24,565	24,565
Derivative financial instruments[2]	6,691	—	—	—	—	6,691
Amounts payable to clients, brokers and financial institutions	—	—	—	—	8,978	8,978
Segregated fund net liabilities for investment contracts	—	—	—	—	17,826	17,826
Other	95	—	—	—	5,472	5,567
Subordinated notes	—	—	—	—	2,928	2,928
Total financial liabilities	$ 16,645	$ 745	$ —	$ —	$ 318,885	$ 336,275

(1) As at December 31, 2022, the allowance for credit losses on securities at “Amortized cost” was insignificant, and the allowance for credit losses on securities “Classified as at fair value through other comprehensive income” totalled $10 million. Detailed information on the allowance for credit losses on loans is presented in Note 8, “Loans and allowance for credit losses”.

(2) Include derivative financial instruments designated as hedging instruments amounting to $198 million in assets and $967 million in liabilities. Detailed information on derivatives designated as hedging instruments is presented in Note 21, “Derivative financial instruments and hedging activities”.

(3) The maturity amount that Desjardins Group will be contractually required to pay to holders of deposits designated as at fair value through profit or loss fluctuates and will differ from the fair value of such deposits as at the reporting date.

The insurance subsidiaries chose to revise the accounting classification under IFRS 9 of certain financial assets as at January 1, 2023, the date of adoption of IFRS 17. For more information, refer to Note 2, “Accounting policies”. During the years ended December 31, 2023 and 2022, there were no other material reclassifications of financial instruments.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS

FAIR VALUE HIERARCHY

Fair value measurement is determined using the following three-level fair value hierarchy:
- Level 1 – Measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques based primarily on observable market data;
- Level 3 – Valuation techniques not based primarily on observable market data.

Transfers between levels

Transfers between hierarchy levels for instruments measured at fair value are made at the reporting date.

HIERARCHY OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following tables present the hierarchy for financial instruments measured at fair value in the Combined Balance Sheets.

As at December 31, 2023	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Cash and deposits with financial institutions	$ 127	$ 462	$ —	$ 589
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	8,191	—	—	8,191
Provincial governmental entities and municipal corporations in Canada	15,021	608	—	15,629
School or public corporations in Canada	12	68	—	80
Foreign public administrations	201	—	—	201
Other debt securities	—	7,228	407	7,635
Equity securities	2,411	242	2,238	4,891
	25,836	8,146	2,645	36,627
Loans				
Residential mortgages	—	—	1,102	1,102
Business and government	—	—	602	602
	—	—	1,704	1,704
Segregated fund net assets	7,953	16,252	655	24,860
Derivative financial instruments				
Interest rate contracts	—	475	—	475
Foreign exchange contracts	—	831	—	831
Other contracts	—	4,555	—	4,555
	—	5,861	—	5,861
Total financial assets at fair value through profit or loss	33,916	30,721	5,004	69,641
Financial assets at fair value through other comprehensive income				
Cash and deposits with financial institutions	35	2,097	—	2,132
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	5,775	6,446	—	12,221
Provincial governmental entities and municipal corporations in Canada	24,601	3,815	—	28,416
Foreign public administrations	334	—	—	334
Other debt securities	—	9,209	—	9,209
Equity securities	1,427	—	85	1,512
	32,137	19,470	85	51,692
Total financial assets at fair value through other comprehensive income	32,172	21,567	85	53,824
Total financial assets	$ 66,088	$ 52,288	$ 5,089	$ 123,465
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Deposits	$ —	$ 1,317	$ —	$ 1,317
Other liabilities				
Commitments related to securities sold short	11,174	512	—	11,686
Other	—	—	75	75
	11,174	1,829	75	13,078
Derivative financial instruments				
Interest rate contracts	—	797	—	797
Foreign exchange contracts	—	1,421	—	1,421
Other contracts	—	4,408	—	4,408
	—	6,626	—	6,626
Total financial liabilities	$ 11,174	$ 8,455	$ 75	$ 19,704

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

HIERARCHY OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(continued)*

As at December 31, 2022 Restated (Note 2)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Cash and deposits with financial institutions	$ 71	$ 878	$ —	$ 949
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	7,426	—	—	7,426
Provincial governmental entities and municipal corporations in Canada	12,389	595	—	12,984
School or public corporations in Canada	11	69	—	80
Foreign public administrations	629	—	—	629
Other debt securities	1	6,810	504	7,315
Equity securities	3,551	99	1,903	5,553
	24,007	7,573	2,407	33,987
Segregated fund net assets	7,211	13,565	598	21,374
Derivative financial instruments				
Interest rate contracts	—	662	—	662
Foreign exchange contracts	—	924	—	924
Other contracts	—	4,137	—	4,137
	—	5,723	—	5,723
Total financial assets at fair value through profit or loss	31,289	27,739	3,005	62,033
Financial assets at fair value through other comprehensive income				
Cash and deposits with financial institutions	9	249	—	258
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	7,074	6,076	—	13,150
Provincial governmental entities and municipal corporations in Canada	26,753	3,550	—	30,303
Foreign public administrations	25	—	—	25
Other debt securities	—	7,664	51	7,715
Equity securities	—	—	65	65
	33,852	17,290	116	51,258
Total financial assets at fair value through other comprehensive income	33,861	17,539	116	51,516
Total financial assets	$ 65,150	$ 45,278	$ 3,121	$ 113,549
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Deposits	$ —	$ 745	$ —	$ 745
Other liabilities				
Commitments related to securities sold short	8,836	1,023	—	9,859
Other	—	—	95	95
	8,836	1,768	95	10,699
Derivative financial instruments				
Interest rate contracts	—	1,460	—	1,460
Foreign exchange contracts	—	1,192	—	1,192
Other contracts	—	4,039	—	4,039
	—	6,691	—	6,691
Total financial liabilities	$ 8,836	$ 8,459	$ 95	$ 17,390

During the years ended December 31, 2023 and 2022, no material transfers attributable to changes in the observability of market data were made between Level 1 and Level 2 of the hierarchy for instruments measured at fair value. Transfers of financial instruments into or out of Level 3 reflect changes in the availability of observable inputs due to changes in market conditions.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

HIERARCHY OF FINANCIAL INSTRUMENTS WHOSE CARRYING AMOUNT DOES NOT EQUAL FAIR VALUE

The carrying amount of certain financial instruments measured at amortized cost does not equal fair value. The following tables present those instruments by hierarchy level.

As at December 31, 2023	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Securities	**$ 46**	**$ 39**	**$ —**	**$ 39**	**$ —**
Loans	**264,231**	**261,276**	**—**	**—**	**261,276**
Financial liabilities					
Deposits	**278,012**	**277,978**	**—**	**277,978**	**—**
Subordinated notes	**2,954**	**2,882**	**—**	**2,882**	**—**
Other liabilities – Other	**1,762**	**1,721**	**—**	**1,721**	**—**

As at December 31, 2022 Restated (Note 2)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Securities	$ 50	$ 44	$ —	$ 44	$ —
Loans	249,670	241,159	—	—	241,159
Financial liabilities					
Deposits	259,091	255,831	—	255,831	—
Subordinated notes	2,928	2,859	—	2,859	—
Other liabilities – Other	1,564	1,499	—	1,499	—

FAIR VALUE OF FINANCIAL INSTRUMENTS CATEGORIZED WITHIN LEVEL 3

Valuation process for financial instruments categorized within Level 3

Desjardins Group has implemented various key controls and procedures to ensure that financial instruments categorized within Level 3 are appropriately and reliably measured. The financial governance framework provides for independent monitoring and segregation of duties in that respect.

The most significant financial instruments categorized within Level 3 that are held by Desjardins Group are mortgage bonds, equity securities, loans and the financial liability related to contingent considerations resulting from a price adjustment clause for certain property and casualty insurance contracts acquired.

For mortgage bonds and loans, Desjardins Group developed a list of parameters based on comparable inputs that is reviewed annually and adjusted based on market trends. Tests are performed quarterly to ensure that the rates used by the system are consistent with this list and evolve reasonably.

Desjardins Group measures the majority of equity securities and other debt securities based on net values published by the fund administrator. If needed, these values are adjusted based on more recent information, when such information is available and appropriate. Certain equity securities are measured using a model based on expected future cash flow discounting. These models are examined and approved by Desjardins Group.

In connection with the acquisition of the Canadian businesses of State Farm Mutual Automobile Insurance Company (State Farm), Desjardins Group recognized a contingent consideration resulting from the price adjustment clause of the agreement. Under such clause, State Farm will compensate Desjardins Group for 95% of the unfavourable development of the provision for claims and adjustment expenses related to the property and casualty insurance contracts transferred as part of the acquisition, while Desjardins Group will give State Farm 90% of the favourable development of such provision.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

FAIR VALUE OF FINANCIAL INSTRUMENTS CATEGORIZED WITHIN LEVEL 3 *(continued)*

Changes in fair value of financial instruments categorized within Level 3

The following tables present the changes in fair value of financial instruments categorized within Level 3 of the hierarchy, namely financial instruments whose fair value is determined using valuation techniques not based mainly on observable market data.

For the year ended December 31, 2023	Balance as at December 31, 2022 as reported	Impact of changes in accounting policies (Note 2)	Balance as at January 1, 2023 (restated)	Realized gains / losses recognized in profit or loss[1]	Unrealized gains / losses recognized in profit or loss[2]	Unrealized gains / losses recognized in other comprehensive income[3]	Purchases / Issuances / Other	Sales / Settlements / Other	Balance at end of year
Financial assets									
Financial assets at fair value through profit or loss									
Securities									
Other debt securities									
Mortgage bonds	$ 397	$ 51	$ 448	$ —	$ 5	$ —	$ —	$ (194)	$ 259
Other	107	—	107	—	(1)	—	50	(8)	148
Equity securities	1,903	—	1,903	24	59	—	302	(50)	2,238
	2,407	51	2,458	24	63	—	352	(252)	2,645
Loans									
Residential mortgages	—	1,062	1,062	—	19	—	83	(62)	1,102
Business and government	—	609	609	—	20	—	15	(42)	602
	—	1,671	1,671	—	39	—	98	(104)	1,704
Segregated fund net assets	598	—	598	(1)	—	—	210	(152)	655
Total financial assets at fair value through profit or loss	3,005	1,722	4,727	23	102	—	660	(508)	5,004
Financial assets at fair value through other comprehensive income									
Securities									
Other debt securities									
Mortgage bonds	51	(51)	—	—	—	—	—	—	—
Equity securities	65	—	65	—	—	20	—	—	85
Total financial assets at fair value through other comprehensive income	116	(51)	65	—	—	20	—	—	85
Total financial assets	$ 3,121	$ 1,671	$ 4,792	$ 23	$ 102	$ 20	$ 660	$ (508)	$ 5,089
Financial liabilities									
Financial liabilities at fair value through profit or loss									
Other liabilities – Other									
Financial liability related to the contingent consideration	$ 95	$ —	$ 95	$ —	$ 40	$ —	$ —	$ (60)	$ 75
Total financial liabilities	$ 95	$ —	$ 95	$ —	$ 40	$ —	$ —	$ (60)	$ 75

(1) Realized gains or losses on financial assets classified or designated as at fair value through profit or loss are presented under "Net insurance investment income (loss)" and "Net other investment income (loss)" in the Combined Statements of Income.

(2) Unrealized gains or losses on financial assets classified or designated as at fair value through profit or loss are presented under "Net insurance investment income (loss)" and "Net other investment income (loss)", while unrealized gains or losses on financial liabilities "Classified as at fair value through profit or loss" are recognized under "Other income – Other" in the Combined Statements of Income.

(3) Unrealized gains or losses on financial assets "Classified as at fair value through other comprehensive income" are recognized under "Net unrealized gains (losses)" on debt securities at fair value through other comprehensive income, while unrealized gains or losses on financial assets "Designated as at fair value through other comprehensive income" are recognized under "Net change in gains and losses on equity securities designated as at fair value through other comprehensive income" in the Combined Statements of Comprehensive Income.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

FAIR VALUE OF FINANCIAL INSTRUMENTS CATEGORIZED WITHIN LEVEL 3 *(continued)*

Changes in fair value of financial instruments categorized within Level 3 *(continued)*

For the year ended December 31, 2022 Restated (Note 2)	Balance at beginning of year	Realized gains / losses recognized in profit or loss[1]	Unrealized gains / losses recognized in profit or loss[2]	Unrealized gains / losses recognized in other comprehensive income[3]	Purchases / Issuances / Other	Sales / Settlements / Other	Balance at end of year
Financial assets							
Financial assets at fair value through profit or loss							
Securities							
Other debt securities							
Mortgage bonds	$ 508	$ —	$ (33)	$ —	$ —	$ (78)	$ 397
Other	92	—	6	—	24	(15)	107
Equity securities	1,428	9	124	—	460	(118)	1,903
	2,028	9	97	—	484	(211)	2,407
Segregated fund net assets	360	1	8	—	263	(34)	598
Total financial assets at fair value through profit or loss	2,388	10	105	—	747	(245)	3,005
Financial assets at fair value through other comprehensive income							
Securities							
Other debt securities							
Mortgage bonds	64	—	—	(2)	—	(11)	51
Equity securities	69	—	—	(4)	—	—	65
Total financial assets at fair value through other comprehensive income	133	—	—	(6)	—	(11)	116
Total financial assets	$ 2,521	$ 10	$ 105	$ (6)	$ 747	$ (256)	$ 3,121
Financial liabilities							
Financial liabilities at fair value through profit or loss							
Other liabilities – Other							
Financial liability related to the contingent consideration	$ 147	$ —	$ 35	$ —	$ —	$ (87)	$ 95
Total financial liabilities	$ 147	$ —	$ 35	$ —	$ —	$ (87)	$ 95

(1) Realized gains or losses on financial assets classified or designated as at fair value through profit or loss are presented under "Net insurance investment income (loss)" and "Net other investment income (loss)" in the Combined Statements of Income.

(2) Unrealized gains or losses on financial assets classified or designated as at fair value through profit or loss are presented under "Net insurance investment income (loss)" and "Net other investment income (loss)", while unrealized gains or losses on financial liabilities "Classified as at fair value through profit or loss" are recognized under "Other income – Other", respectively, in the Combined Statements of Income.

(3) Unrealized gains or losses on financial assets "Classified as at fair value through other comprehensive income" are recognized under "Net unrealized gains (losses)" on debt securities at fair value through other comprehensive income, while unrealized gains or losses on financial assets "Designated as at fair value through other comprehensive income" are recognized under "Net change in gains and losses on equity securities designated as at fair value through other comprehensive income" in the Combined Statements of Comprehensive Income.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

Valuation techniques and inputs used to measure the fair value of financial instruments categorized within Level 3

The following tables present the main techniques and unobservable inputs used to measure the fair value of the significant financial instruments categorized within Level 3 as well as the impact of changing unobservable inputs to reflect one or several reasonably possible assumptions on the fair value of financial instruments categorized within Level 3.

As at December 31, 2023	**Fair value**	**Main valuation techniques**	**Unobservable inputs**	**Input value ranges**	**Sensitivity[c]**
Financial assets					
Securities					
Mortgage bonds	**$ 259**	Discounted cash flows	Credit spread[A,B] Comparable inputs[A,B]	**0 bp to 6 bp** **58 bp to 66 bp**	— [D]
Equity securities and other debt securities	**78**	Discounted cash flows	Discount rate[A,B]	**5.8% to 9.0%**	— [D]
	2,114	Adjusted net value	Adjusted net value	**- -** [1]	— [D]
	85	Market price of comparable instruments	Enterprise value/revenues ratios	**- -** [1]	— [D]
	191	Discounted cash flows	Discount rate[A,B] Liquidity premium[A,B]	**8.0% to 14.0%** **10.0% to 40.0%**	**12**
Loans	**1,704**	Discounted cash flows	Comparable inputs[A,B]	**10 bp to 123 bp**	**10**
Segregated fund net assets	**655**	Adjusted net value	Adjusted net value	**- -** [1]	— [D]
Other financial assets	**3**				
Total financial assets	**$ 5,089**				
Financial liabilities					
Other liabilities – Other					
Financial liability related to the contingent consideration	**75**	Actuarial techniques[2]	Provision for claims and adjustment expenses	**- -** [1]	— [D]
Total financial liabilities	**$ 75**				

As at December 31, 2022	Fair value	Main valuation techniques	Unobservable inputs	Input value ranges	Sensitivity[c]
Financial assets					
Securities					
Mortgage bonds	$ 448	Discounted cash flows	Credit spread[A,B] Comparable inputs[A,B]	0 bp to 15 bp 56 bp to 71 bp	— [D]
Equity securities and other debt securities	91	Discounted cash flows	Discount rate[A,B]	6.4% to 8.8%	— [D]
	1,760	Adjusted net value	Adjusted net value	- - [1]	— [D]
	65	Market prices of comparable instruments	Enterprise value/revenues ratios	- - [1]	— [D]
	156	Discounted cash flows	Discount rate[A,B] Liquidity premium[A,B]	9.5% to 12.5% 10.0% to 40.0%	8
Segregated fund net assets	598	Adjusted net value	Adjusted net value	- - [1]	— [D]
Other financial assets	3				
Total financial assets	$ 3,121				
Financial liabilities					
Other liabilities – Other					
Financial liability related to the contingent consideration	95	Actuarial techniques[2]	Provision for claims and adjustment expenses	- - [1]	— [D]
Total financial liabilities	$ 95				

(1) Due to the nature of these financial instruments, no input value range is presented.
(2) The actuarial techniques used to prospectively measure the liability for incurred claims are in accordance with Canadian accepted actuarial practices. For more details about such practices, refer to the "Estimates of future cash flows – Property and casualty insurance activities" section of Note 17, "Insurance and reinsurance contracts".

Fair value sensitivity to changes in unobservable inputs

(A) An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
(B) There is no predictable relationship between this input and other material unobservable inputs.
(C) Represents the increase or decrease in fair value resulting from a reasonably possible change in the unobservable input.
(D) No sensitivity analysis is presented when the impact of changing unobservable inputs to reflect one or several reasonably possible assumptions does not materially change the fair value of the financial instruments categorized within this level or due to the nature of the valuation technique used.

NOTE 6 – OFFSETTING FINANCIAL ASSETS AND LIABILITIES

A financial asset and a financial liability must be offset in the Combined Balance Sheets when, and only when, Desjardins Group has a legally enforceable and unconditional right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Desjardins Group has a legally enforceable and unconditional right to set off a financial asset and a financial liability when such right is enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Securities borrowed or purchased under reverse repurchase agreements and commitments related to securities lent or sold under repurchase agreements are subject to master netting agreements or similar agreements that do not meet the criteria for offsetting in the Combined Balance Sheets as they give a right to set off that is enforceable only in the event of default, insolvency or bankruptcy. However, when such transactions are carried out with clearing houses, the criteria for offsetting in the Combined Balance Sheets are met.

In addition, over-the-counter derivatives subject to International Swaps and Derivatives Association's master netting agreements do not meet the criteria for offsetting in the Combined Balance Sheets as they also give a right to set off that is enforceable only in the event of default, insolvency or bankruptcy. As part of these transactions, Desjardins Group pledges and receives assets as collateral to manage credit risk in accordance with the terms and conditions of the credit support annex.

Exchange-traded derivatives are also subject to master netting agreements entered into directly with stock exchanges or clearing houses and indirectly through brokers. Master netting agreements entered into directly with stock exchanges and clearing houses meet the criteria for offsetting in the Combined Balance Sheets, unlike those entered into indirectly through brokers, as they give a right to set off that is enforceable only in the normal course of business.

Certain amounts receivable from clients, brokers and financial institutions as well as certain amounts payable to clients, brokers and financial institutions are subject to master netting agreements that meet the criteria for offsetting in the Combined Balance Sheets.

The following tables present information about financial assets and liabilities that are set off and not set off in the Combined Balance Sheets and are subject to a master netting agreement or a similar agreement.

				Associated amounts not set off in the Combined Balance Sheets[1]		
As at December 31, 2023	**Gross recognized amounts**	**Set off amounts**	**Net amounts presented in the Combined Balance Sheets[2]**	**Financial instruments[3]**	**Financial collateral held / pledged**	**Residual amounts not set off**
Financial assets						
Securities borrowed or purchased under reverse repurchase agreements	$ 23,038	$ 9,360	$ 13,678	$ 6,995	$ 6,683	$ —
Derivative financial instruments	5,744	—	5,744	1,345	4,191	208
Amounts receivable from clients, brokers and financial institutions and other	87	71	16	8	—	8
Total financial assets	**$ 28,869**	**$ 9,431**	**$ 19,438**	**$ 8,348**	**$ 10,874**	**$ 216**
Financial liabilities						
Commitments related to securities lent or sold under repurchase agreements	$ 21,392	$ 9,360	$ 12,032	$ 6,995	$ 5,017	$ 20
Derivative financial instruments	2,447	—	2,447	1,345	413	689
Amounts payable to clients, brokers and financial institutions and other	165	71	94	8	—	86
Total financial liabilities	**$ 24,004**	**$ 9,431**	**$ 14,573**	**$ 8,348**	**$ 5,430**	**$ 795**

(1) Any over-collateralization is excluded from the table.
(2) The difference between the net amounts presented in this table and balances appearing in the Combined Balance Sheets represents financial assets and liabilities that are not subject to master netting agreements or similar agreements.
(3) Carrying amount of financial assets and liabilities that are subject to a master netting agreement or similar agreement but that do not meet offsetting criteria.

NOTE 6 – OFFSETTING FINANCIAL ASSETS AND LIABILITIES *(continued)*

As at December 31, 2022 Restated (Note 2)	Gross recognized amounts	Set off amounts	Net amounts presented in the Combined Balance Sheets[2]	Associated amounts not set off in the Combined Balance Sheets[1]		Residual amounts not set off
				Financial instruments[3]	Financial collateral held / pledged	
Financial assets						
Securities borrowed or purchased under reverse repurchase agreements	$ 24,233	$ 7,209	$ 17,024	$ 5,767	$ 11,218	$ 39
Derivative financial instruments	5,663	—	5,663	1,452	3,960	251
Amounts receivable from clients, brokers and financial institutions and other	66	28	38	5	—	33
Total financial assets	$ 29,962	$ 7,237	$ 22,725	$ 7,224	$ 15,178	$ 323
Financial liabilities						
Commitments related to securities lent or sold under repurchase agreements	$ 31,774	$ 7,209	$ 24,565	$ 5,767	$ 18,788	$ 10
Derivative financial instruments	2,862	—	2,862	1,452	783	627
Amounts payable to clients, brokers and financial institutions and other	66	28	38	5	—	33
Total financial liabilities	$ 34,702	$ 7,237	$ 27,465	$ 7,224	$ 19,571	$ 670

(1) Any over-collateralization is excluded from the table.

(2) The difference between the net amounts presented in this table and balances appearing in the Combined Balance Sheets represents financial assets and liabilities that are not subject to master netting agreements or similar agreements.

(3) Carrying amount of financial assets and liabilities that are subject to a master netting agreement or similar agreement but that do not meet offsetting criteria.

NOTE 7 – SECURITIES

MATURITIES OF SECURITIES

The following tables present an analysis of the maturities of Desjardins Group's securities.

	Terms to maturity						
As at December 31, 2023	**Under 1 year**	**1 to 3 years**	**Over 3 to 5 years**	**Over 5 to 10 years**	**Over 10 years**	**No specific maturity**	**Total**
Financial assets							
Financial assets at fair value through profit or loss							
Securities							
Debt securities issued or guaranteed by:							
Canadian governmental entities	$ 1,928	$ 2,278	$ 999	$ 1,760	$ 1,226	$ —	$ 8,191
Provincial governmental entities and municipal corporations in Canada	1,366	1,924	1,787	2,406	8,146	—	15,629
School or public corporations in Canada	—	2	3	6	69	—	80
Foreign public administrations	96	52	—	1	52	—	201
Other debt securities	798	675	635	1,377	4,148	2	7,635
Equity securities	—	—	14	32	—	4,845	4,891
Total financial assets at fair value through profit or loss	4,188	4,931	3,438	5,582	13,641	4,847	36,627
Financial assets at fair value through other comprehensive income							
Securities							
Debt securities issued or guaranteed by:							
Canadian governmental entities	1,896	7,198	2,056	540	531	—	12,221
Provincial governmental entities and municipal corporations in Canada	1,967	7,749	8,092	10,599	9	—	28,416
Foreign public administrations	99	108	127	—	—	—	334
Other debt securities	3,186	1,863	3,220	883	57	—	9,209
Equity securities	—	—	—	—	—	1,512	1,512
Total financial assets at fair value through other comprehensive income	7,148	16,918	13,495	12,022	597	1,512	51,692
Financial assets at amortized cost							
Securities							
Debt securities issued or guaranteed by:							
Provincial governmental entities and municipal corporations in Canada	1	2	3	3	1	—	10
Foreign public administrations	—	—	1	—	31	—	32
Other debt securities	1	1	—	2	—	—	4
Total financial assets at amortized cost	2	3	4	5	32	—	46
Total securities	$ 11,338	$ 21,852	$ 16,937	$ 17,609	$ 14,270	$ 6,359	$ 88,365

NOTE 7 – SECURITIES *(continued)*

MATURITIES OF SECURITIES *(continued)*

As at December 31, 2022	Terms to maturity Under 1 year	1 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years	No specific maturity	Total
Financial assets							
Financial assets at fair value through profit or loss							
Securities							
Debt securities issued or guaranteed by:							
Canadian governmental entities	$ 2,053	$ 1,505	$ 1,133	$ 2,000	$ 735	$ —	$ 7,426
Provincial governmental entities and municipal corporations in Canada	904	2,102	1,527	2,312	6,139	—	12,984
School or public corporations in Canada	—	2	6	—	72	—	80
Foreign public administrations	234	3	17	338	37	—	629
Other debt securities	537	948	940	1,361	3,527	2	7,315
Equity securities	—	—	—	42	—	5,511	5,553
Total financial assets at fair value through profit or loss	3,728	4,560	3,623	6,053	10,510	5,513	33,987
Financial assets at fair value through other comprehensive income							
Securities							
Debt securities issued or guaranteed by:							
Canadian governmental entities	1,793	6,418	4,589	350	—	—	13,150
Provincial governmental entities and municipal corporations in Canada	1,510	7,384	7,683	13,182	544	—	30,303
Foreign public administrations	20	5	—	—	—	—	25
Other debt securities	2,999	1,101	2,705	867	43	—	7,715
Equity securities	—	—	—	—	—	65	65
Total financial assets at fair value through other comprehensive income	6,322	14,908	14,977	14,399	587	65	51,258
Financial assets at amortized cost							
Securities							
Debt securities issued or guaranteed by:							
Provincial governmental entities and municipal corporations in Canada	1	2	2	4	1	—	10
Foreign public administrations	—	—	1	1	34	—	36
Other debt securities	—	1	1	2	—	—	4
Total financial assets at amortized cost	1	3	4	7	35	—	50
Total securities	$ 10,051	$ 19,471	$ 18,604	$ 20,459	$ 11,132	$ 5,578	$ 85,295

EQUITY INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Desjardins Group designated certain equity instruments at fair value through other comprehensive income. Equity securities held in respect of insurance activities were designated in that category to mitigate volatility in the Combined Statements of Income. The following table presents the fair value of those instruments held as at December 31, 2023 and dividend income recognized on those instruments during the year then ended.

As at December 31, 2023	**Fair value**	**Dividends recognized during the year**
Securities held in respect of insurance activities		
Equity securities		
Common shares	**$ 845**	**$ 11**
Preferred shares	**582**	**25**
	1,427	**36**
Other securities	**85**	**—**
Total securities designated as at fair value through other comprehensive income	**$ 1,512**	**$ 36**

During the year, Desjardins Group disposed of, as part of the normal application of its investment strategy, certain securities designated as at fair value through other comprehensive income. At the time of disposal, the fair value of these investments was $813 million and the cumulative loss was $4 million. Dividend income related to these securities recognized in the Combined Statement of Income for the year was $24 million.

NOTE 8 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

EXPOSURE TO CREDIT RISK OF LOANS AND OFF-BALANCE SHEET ITEMS

The following tables present the gross carrying amount of loans and the exposure amount for off-balance sheet items for which Desjardins Group estimates an allowance for expected credit losses, according to credit quality and the impairment model stage in which they are classified. For more information on credit quality according to risk levels, see table 28, “Probabilities of default of retail clients by risk level”, and Table 29, “Probabilities of default businesses, financial institutions and sovereign borrowers by risk level”, in section 4.0, “Risk Management”, of the 2023 Annual Management’s Discussion and Analysis.

Loans

	Non-credit impaired		Credit-impaired[1]	
As at December 31, 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Residential mortgages				
Excellent	$ 51,993	$ 10	$ —	$ 52,003
Very low	69,332	332	—	69,664
Low	34,631	2,054	—	36,685
Moderate	1,931	2,796	—	4,727
High	2	1,023	—	1,025
Default	—	277	375	652
Total residential mortgages subject to expected credit losses	$ 157,889	$ 6,492	$ 375	$ 164,756
Residential mortgages at fair value through profit or loss[2]				1,102
Total gross residential mortgages	$ 157,889	$ 6,492	$ 375	$ 165,858
Allowance for credit losses	(45)	(33)	(24)	(102)
Total net residential mortgages	$ 157,844	$ 6,459	$ 351	$ 165,756
Consumer, credit card and other personal loans				
Excellent	$ 5,069	$ —	$ —	$ 5,069
Very low	6,590	2	—	6,592
Low	7,858	1,224	—	9,082
Moderate	1,101	814	—	1,915
High	8	1,305	—	1,313
Default	—	44	224	268
Total gross consumer, credit card and other personal loans	$ 20,626	$ 3,389	$ 224	$ 24,239
Allowance for credit losses	(130)	(281)	(140)	(551)
Total net consumer, credit card and other personal loans	$ 20,496	$ 3,108	$ 84	$ 23,688
Business and government loans				
Acceptable risk				
Investment grade	$ 25,102	$ 95	$ —	$ 25,197
Other than investment grade	42,287	3,859	—	46,146
Under watch	1,425	2,097	—	3,522
Default	—	186	1,365	1,551
Total business and government loans subject to expected credit losses	$ 68,814	$ 6,237	$ 1,365	$ 76,416
Business and government loans at fair value through profit or loss[2]				602
Total gross business and government loans	$ 68,814	$ 6,237	$ 1,365	$ 77,018
Allowance for credit losses	(115)	(81)	(331)	(527)
Total net business and government loans	$ 68,699	$ 6,156	$ 1,034	$ 76,491
Total gross loans	$ 247,329	$ 16,118	$ 1,964	$ 267,115
Allowance for credit losses	(290)	(395)	(495)	(1,180)
Total net loans	$ 247,039	$ 15,723	$ 1,469	$ 265,935

(1) As at December 31, 2023, 96.8% of credit-impaired loans were fully or partially secured, generally by immovable, movable or other security. Additional information on collateral held as security and other credit enhancements is presented in the “Credit Risk Mitigation” section of the Management's Discussion and Analysis.

(2) Loans at fair value through profit or loss are not subject to expected credit losses.

NOTE 8 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

EXPOSURE TO CREDIT RISK OF LOANS AND OFF-BALANCE SHEET ITEMS *(continued)*

Loans (*continued*)

	Non-credit impaired		Credit-impaired[1]	
As at December 31, 2022 Restated (Note 2)	Stage 1	Stage 2	Stage 3	Total
Residential mortgages				
Excellent	$ 53,229	$ 11	$ —	$ 53,240
Very low	67,594	783	—	68,377
Low	29,688	2,997	—	32,685
Moderate	1,741	2,460	—	4,201
High	1	809	—	810
Default	—	124	245	369
Total gross residential mortgages	$ 152,253	$ 7,184	$ 245	$ 159,682
Allowance for credit losses	(58)	(43)	(16)	(117)
Total net residential mortgages	$ 152,195	$ 7,141	$ 229	$ 159,565
Consumer, credit card and other personal loans				
Excellent	$ 5,547	$ 1	$ —	$ 5,548
Very low	6,576	9	—	6,585
Low	7,544	1,243	—	8,787
Moderate	975	852	—	1,827
High	8	1,218	—	1,226
Default	—	68	170	238
Total gross consumer, credit card and other personal loans	$ 20,650	$ 3,391	$ 170	$ 24,211
Allowance for credit losses	(140)	(302)	(91)	(533)
Total net consumer, credit card and other personal loans	$ 20,510	$ 3,089	$ 79	$ 23,678
Business and government loans[2]				
Acceptable risk				
Investment grade	$ 22,624	$ 189	$ —	$ 22,813
Other than investment grade	35,686	4,286	—	39,972
Under watch	1,475	1,700	—	3,175
Default	—	101	776	877
Total gross business and government loans	$ 59,785	$ 6,276	$ 776	$ 66,837
Allowance for credit losses	(114)	(67)	(204)	(385)
Total net business and government loans	$ 59,671	$ 6,209	$ 572	$ 66,452
Total gross loans and acceptances	$ 232,688	$ 16,851	$ 1,191	$ 250,730
Allowance for credit losses	(312)	(412)	(311)	(1,035)
Total net loans and acceptances	$ 232,376	$ 16,439	$ 880	$ 249,695

(1) As at December 31, 2022, 94.5% of credit-impaired loans were fully or partially secured, generally by immovable, movable or other security. Additional information on collateral held as security and other credit enhancements is presented in the "Credit Risk Mitigation" section of the Management's Discussion and Analysis.

(2) Includes clients' liability under acceptances.

NOTE 8 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

EXPOSURE TO CREDIT RISK OF LOANS AND OFF-BALANCE SHEET ITEMS *(continued)*

Off-balance sheet items[1]

As at December 31, 2023	Non-credit impaired Stage 1	Stage 2	Credit-impaired Stage 3	Total
Residential mortgages, consumer, credit card and other personal loans				
Excellent	**$ 48,395**	**$ 1**	**$ —**	**$ 48,396**
Very low	**24,051**	**13**	**—**	**24,064**
Low	**6,963**	**745**	**—**	**7,708**
Moderate	**328**	**492**	**—**	**820**
High	**5**	**286**	**—**	**291**
Default	**—**	**9**	**48**	**57**
Total	**$ 79,742**	**$ 1,546**	**$ 48**	**$ 81,336**
Allowance for credit losses	**(43)**	**(23)**	**—**	**(66)**
Total, net of allowance for credit losses	**$ 79,699**	**$ 1,523**	**$ 48**	**$ 81,270**
Business and government				
Acceptable risk				
Investment grade	**$ 35,776**	**$ 40**	**$ —**	**$ 35,816**
Other than investment grade	**14,194**	**1,059**	**—**	**15,253**
Under watch	**346**	**371**	**—**	**717**
Default	**—**	**5**	**219**	**224**
Total	**$ 50,316**	**$ 1,475**	**$ 219**	**$ 52,010**
Allowance for credit losses	**(20)**	**(7)**	**—**	**(27)**
Total, net of allowance for credit losses	**$ 50,296**	**$ 1,468**	**$ 219**	**$ 51,983**
Total off-balance sheet items	**$ 130,058**	**$ 3,021**	**$ 267**	**$ 133,346**
Allowance for credit losses	**(63)**	**(30)**	**—**	**(93)**
Total off-balance sheet items, net of allowance for credit losses	**$ 129,995**	**$ 2,991**	**$ 267**	**$ 133,253**

As at December 31, 2022	Non-credit impaired Stage 1	Stage 2	Credit-impaired Stage 3	Total
Residential mortgages, consumer, credit card and other personal loans				
Excellent	$ 49,665	$ 5	$ —	$ 49,670
Very low	21,946	40	—	21,986
Low	6,511	931	—	7,442
Moderate	315	576	—	891
High	5	262	—	267
Default	—	—	44	44
Total	$ 78,442	$ 1,814	$ 44	$ 80,300
Allowance for credit losses	(31)	(9)	—	(40)
Total, net of allowance for credit losses	$ 78,411	$ 1,805	$ 44	$ 80,260
Business and government				
Acceptable risk				
Investment grade	$ 30,908	$ 150	$ —	$ 31,058
Other than investment grade	12,894	1,134	—	14,028
Under watch	300	248	—	548
Default	—	9	118	127
Total	$ 44,102	$ 1,541	$ 118	$ 45,761
Allowance for credit losses	(11)	(2)	—	(13)
Total, net of allowance for credit losses	$ 44,091	$ 1,539	$ 118	$ 45,748
Total off-balance sheet items	$ 122,544	$ 3,355	$ 162	$ 126,061
Allowance for credit losses	(42)	(11)	—	(53)
Total off-balance sheet items, net of allowance for credit losses	$ 122,502	$ 3,344	$ 162	$ 126,008

(1) Loan commitments for which Desjardins Group estimates an allowance for expected credit losses comprise credit commitments and documentary letters of credit, while financial guarantees for which it estimates an allowance for expected credit losses comprise guarantees and standby letters of credit.

NOTE 8 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

ALLOWANCE FOR CREDIT LOSSES

The following tables present the changes in the balance of the allowance for expected credit losses on loans and off-balance sheet items.

For the year ended December 31, 2023	Non-credit impaired Stage 1	Non-credit impaired Stage 2	Credit-impaired Stage 3	Allowance for credit losses
Residential mortgages				
Balance at beginning of year[(1)]	$ 59	$ 44	$ 16	$ 119
Provision for credit losses				
Transfers to[(2)]:				
Stage 1	40	(38)	(2)	—
Stage 2	(11)	16	(5)	—
Stage 3	—	(4)	4	—
Net remeasurement due to transfers[(3)]	(15)	13	18	16
Changes in risks, parameters and models[(4)]	(41)	11	2	(28)
New originations or acquisitions[(5)]	22	—	—	22
Derecognition and maturities[(6)]	(7)	(8)	(9)	(24)
Net drawdowns (repayments)[(7)]	1	(1)	—	—
	(11)	(11)	8	(14)
Write-offs and recoveries	—	—	—	—
Balance at end of year	$ 48	$ 33	$ 24	$ 105
Consumer, credit card and other personal loans				
Balance at beginning of year	$ 170	$ 310	$ 91	$ 571
Provision for credit losses				
Transfers to[(2)]:				
Stage 1	259	(249)	(10)	—
Stage 2	(110)	153	(43)	—
Stage 3	(1)	(54)	55	—
Net remeasurement due to transfers[(3)]	(45)	62	200	217
Changes in risks, parameters and models[(4)]	(181)	149	293	261
New originations or acquisitions[(5)]	99	—	—	99
Derecognition and maturities[(6)]	(21)	(62)	(151)	(234)
Net drawdowns (repayments)[(7)]	—	(5)	—	(5)
	—	(6)	344	338
Write-offs and recoveries	—	—	(295)	(295)
Balance at end of year	$ 170	$ 304	$ 140	$ 614
Business and government				
Balance at beginning of year[(1)]	$ 125	$ 69	$ 204	$ 398
Provision for credit losses				
Transfers to[(2)]:				
Stage 1	58	(51)	(7)	—
Stage 2	(35)	43	(8)	—
Stage 3	(2)	(8)	10	—
Net remeasurement due to transfers[(3)]	(11)	24	138	151
Changes in risks, parameters and models[(4)]	(78)	19	78	19
New originations or acquisitions[(5)]	101	—	—	101
Derecognition and maturities[(6)]	(31)	(14)	(28)	(73)
Net drawdowns (repayments)[(7)]	8	6	(15)	(1)
	10	19	168	197
Write-offs and recoveries	—	—	(41)	(41)
Balance at end of year	$ 135	$ 88	$ 331	$ 554
Total balances at end of year	$ 353	$ 425	$ 495	$ 1,273
Composed of:				
Loans	$ 290	$ 395	$ 495	$ 1,180
Off-balance sheet items[(8)]	63	30	—	93

(1) The new designation of certain residential mortgages and business and government loans described in Note 2, "Accounting policies" had an insignificant impact on the balance at beginning of year.
(2) Represent transfers between stages before the remeasurement of expected credit losses.
(3) Represents the remeasurement of the allowance for expected credit losses resulting from transfers between stages.
(4) Represent the change in the allowance due to changes in risks resulting from changes in forward-looking information, risks levels, parameters and models, after transfers between stages.
(5) Represent the increase in the allowance for new originations or acquisitions during the year, including loans that were derecognized and for which a new asset was recognized following a modification of terms.
(6) Represent mainly the decrease in the allowance for fully repaid loans, including loans that were derecognized and for which a new asset was recognized following a modification of terms.
(7) Represent changes in the allowance attributable to drawdowns and repayments on outstanding loans.
(8) The allowance for credit losses on off-balance sheet items is presented under "Other liabilities – Other" in the Combined Balance Sheets.

NOTE 8 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

ALLOWANCE FOR CREDIT LOSSES *(continued)*

	Non-credit impaired		Credit-impaired	Allowance for
For the year ended December 31, 2022	Stage 1	Stage 2	Stage 3	credit losses
Residential mortgages				
Balance at beginning of year	$ 73	$ 73	$ 20	$ 166
Provision for credit losses				
Transfers to[1]:				
Stage 1	74	(71)	(3)	—
Stage 2	(15)	20	(5)	—
Stage 3	—	(3)	3	—
Net remeasurement due to transfers[2]	(34)	23	13	2
Changes in risks, parameters and models[3]	(69)	17	(2)	(54)
New originations or acquisitions[4]	40	—	—	40
Derecognition and maturities[5]	(12)	(14)	(7)	(33)
Net drawdowns (repayments)[6]	2	(1)	—	1
Other	—	—	(2)	(2)
	(14)	(29)	(3)	(46)
Write-offs and recoveries	—	—	(1)	(1)
Balance at end of year	$ 59	$ 44	$ 16	$ 119
Consumer, credit card and other personal loans				
Balance at beginning of year	$ 158	$ 265	$ 80	$ 503
Provision for credit losses				
Transfers to[1]:				
Stage 1	304	(295)	(9)	—
Stage 2	(131)	169	(38)	—
Stage 3	(1)	(46)	47	—
Net remeasurement due to transfers[2]	(35)	62	156	183
Changes in risks, parameters and models[3]	(192)	217	143	168
New originations or acquisitions[4]	119	—	—	119
Derecognition and maturities[5]	(43)	(56)	(69)	(168)
Net drawdowns (repayments)[6]	(9)	(6)	(2)	(17)
	12	45	228	285
Write-offs and recoveries	—	—	(217)	(217)
Balance at end of year	$ 170	$ 310	$ 91	$ 571
Business and government				
Balance at beginning of year	$ 112	$ 82	$ 179	$ 373
Provision for credit losses				
Transfers to[1]:				
Stage 1	73	(66)	(7)	—
Stage 2	(42)	56	(14)	—
Stage 3	(1)	(7)	8	—
Net remeasurement due to transfers[2]	(13)	31	69	87
Changes in risks, parameters and models[3]	(113)	(13)	27	(99)
New originations or acquisitions[4]	127	—	—	127
Derecognition and maturities[5]	(39)	(21)	(43)	(103)
Net drawdowns (repayments)[6]	21	7	(7)	21
	13	(13)	33	33
Write-offs and recoveries	—	—	(8)	(8)
Balance at end of year	$ 125	$ 69	$ 204	$ 398
Total balances at end of year	$ 354	$ 423	$ 311	$ 1,088
Composed of:				
Loans	$ 312	$ 412	$ 311	$ 1,035
Off-balance sheet items[7]	42	11	—	53

(1) Represent transfers between stages before the remeasurement of expected credit losses.
(2) Represents the remeasurement of the allowance for expected credit losses resulting from transfers between stages.
(3) Represent the change in the allowance due to changes in risk resulting from changes in forward-looking information, risk levels, parameters and models, after transfers between stages.
(4) Represent the increase in the allowance for new originations or acquisitions during the year, including loans that were derecognized and for which a new asset was recognized following a modification of terms.
(5) Represent mainly the decrease in the allowance for fully repaid loans, including loans that were derecognized and for which a new asset was recognized following a modification of terms.
(6) Represent changes in the allowance attributable to drawdowns and repayments on outstanding loans.
(7) The allowance for credit losses on off-balance sheet items is presented under “Other liabilities – Other” in the Combined Balance Sheets.

NOTE 8 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

KEY DATA AND ASSUMPTIONS

Estimating the allowance for expected credit losses is based on a set of assumptions and methodologies specific to credit risk and changes in economic conditions and therefore requires significant judgment to be exercised. The main items requiring significant judgment that affected its measurement are the following:
- Changes in the borrowers' credit risk rating (or PD);
- Determination of significant increases in credit risk;
- Incorporation of forward-looking information.

The macroeconomic environment, which is notably characterized by high interest rates, growing geopolitical tensions and persistent inflation, still gives rise to uncertainty. Therefore, management has to continue making particularly complex judgments to estimate the allowance for credit losses in such situation.

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

Changes in the borrowers' credit risk rating or probability of default

The borrowers' credit risk rating is the foundation of the credit risk assessment model. The rating of a borrower is directly related to its estimated PD. Many variables are taken into consideration in credit risk assessment models. For more information about these models, see section 4.0, "Risk Management", of the Management's Discussion and Analysis. Changes in the borrowers' credit risk rating have an impact on determining significant increases in credit risk, as this is mainly based on the change in the borrower's PD, and measuring the allowance for expected credit losses.

Changes in the borrowers' credit risk rating may increase or decrease the allowance for expected credit losses. Generally, a deterioration in a borrower's credit risk rating gives rise to an increase in the allowance, while an improvement results in a decrease in the allowance.

Determination of significant increases in credit risk

To determine whether, at the reporting date, credit risk has significantly increased since initial recognition, Desjardins Group bases its assessment on the change in default risk over the expected life of the financial instrument. As this assessment takes into account forward-looking information at time of granting and at the reporting date, a significant increase in credit risk may be caused by a deterioration in economic forecasts integrated into the prospective evaluation, a deterioration in the borrower's situation or a combination of both of these factors.

The determination of significant increases in credit risk since initial recognition may have a significant upward or downward impact on the allowance for expected credit losses as the amount of the allowance for expected credit losses for loans in Stage 1 is equal to 12-month expected credit losses, while the amount of the allowance for expected credit losses for loans in Stage 2 is equal to the lifetime expected credit losses.

Incorporation of forward-looking information

Desjardins Group uses three different scenarios to determine the allowance for expected credit losses, namely a base scenario, an upside scenario and a downside scenario. Projections for each scenario are provided for a four-year horizon. The macroeconomic variables projected under each scenario and the related probability of occurrence have a significant impact on determining significant increases in credit risk and measuring the allowance for credit losses for expected credit losses. The models vary depending on the portfolios and include one or several of the main variables presented in the table below. The macroeconomic variable projection and the determination of the probabilities of occurrence are reviewed quarterly.

The incorporation of forward-looking information may increase or decrease the allowance for expected credit losses. Generally, an improvement in the outlook will give rise to a decrease in the allowance, while a deterioration will result in an increase in the allowance.

NOTE 8 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

KEY DATA AND ASSUMPTIONS *(continued)*

Incorporation of forward-looking information *(continued)*

The macroeconomic scenarios developed for calculating the allowance for expected credit losses include the following value ranges over the projection horizon for the most significant variables for credit risk parameters:

	Base scenario		Upside scenario		Downside scenario	
As at December 31, 2023	**Next 12 months**	**Remaining forecast period**	**Next 12 months**	**Remaining forecast period**	**Next 12 months**	**Remaining forecast period**
Macroeconomic variables[(1)]						
Gross domestic product (annualized change)	**0.6 %**	**1.5 %**	**1.5 %**	**2.0 %**	**(2.0) %**	**1.1 %**
Unemployment rate (average)	**5.7 %**	**4.4 %**	**4.7 %**	**3.6 %**	**7.3 %**	**6.5 %**
Consumer Price Index (annualized change)	**2.1 %**	**2.0 %**	**2.7 %**	**2.0 %**	**1.2 %**	**1.8 %**
Housing prices (annualized change)	**1.0 %**	**3.4 %**	**5.7 %**	**3.8 %**	**(26.6) %**	**5.8 %**
Corporate credit spread[(2)] (average)	**177 bp**	**145 bp**	**125 bp**	**109 bp**	**274 bp**	**183 bp**
S&P/TSX stock index[(2)] (annualized change)	**3.9 %**	**5.8 %**	**22.6 %**	**7.1 %**	**(19.5) %**	**9.9 %**

	Base scenario		Upside scenario		Downside scenario	
As at December 31, 2022	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Macroeconomic variables[(1)]						
Gross domestic product (annualized change)	(0.5) %	1.8 %	1.6 %	2.1 %	(3.0) %	1.4 %
Unemployment rate (average)	5.1 %	4.5 %	4.0 %	3.2 %	7.3 %	7.3 %
Consumer Price Index (annualized change)	2.4 %	2.0 %	4.0 %	2.1 %	2.0 %	1.9 %
Housing prices (annualized change)	(8.6) %	2.1 %	(2.3) %	2.9 %	(27.6) %	4.1 %
Corporate credit spread[(2)] (average)	171 bp	123 bp	121 bp	95 bp	260 bp	161 bp
S&P/TSX stock index[(2)] (annualized change)	2.4 %	5.1 %	29.0 %	7.0 %	(16.2)%	6.7 %

(1) All macroeconomic variables relate to the Québec economy, unless otherwise noted.
(2) Macroeconomic variables related to the Canadian economy.

The base scenario forecasts that the slight recession that began in Québec in 2023 will continue in early 2024. The lagged effect of high interest rates continues to materialize, and quarterly decreases in real GDP are expected in several economies, including Canada and Québec. Under this scenario, the economic difficulties will lead to new increases in the unemployment rate, and the housing sector will remain affected. The Québec unemployment rate should increase to slightly over 5% and housing prices should decrease by approximately 2% during the first half of the year. This scenario forecasts that, if inflation continues to go down, the Bank of Canada could start lowering its policy interest rates in the second quarter of 2024. Overall, 6 25-basis-point decreases in Canadian policy interest rates are expected in 2024. Some additional decreases would follow in 2025. This will help accelerating economic growth. The unemployment rate should gradually converge to 4%, in the mid-term, in Québec.

In the downside scenario, economic growth would be more hardly affected by past interest rate increases. Inflation could go down faster in the short-term, which would make way for a faster interest rate reduction by central banks. In that scenario, the discount rate would end 2024 at 1.75% to help stimulating the economy. The unemployment rate would increase more significantly, possibly to over 8% in Québec. The downside scenario also assumes a more significant correction in average housing prices of approximately 20% compared to the previous peak.

NOTE 8 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

KEY DATA AND ASSUMPTIONS *(continued)*

Incorporation of forward-looking information *(continued)*

The upside scenario essentially assumes that the economy will be stronger than in the base scenario, helped by lower supply constraints and higher productivity. A quick end to the war in Ukraine would also be a favourable element. In this scenario, the unemployment rate could decrease to 3% in the coming years. Inflation would still be more persistent than under the base scenario. The return to the 2% inflation target would take more time and incite the Bank of Canada to reduce more gradually its policy interest rates in 2024 and 2025. The discount rate would be maintained at 3.25% in the years 2026-2028, which corresponds to the high end of the neutral rate range estimated by the Bank of Canada. Slightly higher interest rates under this scenario would contribute to limiting the rise in housing prices, which would still be a little stronger than under the base scenario.

The development of the economic outlook after December 31, 2023 will be considered in estimating the allowance for expected credit losses in future periods.

SENSITIVITY ANALYSIS OF THE ALLOWANCE FOR CREDIT LOSSES ON NON-CREDIT IMPAIRED LOANS

Scenarios

The amount of the allowance for expected credit losses depends on the probability of occurrence associated with each scenario. The following table compares the allowance for credit losses on non-credit impaired loans and off-balance sheet items at the reporting dates, which takes into account the probability weighting for the three scenarios, with the allowance for credit losses that would have been obtained if a weighting of 100% had been assigned to each scenario individually.

	Allowance for credit losses on non-credit impaired loans and off-balance sheet items	
	As at December 31, 2023	As at December 31, 2022
Under IFRS 9	**$ 778**	$ 777
Weighting of 100% assigned to the scenario:		
Base	**$ 649**	$ 653
Upside	**544**	523
Downside	**1,097**	1,122

Transfers between stages

The following table compares the allowance for credit losses on non-credit impaired loans and off-balance sheet items at the reporting dates with the allowance for credit losses that would have been obtained if all non-credit impaired loans had been included in Stage 1 of the impairment model.

	Allowance for credit losses on non-credit impaired loans and off-balance sheet items	
	As at December 31, 2023	As at December 31, 2022
Under IFRS 9	**$ 778**	$ 777
If all non-credit impaired loans and off-balance sheet items had been included in Stage 1	**$ 690**	$ 714

NOTE 9 – DERECOGNITION OF FINANCIAL ASSETS

FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

Loan securitization

As part of its liquidity and capital management strategy, Desjardins Group participates in the *National Housing Act* (NHA) Mortgage-Backed Securities Program. Under this program, Desjardins Group creates pools of residential mortgage loans insured by Canada Mortgage and Housing Corporation (CMHC) that back mortgage-backed securities. These mortgage-backed securities are issued under the *National Housing Act* (NHA MBSs) and give their holders a property right on the pools of loans backing them. Desjardins Group originates from time to time such securities and retains them as holder or transfers them from time to time to the Canada Housing Trust (CHT). The CHT funds these purchases by issuing Canada Mortgage Bonds (CMBs) to investors.

The terms and conditions of the program giving rise to the transfer of NHA MBSs to the CHT require that interest rate swaps be entered into by the CHT and Desjardins Group to allow the monthly receipt of all cash flows related to the mortgage loans underlying the NHA MBSs. Desjardins Group pays the CHT an amount corresponding to the interest payable to the holders of CMBs, the difference between these amounts being considered as excess interest margin. As part of these swaps, Desjardins Group must also create a separate account for reinvestment purposes (principal reinvestment account) for any principal payment received on mortgage loans in order to meet the obligations related to the repayment of CMBs at maturity.

However, in these transactions, Desjardins Group retains substantially all the risks, including prepayment and interest rate risks. These loans therefore continue to be recognized in the Combined Balance Sheets. Furthermore, Desjardins Group treats any transfers as collateralized financing transactions and recognizes a liability in that respect. Where applicable, this liability, which is equal to the consideration received for the sale of NHA MBSs that do not meet the derecognition criteria, is presented under “Deposits – Business and government” in the Combined Balance Sheets.

Securities lent or sold under repurchase agreements

As part of transactions involving securities lent or sold under repurchase agreements, Desjardins Group transfers financial assets under terms and conditions providing for their future repurchase. These financial assets remain recognized in the Combined Balance Sheets as Desjardins Group retains substantially all the risks and rewards related to these assets.

The following table presents the carrying amount and the fair value of financial assets transferred by Desjardins Group but not derecognized as well as the related liabilities recognized in the Combined Balance Sheets.

	As at December 31, 2023		As at December 31, 2022	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets transferred but not derecognized				
Financial assets transferred through securitization transactions	**$ 14,440**	**$ 14,138**	$ 13,767	$ 13,293
Securities sold under repurchase agreements	**1,359**	**1,359**	3,294	3,294
Securities lent	**3**	**3**	1	1
	$ 15,802	**$ 15,500**	$ 17,062	$ 16,588
Related liabilities	**$ 15,239**	**$ 14,437**	$ 16,443	$ 15,330

NOTE 10 – SEGREGATED FUNDS

Segregated fund net assets

The following table presents the carrying amount of segregated fund net assets.

	As at December 31, 2023	As at December 31, 2022 Restated (Note 2)
Investments		
Bonds	**$ 1,352**	$ 1,176
Equity securities	**23,180**	19,966
Money market securities	**326**	232
Derivative financial instruments	**2**	—
Securities borrowed or purchased under reverse repurchase agreements	**3**	3
Other assets	**152**	190
Commitments related to securities lent or sold under repurchase agreements	**(13)**	(10)
Liability to holders of redeemable units in an underlying fund	**(148)**	(55)
Other liabilities	**(100)**	(146)
Total segregated fund net assets	**$ 24,754**	$ 21,356

Fair value of financial instruments

Segregated fund net assets include financial instruments recognized at fair value. Desjardins Group classifies these instruments using a three-level hierarchy that reflects the significance of the inputs used to measure them. A description of the three hierarchy levels and guidance on inputs used in fair value measurements are presented in Note 5, “Fair value of financial instruments”.

The carrying amount of certain financial instruments is a reasonable approximation of their fair value given their short-term maturity or their features. These financial instruments include the following items: “Securities borrowed or purchased under reverse repurchase agreements”, “Other assets”, “Commitments related to securities lent or sold under repurchase agreements”, "Liability to holders of redeemable units in an underlying fund" and “Other liabilities”.

The following tables present the financial instruments included in segregated fund net assets and recognized at fair value.

As at December 31, 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments				
Bonds	**$ 694**	**$ 658**	**$ —**	**$ 1,352**
Equity securities	**7,150**	**15,375**	**655**	**23,180**
Money market securities	**109**	**217**	**—**	**326**
Derivative financial instruments	**—**	**2**	**—**	**2**
Total financial instruments recognized at fair value	**$ 7,953**	**$ 16,252**	**$ 655**	**$ 24,860**

As at December 31, 2022 Restated (Note 2)	Level 1	Level 2	Level 3	Total
Investments				
Bonds	$ 539	$ 637	$ —	$ 1,176
Equity securities	6,569	12,799	598	19,966
Money market securities	103	129	—	232
Total financial instruments recognized at fair value	$ 7,211	$ 13,565	$ 598	$ 21,374

During the years ended December 31, 2023 and 2022, no material transfers attributable to changes in the observability of market data were made between levels of the hierarchy for instruments measured at fair value.

NOTE 10 – SEGREGATED FUNDS *(continued)*

Derecognition of financial assets

As part of transactions involving securities lent or sold under repurchase agreements, the segregated funds transfer financial assets under terms and conditions providing for their future repurchase. These assets remain recognized in the Combined Balance Sheets as the segregated funds retain substantially all the risks and rewards related to these assets.

As at December 31, 2023, the carrying amount of such transferred financial assets and related liabilities recognized in the Combined Balance Sheets was $13 million ($10 million as at December 31, 2022) and their fair value was the same.

Financial assets pledged and held as collateral

The carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities in the normal course of operations for the segregated funds amounted to $13 million as at December 31, 2023 ($10 million as at December 31, 2022). The fair value of the financial assets held as collateral that the segregated funds are permitted to sell or repledge in the absence of default totalled $3 million ($7 million as at December 31, 2022). No material financial assets held as collateral had been sold or repledged in 2023 and 2022. These financial assets were received as collateral in transactions involving securities borrowed or purchased under reverse repurchase agreements.

Financial instrument risks

Desjardins Group is not exposed to the risks related to financial instruments included in the assets held for segregated fund contract holders since such holders assume the risks and obtain the benefits arising from these financial instruments.

Segregated fund net liabilities – investment contracts

The following table presents the changes in segregated fund net liabilities – investment contracts.

	As at December 31, 2023	As at December 31, 2022 Restated (Note 2)
Balance at beginning – Segregated fund net liabilities - investment contracts	**$ 17,826**	$ 18,662
Additions		
Amounts received from contract holders	**3,786**	3,514
Net other investment income (loss)	**2,245**	—
Other	**13**	—
	6,044	3,514
Deductions		
Withdrawals and redemptions	**2,575**	2,382
Net investment losses	**—**	1,884
Management fees	**62**	53
Other	**—**	31
	2,637	4,350
Balance at end – Segregated fund net liabilities - investment contracts	**$ 21,233**	$ 17,826

NOTE 11 – LEASES

LEASES – AS LESSEE

The following table presents the carrying amount of right-of-use assets by class of underlying asset.

	As at December 31, 2023	As at December 31, 2022
Buildings	**$ 469**	$ 536
Other[1]	**7**	7
	$ 476	$ 543

[1] The "Other" category mainly comprises vehicles.

During fiscal 2023, Desjardins Group entered into leases that increased right-of-use assets by $110 million ($128 million in 2022).

The following table presents the depreciation of right-of-use assets by class of underlying asset.

	2023	2022
Buildings	**$ 72**	$ 71
Other[1]	**2**	3
	$ 74	$ 74

[1] The "Other" category mainly comprises vehicles.

The following table presents amounts recognized in the Combined Statements of Income for the years ended December 31.

	2023	2022
Interest expense on lease liabilities	**$ 20**	$ 19
Short-term leases	**18**	17
Variable lease payments not included in the measurement of the lease liability	**58**	51

LEASES – AS LESSOR

Operating leases

Lease income is presented in Note 12, "Property, plant and equipment and investment property", and includes mainly fixed lease payments.

For the years ended December 31, lease payments to be received under non-cancellable operating leases for premises are as follows:

	2023	2022
Under 1 year	**$ 84**	$ 88
1 to 2 years	**70**	75
Over 2 to 3 years	**63**	69
Over 3 to 4 years	**45**	51
Over 4 to 5 years	**35**	33
Over 5 years	**224**	244
Total future lease payments	**$ 521**	$ 560

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

The following tables present the changes in property, plant and equipment and investment property.

	PROPERTY, PLANT AND EQUIPMENT						INVESTMENT PROPERTY		
	Land	Buildings	Computer equipment	Furniture, fixtures and other	Leasehold improvements	Total	Land	Buildings	Total
Cost									
As at December 31, 2021	$ 108	$ 1,459	$ 524	$ 462	$ 689	$ 3,242	$ 238	$ 1,042	$ 1,280
Additions	—	44	143	26	51	264	—	48	48
Disposals	—	(14)	(44)	(24)	(26)	(108)	(2)	(25)	(27)
Other	(2)	(20)	5	5	—	(12)	—	—	—
As at December 31, 2022	$ 106	$ 1,469	$ 628	$ 469	$ 714	$ 3,386	$ 236	$ 1,065	$ 1,301
Additions	**—**	**51**	**80**	**24**	**33**	**188**	**—**	**72**	**72**
Disposals	**—**	**(7)**	**(74)**	**(73)**	**(29)**	**(183)**	**—**	**—**	**—**
Other	**(5)**	**(35)**	**3**	**(1)**	**1**	**(37)**	**2**	**13**	**15**
As at December 31, 2023	**$ 101**	**$ 1,478**	**$ 637**	**$ 419**	**$ 719**	**$ 3,354**	**$ 238**	**$ 1,150**	**$ 1,388**

	PROPERTY, PLANT AND EQUIPMENT						INVESTMENT PROPERTY		
	Land	Buildings	Computer equipment	Furniture, fixtures and other	Leasehold improvements	Total	Land	Buildings	Total
Accumulated depreciation									
As at December 31, 2021	$ —	$ 704	$ 314	$ 355	$ 338	$ 1,711	$ —	$ 354	$ 354
Depreciation	—	47	88	19	46	200	—	34	34
Disposals	—	(11)	(42)	(23)	(25)	(101)	—	(16)	(16)
Other	—	(12)	—	1	—	(11)	—	—	—
As at December 31, 2022	$ —	$ 728	$ 360	$ 352	$ 359	$ 1,799	$ —	$ 372	$ 372
Depreciation	**—**	**41**	**93**	**22**	**48**	**204**	**—**	**35**	**35**
Disposals	**—**	**(36)**	**(70)**	**(40)**	**(26)**	**(172)**	**—**	**—**	**—**
Other	**—**	**(24)**	**(4)**	**2**	**—**	**(26)**	**—**	**7**	**7**
As at December 31, 2023	**$ —**	**$ 709**	**$ 379**	**$ 336**	**$ 381**	**$ 1,805**	**$ —**	**$ 414**	**$ 414**

	PROPERTY, PLANT AND EQUIPMENT						INVESTMENT PROPERTY		
	Land	Buildings	Computer equipment	Furniture, fixtures and other	Leasehold improvements	Total	Land	Buildings	Total
Net carrying amount									
As at December 31, 2023	**$ 101**	**$ 769**	**$ 258**	**$ 83**	**$ 338**	**$ 1,549**	**$ 238**	**$ 736**	**$ 974**
As at December 31, 2022	$ 106	$ 741	$ 268	$ 117	$ 355	$ 1,587	$ 236	$ 693	$ 929

As at December 31, 2023, an amount of $24 million ($14 million as at December 31, 2022) included in the buildings balance represented costs related to buildings under construction. In addition, Desjardins Group had commitments amounting to $145 million ($95 million as at December 31, 2022) related to buildings.

As at December 31, 2023, the fair value of investment property was $1,935 million ($1,925 million as at December 31, 2022). Investment property is categorized within Level 3 of the fair value hierarchy as defined in Note 5, “Fair value of financial instruments”, as it is measured using techniques that are not primarily based on observable market inputs. The fair value of investment property is determined annually by management, mainly by using the work of independent real estate appraisers with recognized and relevant professional qualifications and any other significant information that may be deemed relevant. These appraisers use a range of valuation methods, including normalized net income direct discounting and cash flow discounting. These techniques, which are based on observable and unobservable inputs, involve estimating capitalization rates and adjusted net operating income, in the case of the normalized net income direct discounting method, and estimating discount and capitalization rates and applicable future cash flows, in the case of the cash flow discounting method.

For the year ended December 31, 2023, lease income from investment property amounted to $152 million ($143 million in 2022). Amounts recognized in profit or loss for operating expenses related to investment property that generated lease income during the year totalled $99 million ($99 million in 2022), while no amount has been recognized for those that did not generate lease income. These amounts are presented under “Net insurance investment income (loss)” and “Net other investment income (loss)” in the Combined Statements of Income.

NOTE 13 – GOODWILL AND INTANGIBLE ASSETS

GOODWILL

The following table presents goodwill allocated to groups of cash-generating units (CGU or groups of CGUs).

	Personal and Business Services segment	Property and Casualty Insurance segment	Wealth Management and Life and Health Insurance segment	Total
Cost				
As at December 31, 2021	$ 35	$ 100	$ 22	$ 157
Acquisitions / Additions	—	—	—	—
As at December 31, 2022	$ 35	$ 100	$ 22	$ 157
Acquisitions / Additions[1]	**—**	**—**	**408**	**408**
Disposals / Retirements	**(2)**	**—**	**—**	**(2)**
As at December 31, 2023	**$ 33**	**$ 100**	**$ 430**	**$ 563**

[1] For more information, refer to Note 22, “Significant transactions”.

Impairment test results show that the recoverable amount of the groups of CGUs represented by each of these segments exceeds its carrying amount and, consequently, no goodwill impairment losses have been recognized for the year ended December 31, 2023 and prior years. Desjardins Group believes that no reasonably possible change in any of the key assumptions used in the impairment tests would cause the carrying amount of these groups of CGUs to exceed their recoverable amount.

For the Wealth Management and Life and Health Insurance segment, the recoverable amount of the group of CGUs has been determined based on a calculation of fair value less costs of disposal. For some CGUs in the group of CGUs, fair value has been determined using cash flow projections based on the budget and financial plan approved by the Board of Directors and covering a five-year period. The key assumptions used in the budget and financial plan are based on past performance and management's expectations of the evolution of the market. The growth rate used to extrapolate cash flow projections beyond the five-year period ranged from 2% to 3.5%. In addition, the discount rates used to discount projected cash flows ranged from 8.8% to 12%. The discount rate used to calculate the present value of future cash flows considers the risks specific to the segment being measured. To determine the fair value of other CGUs in the group of CGUs, Desjardins Group applied price/earnings ratios and price/book value ratios. Observable inputs from comparable insurance companies, price/book value ratios ranging from 1.5x to 2x and a price/earnings ratio of 9.3x have been used to determine this value. Fair value calculations were also based on a multiple of assets under administration ranging from 1.0% to 3.7%, which resulted from recent transactions. Fair value measurements are categorized within Level 3 of the fair value hierarchy.

NOTE 13 – GOODWILL AND INTANGIBLE ASSETS *(continued)*

INTANGIBLE ASSETS

The following tables show changes in intangible assets.

	Software[1]	Distribution network[2]	Other	Total
Cost				
As at December 31, 2021	$ 928	$ 64	$ 34	$ 1,026
Acquisitions / Additions	299	1	1	301
Disposals / Retirements	(7)	—	(1)	(8)
Other	(7)	—	—	(7)
As at December 31, 2022	$ 1,213	$ 65	$ 34	$ 1,312
Acquisitions / Additions	**244**	**458**	**—**	**702**
Disposals / Retirements	**(65)**	**—**	**—**	**(65)**
Other	**3**	**(2)**	**—**	**1**
As at December 31, 2023	**$ 1,395**	**$ 521**	**$ 34**	**$ 1,950**

	Software[1]	Distribution network[2]	Other	Total
Accumulated amortization				
As at December 31, 2021	$ 520	$ 30	$ 8	$ 558
Amortization	98	2	—	100
Disposals / Retirements	(7)	—	—	(7)
Other	(2)	—	—	(2)
As at December 31, 2022	$ 609	$ 32	$ 8	$ 649
Amortization	**143**	**21**	**6**	**170**
Disposals / Retirements	**(56)**	**—**	**—**	**(56)**
Other	**1**	**—**	**—**	**1**
As at December 31, 2023	**$ 697**	**$ 53**	**$ 14**	**$ 764**

	Software[1]	Distribution network[2]	Other	Total
Net carrying amount				
As at December 31, 2023	**$ 698**	**$ 468**	**$ 20**	**$ 1,186**
As at December 31, 2022	$ 604	$ 33	$ 26	$ 663

(1) The "Software" category includes purchased software amounting to $457 million ($398 million in 2022) and internally developed software amounting to $241 million ($206 million in 2022).

(2) The "Distribution network" category mainly includes the amount related to the acquisition of insurance contract portfolios and a distribution network.

NOTE 14 – INTERESTS IN OTHER ENTITIES

SUBSIDIARIES

The following table presents the main subsidiaries included in the Group scope of Desjardins Group. These subsidiaries have been incorporated in Canada and their principal place of business is in this country. Unless otherwise noted, Desjardins Group (or the immediate parent company of an entity) owns 100% of the entity and 100% of the outstanding voting shares of each of the entities listed.

	Nature of operations
Desjardins Financial Holding Inc.	Holding company
Desjardins Financial Corporation Inc.	Holding company
Desjardins Global Asset Management Inc.	Asset management
Desjardins General Insurance Group Inc. (90%)	Property and casualty insurance
Property and casualty insurance subsidiaries[(1)]	Property and casualty insurance
Desjardins Financial Security Life Assurance Company	Life and health insurance and financial services
Desjardins Investments Inc.	Design, administration and distribution of insurance and savings products
Worldsource Group of Companies Inc.[(2)]	Independent insurance, mutual fund and securities distribution
Desjardins Trust Inc.	Asset custody and trust services
Desjardins Technology Group Inc.	Development and maintenance of Desjardins Group's technology
Desjardins Securities Inc.	Securities brokerage
9420-7404 Québec inc.	Real estate services

(1) Represents a group of six property and casualty insurance subsidiaries.
(2) For more information on this subsidiary, refer to Note 22, "Significant transactions".

Subsidiary that has material non-controlling interests

As at December 31, 2023 and 2022, Desjardins General Insurance Group Inc. is a subsidiary that has material non-controlling interests.

The following tables present summarized financial information about the subsidiary that has material non-controlling interests. This information is presented before eliminating intragroup accounts and transactions.

	As at December 31, 2023	As at December 31, 2022 Restated (Note 2)
Assets	**$ 13,454**	$ 12,810
Liabilities	**8,330**	7,883
Equity	**$ 5,124**	$ 4,927
Non-controlling interests	**$ 915**	$ 895

For the years ended December 31	2023	2022 Restated (Note 2)
Total net income	**$ 1,041**	$ 259
Net surplus earnings for the year after member dividends	**485**	(34)
Comprehensive income for the year	**534**	(75)
Share of net surplus earnings for the year after member dividends attributable to holders of non-controlling interests	**$ 71**	$ 18
Dividends / distributions paid to holders of non-controlling interests	**$ 56**	$ 80

For the years ended December 31	2023	2022
Cash flows from (used in) operating activities	**$ 920**	$ (409)
Cash flows from (used in) financing activities	**(192)**	(719)
Cash flows from (used in) investing activities	**(739)**	983
Net increase (decrease) in cash and cash equivalents	**$ (11)**	$ (145)

NOTE 14 – INTERESTS IN OTHER ENTITIES *(continued)*

CONSOLIDATED STRUCTURED ENTITY

Covered bonds

Under its covered bond program, Desjardins Group issues debt securities guaranteed by a pool of mortgage loans. CCDQ Covered Bond (Legislative) Guarantor Limited Partnership, a structured entity, is in place to guarantee principal and interest payments owing to the holders of the covered bonds issued by Desjardins Group. The operations of this entity are included in the Combined Financial Statements of Desjardins Group as this entity is controlled by Desjardins Group. Desjardins Group sold residential mortgage loans to this entity and granted it financing to facilitate the acquisition of these assets. The financing granted by Desjardins Group may reach a maximum amount equal to the outstanding loans held by this entity for purposes of guaranteeing the covered bonds issued. Under the terms and conditions of each of the issuance agreements, Desjardins Group has limited access to the assets that are legally owned by this structured entity. The assets, totalling $15,452 million as at December 31, 2023 ($13,216 million as at December 31, 2022), are presented under "Loans – Residential mortgages" in the Combined Balance Sheets, and the covered bonds, amounting to $12,922 million as at December 31, 2023 ($10,985 million as at December 31, 2022), are presented under "Deposits – Business and government".

IMMATERIAL JOINT VENTURES AND ASSOCIATES

The following table presents the carrying amount as well as the share of net income and other comprehensive income of joint ventures and associates that are considered individually immaterial.

As at and for the years ended December 31	**2023**		2022	
	Joint ventures	**Associates**	Joint ventures	Associates
Carrying amount	**$ 1,241**	**$ 224**	$ 1,254	$ 203
Share of net income	**255**	**7**	57	5
Share of other comprehensive income	**3**	**—**	(5)	—

UNCONSOLIDATED STRUCTURED ENTITIES

Mutual funds

Desjardins Group holds interests in mutual fund units. Even though it holds, in certain cases, a significant exposure to or has the right to a significant share of variable returns as a result of the units it holds in these funds, these units do not give Desjardins Group power over the relevant activities of these funds. Accordingly, Desjardins Group does not control these funds, which are considered as unconsolidated structured entities.

The investments of these funds are made pursuant to a diversified investment policy, and the nature of the operations of these funds and their characteristics are comparable to those that are found under normal market terms for these types of funds. Desjardins Group's maximum exposure to loss from its interests in these mutual funds is limited to the value of the investments in such funds.

NOTE 15 – OTHER ASSETS – OTHER

The following table presents the breakdown of "Other assets – Other".

	As at December 31, 2023	As at December 31, 2022 Restated (Note 2)
Interest receivable	**$ 1,195**	$ 908
Accounts receivable	**927**	916
Prepaid expenses	**465**	388
Taxes receivable	**360**	799
Other	**421**	529
	$ 3,368	$ 3,540

NOTE 16 – DEPOSITS

Deposits consist of demand deposits (payable on demand), notice deposits (payable upon notice) and term deposits (payable on a fixed date). Demand deposits are interest-bearing or non-interest-bearing deposits, primarily accounts with chequing privileges, for which Desjardins Group does not have the right to require notice prior to withdrawal. Notice deposits are interest-bearing deposits, primarily savings accounts, for which Desjardins Group has the legal right to require notice prior to withdrawal. Term deposits are interest-bearing deposits, primarily fixed-term deposit accounts, guaranteed investment certificates or other similar instruments, with a term that generally varies from one day to 10 years and mature on a predetermined date.

The following table presents the breakdown of deposits.

	As at December 31, 2023				As at December 31, 2022			
	Payables on demand	Payables upon notice	Payables on a fixed date	Total	Payables on demand	Payables upon notice	Payables on a fixed date	Total
Individuals	$ 65,675	$ 4,751	$ 81,093	$ 151,519	$ 72,071	$ 5,495	$ 67,811	$ 145,377
Business and government	51,259	281	75,679	127,219	51,422	327	62,423	114,172
Deposit-taking institutions	254	—	337	591	193	—	94	287
	$ 117,188	$ 5,032	$ 157,109	$ 279,329	$ 123,686	$ 5,822	$ 130,328	$ 259,836

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS

COMPOSITION OF BALANCE SHEET BALANCES

Balance sheet summary

The following table presents the composition of insurance contract liabilities as well as reinsurance contract assets and liabilities.

	As at December 31, 2023			As at December 31, 2022		
	Life and health insurance activities	Property and casualty insurance activities	Total	Life and health insurance activities	Property and casualty insurance activities	Total
Insurance contract liabilities						
Insurance contract liabilities, excluding the asset for insurance acquisition cash flows[1]	$ 25,817	$ 7,194	$ 33,011	$ 23,233	$ 7,015	$ 30,248
Asset for insurance acquisition cash flows	(50)	—	(50)	(46)	—	(46)
	$ 25,767	$ 7,194	$ 32,961	$ 23,187	$ 7,015	$ 30,202
Reinsurance contract liabilities	$ 38	$ —	$ 38	$ 36	$ —	$ 36
Reinsurance contract assets	$ 923	$ 753	$ 1,676	$ 859	$ 763	$ 1,622

(1) The balance for life and health insurance includes an amount of $3,486 million ($3,458 million as at December 31, 2022) corresponding to the obligation to segregated fund holders and an amount of $602 million ($631 million as at December 31, 2022) related to segregated fund guarantees.

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Asset for insurance acquisition cash flows

The following table presents the changes in the asset for insurance acquisition cash flows during the years ended December 31.

	2023	2022
Net balance at beginning of year	**$ 46**	$ 42
Insurance acquisition cash flows incurred	**22**	20
Insurance acquisition cash flows transferred[1]	**(18)**	(16)
Net balance at end of year	**$ 50**	$ 46

[1] Insurance acquisition cash flows transferred are included under "Insurance acquisition cash outflows" in the cash flow section of the reconciliations of insurance contract liabilities.

The following tables present when the life and health insurance subsidiary expects to transfer the asset for insurance acquisition cash flows to include it in the measurement of the group of insurance contracts to which it relates.

	Timing						
As at December 31, 2023	**Under 1 year**	**1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 4 years**	**Over 4 to 5 years**	**Over 5 years**	**Total**
Asset for insurance acquisition cash flows	**$ 21**	**$ 11**	**$ 8**	**$ 5**	**$ 2**	**$ 3**	**$ 50**

	Timing						
As at December 31, 2022	Under 1 year	1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
Asset for insurance acquisition cash flows	$ 18	$ 10	$ 8	$ 5	$ 2	$ 3	$ 46

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Contracts initially recognized in the year – Life and health insurance activities

The following table presents the effect on issued insurance contract liabilities of the contracts other than those to which the premium allocation approach has been applied that were initially recognized in the years ended December 31.

	2023			2022		
	Profitable	Onerous	Total	Profitable	Onerous	Total
Estimates of the present value of future cash outflows						
Insurance acquisition cash flows	**$ 148**	**$ 79**	**$ 227**	$ 70	$ 96	$ 166
Claims, other insurance expenses and investment components	**617**	**1,319**	**1,936**	338	1,311	1,649
	$ 765	**$ 1,398**	**$ 2,163**	$ 408	$ 1,407	$ 1,815
Estimates of the present value of future cash inflows	**(845)**	**(1,404)**	**(2,249)**	(476)	(1,397)	(1,873)
Risk adjustment for non-financial risk	**24**	**35**	**59**	14	39	53
Contractual service margin	**56**	**—**	**56**	54	—	54
Increase in insurance contract liabilities resulting from onerous contracts	**$ —**	**$ 29**	**$ 29**	$ —	$ 49	$ 49

The following table presents the effect on reinsurance contract assets of the contracts other than those to which the premium allocation approach has been applied that were initially recognized in the years ended December 31.

	2023			2022		
	Net profit	Net cost	Total	Net profit	Net cost	Total
Estimates of the present value of future cash inflows	**$ 62**	**$ 64**	**$ 126**	$ 30	$ 68	$ 98
Estimates of the present value of future cash outflows	**(56)**	**(60)**	**(116)**	(27)	(65)	(92)
Risk adjustment for non-financial risk	**(6)**	**(8)**	**(14)**	(3)	(9)	(12)
Contractual service margin	**—**	**(2)**	**(2)**	—	(2)	(2)
(Increase) in reinsurance contract assets	**$ —**	**$ (6)**	**$ (6)**	$ —	$ (8)	$ (8)

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

INSURANCE AND REINSURANCE SERVICE RESULT

Insurance revenue

The following table presents the composition of insurance revenue recognized in the years ended December 31.

	2023			2022		
	Life and health insurance activities	Property and casualty insurance activities	Total	Life and health insurance activities	Property and casualty insurance activities	Total
Contracts other than those to which the premium allocation approach has been applied						
Amounts relating to the changes in the liability for remaining coverage						
Incurred claims and other expected insurance expenses	$ 929	$ —	$ 929	$ 843	$ —	$ 843
Change in the risk adjustment for non-financial risk for expired risks	43	—	43	40	—	40
Contractual service margin for services provided in the year	222	—	222	234	—	234
Recovery of insurance acquisition cash flows	19	—	19	8	—	8
	$ 1,213	$ —	$ 1,213	$ 1,125	$ —	$ 1,125
Contracts to which the premium allocation approach has been applied	$ 2,620	$ 6,596	$ 9,216	$ 2,420	$ 6,180	$ 8,600
Insurance revenue	$ 3,833	$ 6,596	$ 10,429	$ 3,545	$ 6,180	$ 9,725

Recognition in surplus earnings of the contractual service margin

The following tables present when the life and health insurance subsidiary expects to recognize in the Combined Statements of Income the remaining contractual service margin (CSM) at the reporting date.

	Timing							
As at December 31, 2023	Under 1 year	1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 to 10 years	Over 10 years	Total
Contractual service margin								
Insurance contracts	$ 209	$ 194	$ 181	$ 168	$ 156	$ 621	$ 1,284	$ 2,813
Reinsurance contracts	(17)	(16)	(15)	(14)	(13)	(53)	(90)	(218)

	Timing							
As at December 31, 2022	Under 1 year	1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 to 10 years	Over 10 years	Total
Contractual service margin								
Insurance contracts	$ 213	$ 198	$ 185	$ 172	$ 159	$ 635	$ 1,322	$ 2,884
Reinsurance contracts	(20)	(19)	(18)	(16)	(15)	(61)	(108)	(257)

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

INSURANCE FINANCE RESULT

Finance expenses and investment income

The following table presents insurance finance income (expenses) and the return on assets held in respect of insurance activities.

	2023			2022		
For the years ended December 31	**Life and health insurance activities**	**Property and casualty insurance activities**	**Total**	Life and health insurance activities	Property and casualty insurance activities	Total
Return on assets held in respect of insurance activities						
Net insurance investment income (loss)						
Insurance contracts	**$ 2,013**	**$ 560**	**$ 2,573**	$ (3,593)	$ (383)	$ (3,976)
For segregated fund holders	**398**	**—**	**398**	(395)	—	(395)
	$ 2,411	**$ 560**	**$ 2,971**	$ (3,988)	$ (383)	$ (4,371)
Net change in insurance investment gains and losses recognized in the Combined Statements of Comprehensive Income	**144**	**155**	**299**	(308)	(171)	(479)
	2,555	**715**	**3,270**	(4,296)	(554)	(4,850)
Net insurance and reinsurance finance income (expenses)						
Net insurance finance income (expenses)						
Capitalized interest	**(814)**	**(300)**	**(1,114)**	(155)	(130)	(285)
Effect related to changes in discount rates and other financial assumptions	**(675)**	**(43)**	**(718)**	3,583	355	3,938
Change in the fair value of underlying assets of insurance contracts with direct participation features:						
Insurance contracts	**(129)**	**—**	**(129)**	256	—	256
For segregated fund holders	**(398)**	**—**	**(398)**	395	—	395
Effect of financial risk mitigation	**41**	**—**	**41**	235	—	235
Other	**(65)**	**—**	**(65)**	55	—	55
	(2,040)	**(343)**	**(2,383)**	4,369	225	4,594
Net reinsurance finance income (expenses)						
Capitalized interest	**31**	**28**	**59**	15	11	26
Effect related to changes in discount rates and other financial assumptions	**45**	**3**	**48**	(190)	(36)	(226)
Other	**(4)**	**—**	**(4)**	(15)	—	(15)
	72	**31**	**103**	(190)	(25)	(215)
	$ (1,968)	**$ (312)**	**$ (2,280)**	$ 4,179	$ 200	$ 4,379
Total	**$ 587**	**$ 403**	**$ 990**	$ (117)	$ (354)	$ (471)
Composed of:						
Net insurance finance result in the Combined Statements of Income	**$ 443**	**$ 248**	**$ 691**	$ 191	$ (183)	$ 8
Net insurance finance result in the Combined Statements of Comprehensive Income	**144**	**155**	**299**	(308)	(171)	(479)

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Net insurance investment income (loss), excluding that for segregated fund holders

The following tables present the breakdown of insurance investment income (loss), excluding that for segregated fund holders, in accordance with the classification of financial assets and liabilities.

For the years ended December 31	2023			2022 Restated (Note 2)		
	Net interest and dividend income	Change in fair value and other	Total	Net interest and dividend income	Change in fair value and other	Total
Net insurance investment income (loss) on financial assets and liabilities						
Classified as at fair value through profit or loss	**$ 204**	**$ 217**	**$ 421**	$ 285	$ (971)	$ (686)
Designated as at fair value through profit or loss	**791**	**852**	**1,643**	585	(4,131)	(3,546)
Classified as at fair value through other comprehensive income	**244**	**(105)**	**139**	148	(69)	79
Designated as at fair value through other comprehensive income	**58**	**—**	**58**	—	—	—
At amortized cost and other	**52**	**260**	**312**	92	85	177
	$ 1,349	**$ 1,224**	**$ 2,573**	$ 1,110	$ (5,086)	$ (3,976)

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

RECONCILIATIONS OF INSURANCE CONTRACT ASSETS AND LIABILITIES

Reconciliations of insurance contract liabilities

The following tables present the reconciliation from the opening balance to the closing balance for the liability for remaining coverage and the liability for incurred claims.

Life and health insurance activities

	Remaining coverage		Incurred claims Contracts			
				To which the premium allocation approach has been applied		
As at December 31, 2023	Excluding the loss component	Loss component	Other than those to which the premium allocation approach has been applied	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Liability balance at beginning of year	$ 18,655	$ 94	$ 344	$ 4,032	$ 108	$ 23,233
Insurance revenue						
Contracts to which the fair value approach has been applied	(1,090)	—	—	—	—	(1,090)
Other contracts	(2,743)	—	—	—	—	(2,743)
	(3,833)	—	—	—	—	(3,833)
Insurance service expenses						
Incurred claims and other incurred insurance service expenses	—	(43)	904	1,931	(1)	2,791
Amortization of insurance acquisition cash flows	335	—	—	—	—	335
Changes related to incurred claims	—	—	—	9	(2)	7
Losses and reversals of losses on onerous contracts	—	74	—	—	—	74
	335	31	904	1,940	(3)	3,207
Insurance service result	(3,498)	31	904	1,940	(3)	(626)
Net insurance finance expenses (income)	1,786	3	13	230	8	2,040
Total items recognized in the Combined Statements of Income	$ (1,712)	$ 34	$ 917	$ 2,170	$ 5	$ 1,414
Investment components	(1,777)	—	700	1,077	—	—
Cash flows						
Premiums and other amounts received	6,341	—	—	—	—	6,341
Insurance acquisition cash outflows	(495)	—	—	—	—	(495)
Claims and other insurance service expenses paid (including investment components)	—	—	(1,623)	(3,045)	—	(4,668)
Total cash flows	$ 5,846	$ —	$ (1,623)	$ (3,045)	$ —	$ 1,178
Other changes	(18)	—	—	10	—	(8)
Liability balance at end of year	$ 20,994	$ 128	$ 338	$ 4,244	$ 113	$ 25,817

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of insurance contract liabilities *(continued)*

Life and health insurance activities *(continued)*

As at December 31, 2022	Remaining coverage: Excluding the loss component	Remaining coverage: Loss component	Incurred claims Contracts: Other than those to which the premium allocation approach has been applied	Incurred claims Contracts: To which the premium allocation approach has been applied: Estimates of the present value of future cash flows	Incurred claims Contracts: To which the premium allocation approach has been applied: Risk adjustment for non-financial risk	Total
Liability balance at beginning of year	$ 22,162	$ 66	$ 342	$ 4,375	$ 161	$ 27,106
Insurance revenue						
Contracts to which the fair value approach has been applied	(1,104)	—	—	—	—	(1,104)
Other contracts	(2,441)	—	—	—	—	(2,441)
	(3,545)	—	—	—	—	(3,545)
Insurance service expenses						
Incurred claims and other incurred insurance service expenses	—	(46)	832	1,764	(7)	2,543
Amortization of insurance acquisition cash flows	310	—	—	—	—	310
Changes related to incurred claims	—	—	(2)	33	(28)	3
Losses and reversals of losses on onerous contracts	—	69	—	—	—	69
	310	23	830	1,797	(35)	2,925
Insurance service result	(3,235)	23	830	1,797	(35)	(620)
Net insurance finance expenses (income)	(4,049)	5	6	(313)	(18)	(4,369)
Total items recognized in the Combined Statements of Income	$ (7,284)	$ 28	$ 836	$ 1,484	$ (53)	$ (4,989)
Investment components	(1,621)	—	598	1,023	—	—
Cash flows						
Premiums and other amounts received	5,908	—	—	—	—	5,908
Insurance acquisition cash outflows	(507)	—	—	—	—	(507)
Claims and other insurance service expenses paid (including investment components)	—	—	(1,432)	(2,840)	—	(4,272)
Total cash flows	$ 5,401	$ —	$ (1,432)	$ (2,840)	$ —	$ 1,129
Other changes	(3)	—	—	(10)	—	(13)
Liability balance at end of year	$ 18,655	$ 94	$ 344	$ 4,032	$ 108	$ 23,233

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of insurance contract liabilities *(continued)*

Property and casualty insurance activities

	Remaining coverage		Incurred claims[1]		
As at December 31, 2023	**Excluding the loss component**	**Loss component**	**Estimates of the present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Liability balance at beginning of year	$ 65	$ 278	$ 6,193	$ 479	$ 7,015
Insurance revenue	(6,596)	—	—	—	(6,596)
Insurance service expenses					
Incurred claims and other incurred insurance service expenses	—	(527)	4,966	146	4,585
Amortization of insurance acquisition cash flows	1,077	—	—	—	1,077
Changes related to incurred claims[2]	—	—	(265)	(143)	(408)
Losses and reversals of losses on onerous contracts	—	473	—	—	473
	1,077	(54)	4,701	3	5,727
Insurance service result	(5,519)	(54)	4,701	3	(869)
Net insurance finance expenses (income)	—	—	318	25	343
Total items recognized in the Combined Statements of Income	$ (5,519)	$ (54)	$ 5,019	$ 28	$ (526)
Cash flows					
Premiums and other amounts received	6,627	—	—	—	6,627
Insurance acquisition cash outflows	(1,061)	—	—	—	(1,061)
Claims and other insurance service expenses paid (including investment components)	—	—	(4,861)	—	(4,861)
Total cash flows	$ 5,566	$ —	$ (4,861)	$ —	$ 705
Liability balance at end of year	$ 112	$ 224	$ 6,351	$ 507	$ 7,194

(1) Contracts assumed in the acquisition of the Canadian property and casualty insurance operations of State Farm are recognized and measured as liability for incurred claims.

(2) Represents changes related to claims incurred in prior years.

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of insurance contract liabilities *(continued)*

Property and casualty insurance activities *(continued)*

	Remaining coverage		Incurred claims[1]		
As at December 31, 2022	Excluding the loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Liability balance at beginning of year	$ 89	$ 62	$ 6,167	$ 465	$ 6,783
Insurance revenue	(6,180)	—	—	—	(6,180)
Insurance service expenses					
Incurred claims and other incurred insurance service expenses	—	(189)	4,691	149	4,651
Amortization of insurance acquisition cash flows	1,030	—	—	—	1,030
Changes related to incurred claims[2]	—	—	(280)	(119)	(399)
Losses and reversals of losses on onerous contracts	—	405	—	—	405
	1,030	216	4,411	30	5,687
Insurance service result	(5,150)	216	4,411	30	(493)
Net insurance finance expenses (income)	—	—	(209)	(16)	(225)
Total items recognized in the Combined Statements of Income	$ (5,150)	$ 216	$ 4,202	$ 14	$ (718)
Cash flows					
Premiums and other amounts received	6,198	—	—	—	6,198
Insurance acquisition cash outflows	(1,070)	—	—	—	(1,070)
Claims and other insurance service expenses paid (including investment components)	—	—	(4,176)	—	(4,176)
Total cash flows	$ 5,128	$ —	$ (4,176)	$ —	$ 952
Other changes	(2)	—	—	—	(2)
Liability balance at end of year	$ 65	$ 278	$ 6,193	$ 479	$ 7,015

(1) Contracts assumed in the acquisition of the Canadian property and casualty insurance operations of State Farm are recognized and measured as liability for incurred claims.
(2) Represents changes related to claims incurred in prior years.

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of insurance contract liabilities *(continued)*

The following tables present the reconciliation from the opening balance to the closing balance for the measurement components of the insurance contract liabilities for contracts to which the premium allocation approach has not been applied.

Life and health insurance activities

			Contractual service margin		
As at December 31, 2023	**Estimates of the present value of future cash flows**	**Risk adjustment for non-financial risk**	**Contracts to which the fair value approach has been applied**	**Other contracts**	**Total**
Liability balance at beginning of year	**$ 15,658**	**$ 720**	**$ 2,846**	**$ 38**	**$ 19,262**
Changes that relate to current service					
Amount of the contractual service margin	**—**	**—**	**(218)**	**(4)**	**(222)**
Change in the risk adjustment for non-financial risk for expired risks	**—**	**(42)**	**—**	**—**	**(42)**
Experience adjustments	**(27)**	**—**	**—**	**—**	**(27)**
	(27)	**(42)**	**(218)**	**(4)**	**(291)**
Changes that relate to future service					
Changes in estimates that adjust the contractual service margin	**(1)**	**(44)**	**45**	**—**	**—**
Changes in estimates that result in losses or reversal of losses on onerous contracts	**(18)**	**(2)**	**—**	**—**	**(20)**
Contracts initially recognized in the year	**(86)**	**59**	**—**	**56**	**29**
	(105)	**13**	**45**	**56**	**9**
Insurance service result	**(132)**	**(29)**	**(173)**	**52**	**(282)**
Net insurance finance expenses (income)	**1,676**	**77**	**47**	**3**	**1,803**
Total items recognized in the Combined Statements of Income	**$ 1,544**	**$ 48**	**$ (126)**	**$ 55**	**$ 1,521**
Cash flows					
Premiums and other amounts received	**2,645**	**—**	**—**	**—**	**2,645**
Insurance acquisition cash outflows	**(182)**	**—**	**—**	**—**	**(182)**
Claims and other insurance service expenses paid (including investment components)	**(1,623)**	**—**	**—**	**—**	**(1,623)**
Total cash flows	**$ 840**	**$ —**	**$ —**	**$ —**	**$ 840**
Other changes	**(8)**	**—**	**—**	**—**	**(8)**
Liability balance at end of year	**$ 18,034**	**$ 768**	**$ 2,720**	**$ 93**	**$ 21,615**

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of insurance contract liabilities *(continued)*

Life and health insurance activities *(continued)*

As at December 31, 2022	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin: Contracts to which the fair value approach has been applied	Contractual service margin: Other contracts	Total
Liability balance at beginning of year	$ 19,002	$ 855	$ 2,895	$ —	$ 22,752
Changes that relate to current service					
Amount of the contractual service margin	—	—	(233)	(1)	(234)
Change in the risk adjustment for non-financial risk for expired risks	—	(40)	—	—	(40)
Experience adjustments	(19)	—	—	—	(19)
	(19)	(40)	(233)	(1)	(293)
Changes that relate to future service					
Changes in estimates that adjust the contractual service margin	(164)	20	160	(16)	—
Changes in estimates that result in losses or reversal of losses on onerous contracts	(3)	5	—	—	2
Contracts initially recognized in the year	(58)	53	—	54	49
	(225)	78	160	38	51
Changes that relate to past service					
Changes that relate to incurred claims	—	(2)	—	—	(2)
Insurance service result	(244)	36	(73)	37	(244)
Net insurance finance expenses (income)	(3,904)	(171)	37	1	(4,037)
Total items recognized in the Combined Statements of Income	$ (4,148)	$ (135)	$ (36)	$ 38	$ (4,281)
Cash flows					
Premiums and other amounts received	2,434	—	—	—	2,434
Insurance acquisition cash outflows	(198)	—	—	—	(198)
Claims and other insurance service expenses paid (including investment components)	(1,432)	—	—	—	(1,432)
Total cash flows	$ 804	$ —	$ —	$ —	$ 804
Other changes	—	—	(13)	—	(13)
Liability balance at end of year	$ 15,658	$ 720	$ 2,846	$ 38	$ 19,262

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of net reinsurance contract assets

The following tables present the reconciliation from the opening balance to the closing balance for the net asset for remaining coverage and the assets for amounts to be recovered on incurred claims.

Life and health insurance activities

	Remaining coverage		Incurred claims – Amounts to be recovered Contracts			
				To which the premium allocation approach has been applied		
As at December 31, 2023	Excluding the loss-recovery component	Loss-recovery component	Other than those to which the premium allocation approach has been applied	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Balance at beginning of year						
Asset	$ 610	$ 12	$ 19	$ 212	$ 6	$ 859
Liability	(38)	—	2	—	—	(36)
Net balance at beginning of year	**$ 572**	**$ 12**	**$ 21**	**$ 212**	**$ 6**	**$ 823**
Allocation of premiums paid	**$ (263)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (263)**
Amounts to be recovered from reinsurers						
Amounts for incurred claims and other incurred insurance service expenses	—	2	98	100	—	200
Changes related to incurred claims	—	—	—	(1)	—	(1)
Losses and (reversal of losses) on underlying onerous contracts	—	4	—	—	—	4
Impact of the change in the risk of non-performance by reinsurers	(2)	—	—	—	—	(2)
	(2)	6	98	99	—	201
Net reinsurance service income (expenses)	**(265)**	**6**	**98**	**99**	**—**	**(62)**
Net reinsurance finance income (expenses)	53	1	6	12	—	72
Total items recognized in the Combined Statements of Income	**$ (212)**	**$ 7**	**$ 104**	**$ 111**	**$ —**	**$ 10**
Investment components	**(8)**	**—**	**8**	**—**	**—**	**—**
Cash flows						
Premiums paid net of ceded commissions	246	—	—	—	—	246
Amounts recovered (including investment components)	—	—	(106)	(88)	—	(194)
Total cash flows	**$ 246**	**$ —**	**$ (106)**	**$ (88)**	**$ —**	**$ 52**
Net balance at end of year	**$ 598**	**$ 19**	**$ 27**	**$ 235**	**$ 6**	**$ 885**
Balance at end of year						
Asset	$ 637	$ 19	$ 26	$ 235	$ 6	$ 923
Liability	(39)	—	1	—	—	(38)
Net balance at end of year	**$ 598**	**$ 19**	**$ 27**	**$ 235**	**$ 6**	**$ 885**

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of net reinsurance contract assets *(continued)*

Life and health insurance activities *(continued)*

	Remaining coverage		Incurred claims – Amounts to be recovered Contracts			
				To which the premium allocation approach has been applied		
As at December 31, 2022	Excluding the loss-recovery component	Loss-recovery component	Other than those to which the premium allocation approach has been applied	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Balance at beginning of year						
Asset	$ 794	$ 2	$ 20	$ 209	$ 6	$ 1,031
Liability	(46)	—	1	—	—	(45)
Net balance at beginning of year	$ 748	$ 2	$ 21	$ 209	$ 6	$ 986
Allocation of premiums paid	$ (245)	$ —	$ —	$ —	$ —	$ (245)
Amounts to be recovered from reinsurers						
Amounts for incurred claims and other incurred insurance service expenses	—	—	89	99	2	190
Changes related to incurred claims	—	—	—	(2)	(2)	(4)
Losses and (reversal of losses) on underlying onerous contracts	—	10	—	—	—	10
Impact of the change in the risk of non-performance by reinsurers	5	—	—	—	—	5
	5	10	89	97	—	201
Net reinsurance service income (expenses)	(240)	10	89	97	—	(44)
Net reinsurance finance income (expenses)	(175)	—	—	(15)	—	(190)
Total items recognized in the Combined Statements of Income	$ (415)	$ 10	$ 89	$ 82	$ —	$ (234)
Investment components	(5)	—	5	—	—	—
Cash flows						
Premiums paid net of ceded commissions	244	—	—	—	—	244
Amounts recovered (including investment components)	—	—	(94)	(79)	—	(173)
Total cash flows	$ 244	$ —	$ (94)	$ (79)	$ —	$ 71
Net balance at end of year	$ 572	$ 12	$ 21	$ 212	$ 6	$ 823
Balance at end of year						
Asset	$ 610	$ 12	$ 19	$ 212	$ 6	$ 859
Liability	(38)	—	2	—	—	(36)
Net balance at end of year	$ 572	$ 12	$ 21	$ 212	$ 6	$ 823

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of net reinsurance contract assets *(continued)*

Property and casualty insurance activities

	Remaining coverage		Incurred claims – Amounts to be recovered		
As at December 31, 2023	**Excluding the loss-recovery component**	**Loss-recovery component**	**Estimates of the present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Asset balance at beginning of year	**$ 78**	**$ 21**	**$ 618**	**$ 46**	**$ 763**
Allocation of premiums paid	**$ (306)**	**$ —**	**$ —**	**$ —**	**$ (306)**
Amounts to be recovered from reinsurers					
Amounts for incurred claims and other incurred insurance service expenses	**—**	**(53)**	**248**	**9**	**204**
Changes related to incurred claims[(1)]	**—**	**—**	**(7)**	**(13)**	**(20)**
Losses and (reversal of losses) on underlying onerous contracts	**—**	**55**	**—**	**—**	**55**
	—	**2**	**241**	**(4)**	**239**
Net reinsurance service income (expenses)	**(306)**	**2**	**241**	**(4)**	**(67)**
Net reinsurance finance income (expenses)	**—**	**—**	**29**	**2**	**31**
Total items recognized in the Combined Statements of Income	**$ (306)**	**$ 2**	**$ 270**	**$ (2)**	**$ (36)**
Cash flows					
Premiums paid net of ceded commissions	**335**	**—**	**—**	**—**	**335**
Amounts recovered	**—**	**—**	**(309)**	**—**	**(309)**
Total cash flows	**$ 335**	**$ —**	**$ (309)**	**$ —**	**$ 26**
Asset balance at end of year	**$ 107**	**$ 23**	**$ 579**	**$ 44**	**$ 753**

	Remaining coverage		Incurred claims – Amounts to be recovered		
As at December 31, 2022	Excluding the loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Asset balance at beginning of year	$ 51	$ 1	$ 713	$ 52	$ 817
Allocation of premiums paid	$ (193)	$ —	$ —	$ —	$ (193)
Amounts to be recovered from reinsurers					
Amounts for incurred claims and other incurred insurance service expenses	—	(8)	176	8	176
Changes related to incurred claims[(1)]	—	—	(10)	(12)	(22)
Losses and (reversal of losses) on underlying onerous contracts	—	28	—	—	28
	—	20	166	(4)	182
Net reinsurance service income (expenses)	(193)	20	166	(4)	(11)
Net reinsurance finance income (expenses)	—	—	(23)	(2)	(25)
Total items recognized in the Combined Statements of Income	$ (193)	$ 20	$ 143	$ (6)	$ (36)
Cash flows					
Premiums paid net of ceded commissions	220	—	—	—	220
Amounts recovered	—	—	(238)	—	(238)
Total cash flows	$ 220	$ —	$ (238)	$ —	$ (18)
Asset balance at end of year	$ 78	$ 21	$ 618	$ 46	$ 763

(1) Represents changes related to claims incurred in prior years.

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of net reinsurance contract assets *(continued)*

The following tables present the reconciliation from the opening balance to the closing balance for the measurement components of the reinsurance contract assets for contracts to which the premium allocation approach has not been applied.

Life and health insurance activities

			Contractual service margin		
As at December 31, 2023	**Estimates of the present value of future cash flows**	**Risk adjustment for non-financial risk**	**Contracts to which the fair value approach has been applied**	**Other contracts**	**Total**
Balance at beginning of year					
Asset	$ 304	$ 125	$ 256	$ 3	$ 688
Liability	(35)	3	(2)	—	(34)
Net balance at beginning of year	**$ 269**	**$ 128**	**$ 254**	**$ 3**	**$ 654**
Changes that relate to current service					
Amount of the contractual service margin	$ —	$ —	$ (20)	$ —	$ (20)
Change in the risk adjustment for non-financial risk for expired risks	—	(7)	—	—	(7)
Experience adjustments	(4)	—	—	—	(4)
	(4)	(7)	(20)	—	(31)
Changes that relate to future service					
Changes in estimates that adjust the contractual service margin	39	(13)	(19)	(7)	—
Changes in estimates that result in losses or reversal of losses on underlying onerous contracts	(3)	—	—	—	(3)
Contracts initially recognized in the year	(10)	14	—	2	6
	26	1	(19)	(5)	3
Impact of the change in the risk of non-performance from reinsurers	(2)	—	—	—	(2)
Net reinsurance service income (expenses)	20	(6)	(39)	(5)	(30)
Net reinsurance finance income (expenses)	39	15	5	—	59
Total items recognized in the Combined Statements of Income	$ 59	$ 9	$ (34)	$ (5)	$ 29
Cash flows					
Premiums paid net of ceded commissions	127	—	—	—	127
Amounts recovered (including investment components)	(105)	—	—	—	(105)
Total cash flows	$ 22	$ —	$ —	$ —	$ 22
Net balance at end of year	$ 350	$ 137	$ 220	$ (2)	$ 705
Balance at end of year					
Asset	$ 390	$ 134	$ 219	$ (1)	$ 742
Liability	(40)	3	1	(1)	(37)
Net balance at end of year	$ 350	$ 137	$ 220	$ (2)	$ 705

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of net reinsurance contract assets *(continued)*

Life and health insurance activities *(continued)*

As at December 31, 2022	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin – Contracts to which the fair value approach has been applied	Contractual service margin – Other contracts	Total
Balance at beginning of year					
Asset	$ 553	$ 145	$ 165	$ —	$ 863
Liability	(48)	3	—	—	(45)
Net balance at beginning of year	$ 505	$ 148	$ 165	$ —	$ 818
Changes that relate to current service					
Amount of the contractual service margin	$ —	$ —	$ (24)	$ —	$ (24)
Change in the risk adjustment for non-financial risk for expired risks	—	(6)	—	—	(6)
Experience adjustments	(9)	—	—	—	(9)
	(9)	(6)	(24)	—	(39)
Changes that relate to future service					
Changes in estimates that adjust the contractual service margin	(117)	6	109	1	(1)
Changes in estimates that result in losses or reversal of losses on underlying onerous contracts	3	—	—	—	3
Contracts initially recognized in the year	(6)	12	—	2	8
	(120)	18	109	3	10
Impact of the change in the risk of non-performance by reinsurers	5	—	—	—	5
Net reinsurance service income (expenses)	(124)	12	85	3	(24)
Net reinsurance finance income (expenses)	(147)	(32)	4	—	(175)
Total items recognized in the Combined Statements of Income	$ (271)	$ (20)	$ 89	$ 3	$ (199)
Cash flows					
Premiums paid net of ceded commissions	128	—	—	—	128
Amounts recovered (including investment components)	(93)	—	—	—	(93)
Total cash flows	$ 35	$ —	$ —	$ —	$ 35
Net balance at end of year	$ 269	$ 128	$ 254	$ 3	$ 654
Balance at end of year					
Asset	$ 304	$ 125	$ 256	$ 3	$ 688
Liability	(35)	3	(2)	—	(34)
Net balance at end of year	$ 269	$ 128	$ 254	$ 3	$ 654

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

SIGNIFICANT JUDGMENTS, ASSUMPTIONS AND ESTIMATES

The measurement of insurance contract liabilities is based on estimates and assumptions. The main assumptions used are described in the following paragraphs.

Estimates of future cash flows – Life and health insurance activities

The assumptions used to determine the estimates of future cash flows are those that are the most likely in management's judgment. The model used considers that best estimate future cash flows give the same result as the probability-weighted mean of the full range of possible outcomes. Assumptions are determined from the perspective of the life and health insurance subsidiary based on situations existing at the reporting date.

The risks associated with the accuracy of the assumptions used to determine the estimates of future cash flows arise from the non-materialization of expected assumptions. The appointed actuary periodically carries out studies on the underwriting experience related to each assumption and modifies it, if appropriate, to take into account the current and future expected situation.

<u>Mortality</u>

The mortality assumptions are determined based on the result of annual studies and recent underwriting experience. When the results cannot serve as the sole source of reference due to their insufficient credibility, the mortality assumptions also take into account industry studies. The studies identify the factors applicable to the benchmark tables of the Canadian Institute of Actuaries (CIA), with tables ICA2014, GAC2012, CIP2014 and ICA 2004-2008 being the main tables used. Mortality assumptions vary based on gender, risk category, type of contract, insurance bands, age and end of term. For individual life insurance and annuity products, a future mortality improvement assumption is taken into account in accordance with the standards of the CIA.

For renewable term life insurance products, mortality considers a deterioration in its experience following the policy renewal. Selective lapse rates are therefore taken into consideration to modify mortality rates.

<u>Morbidity</u>

For morbidity assumptions, which relate to the occurrence of accidents and illnesses, the life and health insurance subsidiary uses industry-developed morbidity tables modified based on current data provided by its studies of its underwriting experience and those of the industry. These assumptions are mainly used for disability, critical illness and long-term care insurance products.

For disability and long-term care products, the assumption varies based on gender, risk category, type of contract, age and end of term. The life and health subsidiary uses assumptions to estimate the impact and the termination of the disability.

For critical illness, the assumption varies based on the illnesses covered, but also based on gender, age and end of term.

<u>Contract cancellation rates</u>

The life and health insurance subsidiary carries out an annual study of its underwriting experience with respect to individual insurance contract cancellation, as holders can cancel their contract before the expiry of their contractual coverage period by discontinuing premium payment without using the non-lapse options, if any. The contract cancellation rate assumptions are based on the recent underwriting experience of the life and health insurance subsidiary. These assumptions are adjusted on the basis of the industry's underwriting experience when the assumptions of the life and health insurance subsidiary are not sufficiently credible. The cancellation rate assumptions may vary based on the type of product, the duration of the contract, the age upon issuance and the premium payment method.

For lapse-supported products, such as term-to-100 life insurance and universal life insurance with level mortality costs, very low cancellation rates are used as a lower than expected experience could have an adverse impact on the life and health insurance subsidiary's underwriting experience. For lapse-sensitive products, such as renewable temporary insurance, the life and health subsidiary considers a significant increase in cancellation rate in certain periods to reflect the behaviour of insured persons observed after a significant premium increase or when certain contract options enable them to obtain benefits from cancelling the contract.

<u>Expenses and taxes</u>

The expense assumptions reflect the projected costs for managing and processing contracts in force, including indirect overhead expenses. The life and health insurance subsidiary carries out an annual study of expenses by major product family, and these expenses are projected using the expected rate of inflation and the expected development of blocks of business, when relevant.

Taxes reflect the assumptions relating to future premium taxes and taxes other than taxes on surplus earnings. The estimates of future cash flows do not take into account taxes on surplus earnings.

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Facts and circumstances indicating a group is onerous

Facts and circumstances indicating a group of insurance contracts is or becomes onerous are determined based on judgment and data analysis. Significant differences compared to budget, material changes in investments or pricing are indicators used by Desjardins Group.

Contract holder dividends

The estimates of future cash flows for life insurance contracts with participation features include estimated amounts representing future contract holder dividends. These estimated amounts are determined using the expected insurance results for this block of business, the expected returns on the underlying assets and the reasonable expectations of contract holders. Changes to the most likely assumptions would result in corresponding changes to contract holder dividends and an immaterial net change in the estimates for future cash flows related to individual life insurance contracts with participation features.

Estimates of future cash flows – Property and casualty insurance activities

Facts and circumstances indicating a group is onerous

For each portfolio and each geographic area, the facts and circumstances indicating that a group of insurance contracts is or becomes onerous are determined quantitatively and qualitatively. The quantitative analysis is based on estimated combined ratios, which represent the sum of the loss ratio and the other insurance service expense ratio. When these ratios exceed a predetermined threshold, this signals that there are facts and circumstances indicating that a group of insurance contracts might be onerous. Loss experience monitoring reports are also used to identify facts and circumstances when there are significant variances from budget. The qualitative analysis is based on the judgments made by the members of a committee coming from various sectors (pricing, actuarial services, finances) who meet quarterly to discuss observed trends.

Liability for remaining coverage

Expected claims are based on historical ratios by portfolio and geographic area, adjusted to reflect expected future conditions. Selecting adjustment factors for historical ratios is based on the items mentioned in the “Liability for incurred claims” below as well as other items also requiring judgment, such as considering catastrophes and seasonality. Some insurance service expenses that the property and casualty insurance subsidiaries will have to incur to settle claims are not included in expected claims. These costs are allocated between groups of insurance contracts based on the efforts required to settle claims.

Future premium receipts and expected other insurance service expenses, including insurance acquisition cash flows, if any, are also calculated by group of insurance contracts.

Liability for incurred claims

The liability for incurred claims includes the individual estimates of loss for each reported claim as well as a provision for claims incurred but not reported by the insured persons, for other insurance service expenses that will have to be incurred to settle those claims and for shortfalls in the estimates of losses for claims reported. The liability for incurred claims is estimated using appropriate actuarial techniques for loss prospective valuation in accordance with the CIA standards.

The main assumption underlying these methods is that past claims development can be used to project future claims development. An additional qualitative judgment is made to assess the extent by which past trends may not apply in the future and make the necessary adjustments or changes to adequately determine the liability for incurred claims that represents the probability-weighted mean of the possible outcomes for future claim payments. The assumptions used to develop this estimate are selected by risk category and geographic area. In addition, the estimates take into consideration various quantitative and qualitative factors, including the average settlement cost per claim, the average number of claims and claims severity and frequency trends, and other factors like inflation and changes in market factors, such as public behaviour towards claims and economic conditions, as well as internal factors, such as the composition of the portfolio of insurance contracts, the terms of those contracts and the claim handling procedures. A degree of judgment is also involved in assessing the extent to which external factors, such as court decisions and government legislation, can influence this estimate.

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Claims development

The following table provides information on the development of Desjardins Group's claims after risk mitigation using reinsurance contracts. It presents the estimated cash flows related to claims, including claims reported and claims incurred but not reported at the reporting date for each accident year.

	Accident years											
As at December 31, 2023	**2013 and prior**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
Estimates of cash flows related to claims												
At the end of the accident year		$ 1,447	$ 2,030	$ 2,242	$ 2,953	$ 3,512	$ 3,871	$ 3,444	$ 3,403	$ 4,503	$ 4,784	
1 year later		2,294	2,039	2,252	2,967	3,492	3,839	3,231	3,339	4,489		
2 years later		2,217	2,057	2,249	2,935	3,496	3,784	3,182	3,337			
3 years later		2,172	2,024	2,239	2,936	3,424	3,765	3,089				
4 years later		2,106	1,999	2,234	2,876	3,367	3,760					
5 years later		2,037	1,955	2,195	2,837	3,326						
6 years later		2,023	1,954	2,198	2,817							
7 years later		1,980	1,941	2,177								
8 years later		1,969	1,938									
9 years later		1,969										
Cumulative payments to date and net amounts payable	—	1,890	1,863	2,069	2,627	3,027	3,197	2,454	2,384	3,203	2,707	
Estimates of future cash flows related to outstanding claims	$ 211	$ 79	$ 75	$ 108	$ 190	$ 299	$ 563	$ 635	$ 953	$ 1,286	$ 2,077	$ 6,476
Net amounts payable												55
Adjustment to reflect the time value of money and risk adjustment for non-financial risk												(296)
Net liability for incurred claims												**$ 6,235**
of which:												
Insurance contract liabilities												$ 6,858
Reinsurance contract assets												623

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Adjustments to reflect the time value of money

The estimates of future cash flows have to be adjusted to reflect the time value of money and financial risks. The discount rates used to adjust future cash flows should be consistent with observable current market prices in active markets and reflect the characteristics of the cash flows of the insurance contract liabilities, in particular in terms of duration and liquidity. The discount rates used by the insurance subsidiaries for all their insurance contracts and reinsurance contracts held are determined using a top-down approach. Under that approach, the appropriate discount rates are determined based on a yield curve that reflects the expected returns of a reference portfolio of assets, adjusted to eliminate the factors that are not relevant to the insurance contract liabilities.

The insurance subsidiaries use various reference portfolios of assets for their various families of products. The reference portfolios of assets comprise a combination of government and corporate bonds consistent with the proportions held by the insurance subsidiaries. These assets have been selected to appropriately reflect the characteristics of the insurance contract liabilities. The yield curves have been adjusted to eliminate the factors that are not relevant to insurance contracts, such as credit risk. Adjustments are also made to reflect the differences between the liquidity characteristics of the insurance contract liabilities and those of the reference portfolio of assets.

Judgment is required in determining the yield curves to be used, as a result of the determination of the assets held in the reference portfolios, the risk-free rates, the adjustments for credit risk and the adjustments for liquidity. The life and health insurance subsidiary has determined that information observable on the market to establish yield curves are available for up to 30 years. Beyond that point, yield curves are established using a linear interpolation technique between the final observable point and the ultimate rate, which was set at 70 years.

For its insurance contracts with direct participation features, the life and health insurance subsidiary uses the same yield curves to discount all the cash flows of these contracts and uses stochastic modelling to take into account the variability of the cash flows that fluctuate based on the return of the underlying items.

The following tables present the yield curves used by the life and health insurance subsidiary for its various products based on their liquidity characteristics.

	Maturities						
As at December 31, 2023	**1 year**	**5 years**	**10 years**	**15 years**	**20 years**	**30 years**	**70 years Ultimate rate**
Yield curve used to discount estimates of future cash flows							
Least illiquid	**4.9%**	**3.4%**	**3.4%**	**3.5%**	**3.5%**	**3.2%**	**4.4%**
Most illiquid	**5.3%**	**4.3%**	**4.6%**	**4.8%**	**4.8%**	**4.7%**	**5.2%**

	Maturities						
As at December 31, 2022	1 year	5 years	10 years	15 years	20 years	30 years	70 years Ultimate rate
Yield curve used to discount estimates of future cash flows							
Least illiquid	5.0%	3.8%	3.8%	4.0%	4.0%	3.6%	4.4%
Most illiquid	5.3%	4.7%	4.9%	5.1%	5.2%	5.0%	5.2%

The following tables present the yield curves used by the property and casualty insurance subsidiaries.

	Maturities				
As at December 31, 2023	**1 year**	**3 years**	**5 years**	**10 years**	**15 years**
Yield curve to discount estimates of future cash flows					
Asset and liability for remaining coverage	**4.8%**	**3.8%**	**3.5%**	**3.7%**	**3.9%**
Asset and liability for incurred claims	**5.0%**	**4.3%**	**4.1%**	**4.6%**	**4.8%**

	Maturities				
As at December 31, 2022	1 year	3 years	5 years	10 years	15 years
Yield curve to discount estimates of future cash flows					
Asset and liability for remaining coverage	4.6%	4.0%	3.7%	3.9%	4.2%
Asset and liability for incurred claims	4.8%	4.5%	4.4%	4.8%	5.1%

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Risk adjustment for non-financial risk

The 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 fulfil insurance contracts. The risks to which the risk adjustment for non-financial risk relate are insurance risk and other non-financial risks, such as lapse risk and expenditure risk, which is the risk of an unexpected increase in administration expenses related to managing the contract. This adjustment also reflects the degree of risk aversion of the insurance subsidiaries and a benefit to reflect the degree of diversification the insurance subsidiaries consider when determining this compensation.

The risk adjustment for non-financial risk is determined at the consolidated level for each insurance subsidiary, net of reinsurance, and then allocated to each group of insurance contracts and each group of reinsurance contracts held based of their risk profile.

The risk adjustment for non-financial risk is discounted using the discount rates described in the "Adjustments to reflect the time value of money" section.

Life and health insurance activities

The risk adjustment for non-financial risk for life and health insurance contracts is determined using the quantile technique. This technique determines the risk adjustment for non-financial risk in such a way that the probability that the fulfilment cash flows are sufficient to meet the obligations relating to the fulfilment of insurance contracts is in an acceptable confidence interval for bearing the uncertainty. This approach requires the use of a model to generate a distribution of cash flow risks. The model used assumes that the uncertainty about future cash flows arising from insurance risks has a normal probability distribution and that the mean of the distribution represents to best estimate future cash flows. The overall solvency buffer calculated in accordance with regulatory capital requirements is used in the model as a point of reference for benchmarking the confidence level corresponding to the risk adjustment for non-financial risk. The intra-risk diversification and inter-risk diversification based on the risk characteristics associated with products are considered in applying the model. The life and health insurance subsidiary uses a confidence level of 81% (80% as at December 31, 2022).

Property and casualty insurance activities

The risk adjustment for non-financial risk is determined using the cost of capital method. Under this method, the development of the liability, the allocated capital and the cost of capital are individually projected by line of business. The capital allocated to lines of business to bear the risk corresponds to the aggregate of the operational target level of capital and the capital excluded from available capital by regulatory authorities. For a line of business, the risk adjustment for non-financial risk is calculated as the present value of the cost of capital of such line. The inter-line of business diversification and interinsurance risk diversification for the property and casualty insurance subsidiaries is considered in applying the cost of capital method. It is estimated that the result of the cost of capital method is equivalent to a confidence level of 90% (90% as at December 31, 2022) for all insurance contracts and reinsurance contracts held.

Contractual service margin

At the end of each period, the life and health insurance subsidiary recognizes in the Combined Statements of Income an amount of the CSM based on coverage units allocated to services provided. To determine this amount, the CSM at the reporting date is allocated equally to each remaining coverage unit.

Management has to make judgments to determine the appropriate coverage units that adequately reflect the quantity of insurance contract services provided over the insurance contract coverage period. The quantity of insurance contract services should consider the services arising from the insurance coverage as well as any investment-return services for insurance contracts without direct participation features and any investment-related services for insurance contracts with direct participation features. To determine the quantity of insurance contract services for the insurance coverage, the life and health insurance subsidiary uses the amount it expects the contract holder could claim if an insured event occurs.

The quantity of insurance contract services is determined based on:
- insured capital for individual insurance contracts;
- annuity payments for annuity contracts;
- guaranteed amounts for segregated fund contracts.

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

For investment-return services and investment-related services, the value of the holders' funds is used to determine the quantity of services provided.

The coverage period of an insurance contract is defined as the period in which services are provided to the insurance contract holder. The life and health insurance subsidiary considers the likelihood of occurrence of events only to the extent that they affect the expected coverage duration for the contracts. The coverage period is determined based on the expiration date of the contract adjusted for the likelihood of survival of a contract.

The life and health insurance subsidiary recognizes the CSM of reinsurance contracts held related to its individual insurance contracts in the Combined Statements of Income as services are received from the reinsurer. The quantity of services received is determined based on the insured capital of the insurance contracts ceded to the reinsurer and the duration of the reinsurance contract. The coverage units for proportional reinsurance contracts are based on the insurance coverage provided by the reinsurer. The life and health insurance subsidiary determines the quantity of services received using the nominal value of the insurance contracts ceded. The coverage period of these contracts is determined based on the coverage period of the underlying insurance contracts whose cash flows are within the boundary of the reinsurance contracts held.

RISK MANAGEMENT

Insurance risk

Insurance risk refers to the risk that events may turn out differently from the assumptions used when designing, pricing or measuring insurance product liabilities, and that profitability of these products may be affected.

The life and health insurance subsidiary is exposed to insurance risk through the products it sells. Depending on the insurance product, this subsidiary may be exposed to mortality risk, morbidity risk and lapse risk. All products sold expose this subsidiary to expenditure risk.

The property and casualty insurance subsidiaries underwrite automobile, home and commercial property insurance contracts to individuals and businesses. In the normal course of their operations, these subsidiaries are exposed to insurance risk, which includes several components: underwriting risk, catastrophe risk and reserve risk.

To manage insurance risk, the insurance subsidiaries apply stringent policies and criteria with respect to product and service development and pricing, and regularly carry out analyses to compare forecasts with actual results and revise pricing assumptions if needed.

In addition, for the life and health insurance subsidiary, certain products allow for price adjustments depending on whether assumptions materialize or not, which enables better risk control.

Furthermore, for property and casualty insurance subsidiaries, insurance risk is also managed through various aspects, including by actively and rigorously managing risk segmentation (through underwriting and pricing) and claims. With respect to catastrophes, the property and casualty insurance subsidiaries have established a governance structure to monitor the various risks caused by such events and use sophisticated tools to simulate the related financial losses and operational impact. Given the unpredictable nature of large-scale catastrophic events, the property and casualty insurance subsidiaries have a catastrophe reinsurance treaty, which is reviewed at least annually.

Use of reinsurance

In order to limit their losses, the life and health insurance and property and casualty insurance subsidiaries enter into reinsurance contracts for contracts with coverage in excess of certain maximum amounts that vary based on the nature of the activities. This reinsurance structure takes into account their respective risk profile and appetite. In addition, the property and casualty insurance subsidiaries purchase additional reinsurance protection with respect to large-scale catastrophic events. The retention and limit amounts selected for the property and casualty insurance subsidiaries' catastrophe treaty are subject to a detailed annual review based on these subsidiaries' various catastrophe models and the positioning of their competitors in the industry.

In connection with the acquisition of the Canadian businesses of State Farm, the property and casualty insurance subsidiaries signed a share reinsurance treaty under which, over a five-year period, all premiums and claims from new business and renewals to the acquired businesses occurring after the acquisitions are ceded using percentages decreasing from 90% for the 2015 accident year to 10% for the 2019 accident year. The development of these claims continues to be ceded based on the ceded percentage at the time the claim occurred until the final settlement of the claim. Pursuant to the terms and conditions of the reinsurance treaty, amounts payable and receivable under the treaty will be settled on a net basis.

In order to reduce reinsurance risk, the insurance subsidiaries do business with many reinsurers that meet financial strength criteria, most of which are governed by the same regulatory authorities as the subsidiaries. In addition, the solvency of the companies to which they cede a portion of their risks is periodically examined. As at December 31, 2023 and 2022, all reinsurers assessed by rating agencies had a rating of at least A-. As at December 31, 2023 and 2022, the maximum exposure to credit risk arising from reinsurance contracts approximated the carrying amount of reinsurance contract assets appearing on the Combined Balance Sheets.

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

The reinsurance contracts do not release these subsidiaries from their obligations toward their policyholders, but they mitigate the risks to which they are exposed. Under the share reinsurance treaty signed with State Farm on the acquisition, State Farm must hold investments in trust so that it can fulfill its reinsurance obligations.

Sensitivity of insurance contract liabilities to changes in assumptions – Life and health insurance activities

The following tables present, for the years ended December 31, the impact on the CSM, net surplus earnings for the year after member dividends and equity of the sensitivity of the life and health insurance contract liabilities to changes in best estimate underlying non-economic assumptions having an overall adverse impact.

	2023			
	CSM		**Net surplus earnings and equity**	
	Gross of reinsurance	**Net of reinsurance**	**Gross of reinsurance**	**Net of reinsurance**
2% increase in future mortality rates for insurance products	**$ (99)**	**$ (65)**	**$ 8**	**$ 4**
2% decrease in future mortality rates for annuity products	**(32)**	**(32)**	**(8)**	**(8)**
5% increase in future morbidity rates	**(71)**	**(45)**	**(29)**	**(30)**
10% adverse change in future contract cancellation rates	**(184)**	**(186)**	**28**	**27**
5% increase in future insurance service expenses	**(43)**	**(43)**	**(3)**	**(3)**

	2022			
	CSM		Net surplus earnings and equity	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
2% increase in future mortality rates for insurance products	$ (101)	$ (68)	$ 11	$ 7
2% decrease in future mortality rates for annuity products	(32)	(32)	(1)	(1)
5% increase in future morbidity rates	(72)	(44)	(29)	(31)
10% adverse change in future contract cancellation rates	(190)	(191)	34	34
5% increase in future insurance service expenses	(45)	(45)	(2)	(2)

Sensitivity of insurance contract liabilities to changes in assumptions – Property and casualty insurance activities

The following tables present, for the years ended December 31, the impact on net surplus earnings for the year after member dividends and equity of the sensitivity of the property and casualty insurance contract liabilities to changes in certain key assumptions.

		Impact on			
		Net surplus earnings after member dividends		**Equity**	
2023	**Changes in assumptions**	**Gross of reinsurance**	**Net of reinsurance**	**Gross of reinsurance**	**Net of reinsurance**
Future cash flows related to outstanding claims	**+5%**	**$ (252)**	**$ (231)**	**$ (252)**	**$ (231)**
Remaining coverage – Future cash flows related to expected claims	**+5%**	**(63)**	**(58)**	**(63)**	**(58)**

		Impact on			
		Net surplus earnings after member dividends		Equity	
2022	Changes in assumptions	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Future cash flows related to outstanding claims	+5%	$ (245)	$ (224)	$ (245)	$ (224)
Remaining coverage – Future cash flows related to expected claims	-5%	(85)	(80)	(85)	(80)

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Interest rate risk

The insurance subsidiaries are exposed to interest rate risk, which represents the potential impact of interest rate fluctuations on the Combined Statements of Income and equity. This risk arises from the net insurance and reinsurance contract liabilities of these subsidiaries and the portfolios of fixed-income assets they hold. The interest rate risk to which the insurance subsidiaries are exposed is mainly explained by fluctuations in the risk-free rate and gaps in asset-liability matching. Sound and prudent management is applied to minimize the negative impact of interest rate movements.

The interest rate risk management policy describes the techniques used to measure interest rate risk, the tolerated limits and the monitoring procedures to use in managing this risk. The policy sets out, in particular, the limit of the impact on surplus earnings of a change in interest rates. Management is responsible for applying the policy and ensures that there are practices in place to administer and monitor interest rate risk. If needed, it may apply rebalancing techniques to correct of improve the matching status.

In addition, a hedging program was implemented by the life and health insurance subsidiary to minimize the impact of interest rate fluctuations on guarantees under segregated fund contracts and minimum interest rate guarantees offered for some universal life insurance contracts.

As the life and health insurance subsidiary manages interest risk by examining insurance contracts in conjunction with financial assets held in respect of insurance activities, it analyzes and discloses its sensitivities on net basis.

The following table presents the impact of a change in interest rates on net insurance and reinsurance contract liabilities and financial assets held in respect of the insurance activities of the life and health subsidiary.

	As at December 31, 2023			As at December 31, 2022		
	CSM	**Net surplus earnings after member dividends**	**Equity**	CSM	Net surplus earnings after member dividends	Equity
Impact of a 1% increase in interest rates	**$ 29**	**$ (2)**	**$ (37)**	$ 7	$ 123	$ 12
Impact of a 1% decrease in interest rates	**(48)**	**(7)**	**30**	(28)	(156)	(26)

For the financial instruments of the life and health insurance subsidiary that are not held in respect of insurance activities, a 1% increase in interest rates would have an unfavourable impact of $1 million on net surplus earnings as at December 31, 2023 (unfavourable impact of $14 million as at December 31, 2022) as well as an unfavourable impact of $13 million on equity as at December 31, 2023 (unfavourable impact of $14 million as at December 31, 2022), while a 1% decrease in interest rates would have no impact on net surplus earnings as at December 31, 2023 (favourable impact of $13 million as at December 31, 2022) as well as a favourable impact of $12 million on equity as at December 31, 2023 (favourable impact of $13 million as at December 31, 2022).

The following table presents the impact of a change in interest rates on net insurance and reinsurance contract liabilities and financial assets held in respect of insurance activities of the property and casualty insurance subsidiaries.

	As at December 31, 2023		As at December 31, 2022	
	Net surplus earnings after member dividends	**Equity**	Net surplus earnings after member dividends	Equity
Impact of a 1% increase in interest rates				
Net insurance and reinsurance contract liabilities	**$ 138**	**$ 138**	$ 132	$ 132
Financial assets held in respect of insurance activities	**(114)**	**(196)**	(127)	(196)
Impact of a 1% decrease in interest rates				
Net insurance and reinsurance contract liabilities	**(147)**	**(147)**	(141)	(141)
Financial assets held in respect of insurance activities	**121**	**210**	135	210

As at December 31, 2023 and 2022, the financial instruments of the property and casualty insurance subsidiaries were all held in respect of insurance activities.

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Price risk

Price risk is the risk of potential loss resulting from a change in the fair value of assets that is not resulting from a change in interest or foreign exchange rates or in the credit quality of the counterparty.

The insurance subsidiaries are directly exposed to price risk through the investment portfolios they own, which include equity securities and derivative financial instruments. The life and health insurance subsidiary is also exposed through its insurance activities as the value of the liabilities for individual segregated fund insurance contracts and the liabilities for life insurance contracts with participation features is affected by market fluctuations.

This risk is managed through policies that define exposure limits for each type of investment as well as limits by issuer and diversification limits such as geographic limits. These limits are monitored by compliance officers under the supervision of the governance committee.

The risk arising from changes in the fair value of underlying elements, which affect the value of the liabilities for individual segregated fund insurance contracts and the liabilities for life insurance contracts with participation features of the life and health insurance subsidiary, is fully offset by changes in the fair value of the assets held, as this subsidiary's policy is to hold these specific investments.

For the risks related to minimum guarantees offered under individual segregated fund contracts, the life and health insurance subsidiary implemented a hedging program to minimize the impact of changes in markets on net surplus earnings after member dividends and the CSM.

As the life and health insurance subsidiary manages price risk by examining insurance contracts in conjunction with financial assets held in respect of insurance activities, it analyzes and discloses its sensitivities on net basis.

The following tables present the estimated impact of a change in stock markets and other markets on the CSM, net surplus earnings after member dividends and equity. This analysis assumes that all other assumptions remain unchanged.

<u>Sensitivity – Life and health insurance activities – Market risks: Price risk</u>

	As at December 31, 2023			As at December 31, 2022		
	CSM	**Net surplus earnings after member dividends**	**Equity**	CSM	Net surplus earnings after member dividends	Equity
Stock markets						
Impact of a 15% increase	**$ 10**	**$ 43**	**$ 162**	$ 8	$ 51	$ 143
Impact of a 15% decrease	**(33)**	**(43)**	**(162)**	(29)	(51)	(143)
Other markets						
Impact of a 10% increase	**(4)**	**76**	**76**	—	78	78
Impact of a 10% decrease	**4**	**(76)**	**(76)**	—	(78)	(78)

<u>Sensitivity – Property and casualty insurance activities – Market risks: Price risk</u>

	As at December 31, 2023		As at December 31, 2022	
	Net surplus earnings after member dividends	**Equity**	Net surplus earnings after member dividends	Equity
Impact of a 15% increase	**$ 215**	**$ 215**	$ 194	$ 194
Impact of a 15% decrease	**(215)**	**(215)**	(194)	(194)

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Liquidity risk

The life and health insurance subsidiary manages liquidity risk in order to ensure that they have timely and cost-effective access to the funds needed to meet its financial obligations as they become due, in both routine and crisis situations. For this subsidiary, managing this risk involves maintaining a sufficient level of liquid securities, monitoring indicators and adopting a contingency plan to implement in the event of a liquidity crisis.

For the property and casualty insurance subsidiaries, managing this risk involves maintaining a sufficient level of liquid securities and spreading the collection of insurance premiums throughout the year, which generally supports a large portion of the cash outflows associated with claims and other expenses.

The liquidity risk management policy describes the principles and mechanisms that apply to liquidity risk management. The life and health insurance and property and casualty insurance subsidiaries have to, among other things, measure, monitor and control the main liquidity indicators that apply to them. This responsibility involves quarterly liquidity monitoring to identify a potential or actual lack of liquidity within the insurance subsidiaries.

The following table presents an analysis of future cash flows by estimated timing. The liability for remaining coverage for insurance contracts to which the premium allocation approach has been applied is excluded from this analysis.

	As at December 31, 2023			As at December 31, 2022		
	Insurance contracts	**Reinsurance contracts**	**Total**	Insurance contracts	Reinsurance contracts	Total
Under 1 year	**$ 2,462**	**$ 10**	**$ 2,472**	$ 2,328	$ 6	$ 2,334
1 to 2 years	**1,532**	**12**	**1,544**	1,430	9	1,439
Over 2 to 3 years	**1,368**	**14**	**1,382**	1,243	10	1,253
Over 3 to 4 years	**1,175**	**15**	**1,190**	1,065	12	1,077
Over 4 to 5 years	**1,023**	**18**	**1,041**	925	13	938
Over 5 years	**45,248**	**1,732**	**46,980**	40,767	1,531	42,298
Total	**$ 52,808**	**$ 1,801**	**$ 54,609**	$ 47,758	$ 1,581	$ 49,339

The following table presents the amounts that may be demanded by contract holders without notice and the carrying amount of the related portfolios.

	As at December 31, 2023		As at December 31, 2022	
	Amounts repayable on demand	**Carrying amount**	Amounts repayable on demand	Carrying amount
Insurance and reinsurance contract liabilities				
Life and health insurance activities	**$ 5,233**	**$ 14,758**	$ 5,102	$ 13,691
Total	**$ 5,233**	**$ 14,758**	$ 5,102	$ 13,691

Amounts repayable on demand include amounts in deposits, surrender values and values of the contract holders' account for universal life insurance funds, less redemption fees applicable at the reporting date. The net liabilities for segregated fund insurance contracts was excluded from this table as the repayable amount on demand is equal to its carrying amount.

NOTE 18 – EMPLOYEE BENEFITS – PENSION AND POST-RETIREMENT BENEFIT PLANS

CHARACTERISTICS OF THE DEFINED BENEFIT PLANS

Group pension plans

Group pension plans are plans whose risks are shared by entities under common control. Desjardins Group offers a majority of its employees group pension plans and group supplemental pension plans, which provide pension benefits in excess of statutory limits. The main group pension plan offered, the Desjardins Group Pension Plan (DGPP), is a funded defined benefit group plan. Participants and employers share the risks and costs related to the DGPP, including any deficit, on a prorata basis of 35% and 65%, respectively.

For the DGPP, benefits are determined on the basis of the number of years of membership and take into consideration the average salary of the employee's five most highly paid years, for years of service accumulated before 2013, and the eight most highly paid years, for years of service accumulated subsequently. Benefits are indexed annually using the consumer price index, up to a maximum of 3% for years of service accumulated before 2013 and 1% for a period of 10 years starting at age 65 for years of service accumulated subsequently.

The DGPP is governed by the *Supplemental Pension Plans Act* (SPPA). The SPPA requires that a retirement committee that assumes the role of administrator and trustee for the plan be formed. The Federation, through its Board of Directors, assumes the responsibilities of the DGPP's sponsor and ensures that the plan is well administered in accordance with the laws and regulations in effect. In addition, the Federation guarantees the obligations resulting from the participation in the plan of all the Desjardins Group employers. The Federation's Board of Directors, acting as the representative for all Desjardins Group employers, is the only governing body with the authority to amend or terminate the plan.

Group post-retirement benefit plan

For employees meeting certain criteria based on age and the number of years of participation in the plan, Desjardins Group also offers a post-retirement benefit plan that provides medical, dental and life insurance to retiring employees and their dependents through an unfunded defined benefit group plan.

Other plans

The other defined benefit plans offered are pension plans as well as another post-retirement benefit plan that provides medical, dental and life insurance plans whose risks are not shared by entities under common control.

Pension and post-retirement benefit plan risks

Defined benefit pension plans are plans for which Desjardins Group has formally committed to a level of benefits and therefore assumes actuarial and, when the plans are funded, investment risks. Since the terms of the pension plans are such that changes in salary levels will have an impact on the amount of future benefits, the cost of the benefits and the value of the defined benefit plan obligation are generally actuarially determined using various assumptions. Although management believes that the assumptions used in the actuarial valuation process are reasonable, there remains a degree of risk and uncertainty that may cause future actual results to materially differ from these assumptions, which could give rise to actuarial gains or losses.

Actuarial calculations are made based on management's best estimate assumptions primarily concerning the plan obligation discount rate, and also, but to a lesser extent, salary increases, the retirement age of employees, the mortality rate, the rate of increase in pension benefits and the members' future contributions that will be used to make up the deficit. The participants' estimated discounted contributions required to make up the deficit decrease the defined benefit plan obligation. A complete actuarial valuation is performed each year by a qualified actuary. The discount rates used have been determined by reference to the rates of high quality corporate bonds whose terms are consistent with those of the plans' cash flows.

The terms of the post-retirement benefit plans are such that changes in salary levels or healthcare costs will have an impact on the amount of future benefits. The cost of these benefits is accrued over a portion of the service lives of employees using accounting policies comparable to those used for defined benefit pension plans.

NOTE 18 – EMPLOYEE BENEFITS – PENSION AND POST-RETIREMENT BENEFIT PLANS *(continued)*

CHARACTERISTICS OF THE DEFINED BENEFIT PLANS *(continued)*

Risk management

To properly manage the DGPP's risks, the retirement Committee adopted a risk management policy to formalize the framework within which the DGPP's risks are managed and clarify the roles and responsibilities of the parties involved. In addition, delegated to its Investment Management Committee (“IMC”) certain powers and responsibilities. The content and accuracy of the risk register is reviewed at least once a year and presented to the IMC and the Retirement Committee, which make comments on them where applicable. The indicators included in the DGPP's risk register are subject to an ongoing oversight and quarterly disclosure through the risk management dashboard, which enables the IMC and the Retirement Committee to ensure that risks are effectively managed and controlled.

The IMC is also responsible for reviewing the investment policy and recommending any changes to it to the Retirement Committee, as well as for adopting any specific investment frameworks. It ensures that such frameworks, including the investment policy, are complied with. Each year, the IMC recommends the asset allocation strategy, adopts the corresponding investment plan and monitors it. It also analyzes investment opportunities presented to it and the related risks. The asset allocation strategy is developed based on strategic indicators representing risk factors, including interest rate risk. A risk factor-based allocation enables complying with risk tolerance in the short term, ensuring adequate risk taking considering the target return and satisfying systematically the plan's obligations.

The investment policy may be amended based on the long-term risk/return relationship on the markets, the DGPP's commitments and financial position, risk tolerance or the legislative environment. This policy provides for market risk mitigation mechanisms. Among other things, the policy establishes limits for each type of investments and limits for the allocation of assets between the various classes, as well as risk parameters for asset allocation. The actual mix of asset portfolios is regularly reviewed, and the rebalancing rules of the investment policy are applied when the actual allocation is outside the allowed limits. Foreign exchange risk is also controlled by the investment policy, which specifies hedging rules.

Funding requirements

The DGPP is funded by both employee and employer contributions, which are determined based on the financial position and the funding policy of the plan. Employers’ contributions must be equal to the amount that, added to the employees’ contributions, is sufficient to cover the value of the obligations that currently accrue in the plan, including fees paid by the plan as well as special contributions required to amortize any deficit and cover the stabilization provision. Employers’ contributions are determined using a percentage of the assessable payroll for their employees participating in the plan. The plan’s annual cost comprises contributions for current service, administrative management fees and special contributions required to fund the plans’ stabilization provision and deficit, if any.

Pursuant to the SPPA requirements, the DGPP’s minimum funding is determined on a going-concern basis. A stabilization provision must be funded through special current service contributions and special amortization payments. Funding and stabilization deficits must be funded over a maximum period of 10 years.

NOTE 18 – EMPLOYEE BENEFITS – PENSION AND POST-RETIREMENT BENEFIT PLANS *(continued)*

RECOGNIZED AMOUNTS

Change in net defined benefit plan assets and liabilities

Net defined benefit plan assets and liabilities are as follows:

	Group pension plans			Group post-retirement benefit plan	Other plans			
	Obligation	Fair value of assets	Total	Obligation	Obligation	Fair value of assets	Total	Total
As at December 31, 2021	$ 18,354	$ 18,199	$ 155	$ 754	$ 1,044	$ 967	$ 77	$ 986
Amounts recognized in the Combined Statements of Income								
Current service cost	430	—	430	4	35	—	35	469
Net interest expense/income	537	523	14	20	30	28	2	36
Past service cost	1	—	1	—	4	—	4	5
	968	523	445	24	69	28	41	510
Amounts recognized in the Combined Statements of Comprehensive Income								
Difference between the actual return on assets and interest income	—	(3,552)	3,552	—	—	(208)	208	3,760
Actuarial losses (gains) arising from changes in demographic assumptions	19	—	19	(34)	(3)	—	(3)	(18)
Actuarial losses (gains) arising from changes in financial assumptions	(4,959)	—	(4,959)	(174)	(289)	—	(289)	(5,422)
Experience (gains) losses	723	—	723	4	13	—	13	740
	(4,217)	(3,552)	(665)	(204)	(279)	(208)	(71)	(940)
Other changes								
Participants' contributions	280	280	—	—	—	—	—	—
Employers' contributions	—	522	(522)	—	—	21	(21)	(543)
Benefits paid	(652)	(645)	(7)	(24)	(33)	(20)	(13)	(44)
Other changes	(19)	(21)	2	2	3	1	2	6
	(391)	136	(527)	(22)	(30)	2	(32)	(581)
As at December 31, 2022	$ 14,714	$ 15,306	$ (592)	$ 552	$ 804	$ 789	$ 15	$ (25)
Amounts recognized in the Combined Statements of Income								
Current service cost	**261**	**—**	**261**	**2**	**24**	**—**	**24**	**287**
Net interest expense/income	**781**	**806**	**(25)**	**28**	**43**	**41**	**2**	**5**
Past service cost	**—**	**—**	**—**	**—**	**1**	**—**	**1**	**1**
	1,042	**806**	**236**	**30**	**68**	**41**	**27**	**293**
Amounts recognized in the Combined Statements of Comprehensive Income								
Difference between the actual return on assets and interest income	**—**	**544**	**(544)**	**—**	**—**	**35**	**(35)**	**(579)**
Actuarial losses (gains) arising from changes in demographic assumptions	**85**	**—**	**85**	**12**	**—**	**—**	**—**	**97**
Actuarial losses (gains) arising from changes in financial assumptions	**1,450**	**—**	**1,450**	**31**	**75**	**—**	**75**	**1,556**
Experience (gains) losses	**32**	**—**	**32**	**2**	**—**	**—**	**—**	**34**
	1,567	**544**	**1,023**	**45**	**75**	**35**	**40**	**1,108**
Other changes								
Participants' contributions	**289**	**289**	**—**	**—**	**—**	**—**	**—**	**—**
Employers' contributions	**—**	**539**	**(539)**	**—**	**—**	**15**	**(15)**	**(554)**
Benefits paid	**(667)**	**(667)**	**—**	**(25)**	**(32)**	**(29)**	**(3)**	**(28)**
Other changes	**4**	**(21)**	**25**	**—**	**—**	**(2)**	**2**	**27**
	(374)	**140**	**(514)**	**(25)**	**(32)**	**(16)**	**(16)**	**(555)**
As at December 31, 2023	**$ 16,949**	**$ 16,796**	**$ 153**	**$ 602**	**$ 915**	**$ 849**	**$ 66**	**$ 821**

NOTE 18 – EMPLOYEE BENEFITS – PENSION AND POST-RETIREMENT BENEFIT PLANS *(continued)*

RECOGNIZED AMOUNTS *(continued)*

For purposes of reporting on the balance sheet, net defined benefit plan assets and liabilities are presented separately.

	As at December 31, 2023	As at December 31, 2022
Net defined benefit plan assets	**$ 46**	$ 679
Net defined benefit plan liabilities	**867**	654
	$ 821	$ (25)

Allocation of the main group pension plan assets

The fair value of the main group pension plan assets is detailed as follows:

	As at December 31, 2023[1]		As at December 31, 2022[1]	
	Non-quoted in an active market	Quoted in an active market	Non-quoted in an active market	Quoted in an active market
Bonds				
Government of Canada	**$ —**	**$ 64**	$ —	$ 136
Provinces, municipal corporations and other public administrations	**132**	**6,451**	94	4,777
Other issuers	**3,531**	**—**	2,991	—
Shares	**218**	**3,451**	261	3,486
Real estate investments	**2,078**	**—**	2,239	—
Infrastructure investments	**2,458**	**—**	2,206	—
Cash and money market securities	**178**	**171**	143	200
Other	**3,179**	**25**	2,106	26
Total	**$ 11,774**	**$ 10,162**	$ 10,040	$ 8,625

(1) Commitments related to securities lent or sold under repurchase agreements deducted from the main group pension plan assets are excluded from the table.

As at December 31, 2023, the DGPP held eligible investments in money market securities issued by Desjardins Group entities and foreign exchange contracts whose counterparty is a Desjardins Group entity, having a total fair value of $123 million ($9 million as at December 31, 2022).

NOTE 18 – EMPLOYEE BENEFITS – PENSION AND POST-RETIREMENT BENEFIT PLANS *(continued)*

IMPACT ON CASH FLOWS

Principal actuarial assumptions

The principal actuarial assumptions used to measure the defined benefit plan obligation and cost are as follows:

	As at December 31, 2023		As at December 31, 2022	
	Group pension plans	**Group post-retirement benefit plan**	Group pension plans	Group post-retirement benefit plan
Discount rate for the obligation[1]	**4.65 %**	**4.65 %**	5.30 %	5.25 %
Discount rate for service cost[1]	**4.65**	**4.60**	5.25	5.25
Expected rate of salary increases	**3.00**	**3.00**	3.00	3.00
Rate used to calculate interest expense on the obligation and assets[1]	**5.24**	**5.22**	2.86	2.71
Rate used to calculate interest expense on service cost[1]	**5.24**	**5.21**	3.12	2.98
Estimated annual growth rate for covered healthcare cost	**—**	**3.50**	—	3.50

[1] Weighted average rate for all plans.

Sensitivity of key assumptions

Because of the long-term nature of employee benefits, there are significant uncertainties related to the recognition of balances surrounding the assumptions used. The following table shows the impact of a one percentage point change in key assumptions on the defined benefit plan obligation and cost, with all other assumptions remaining constant. In reality, there may be correlations between these assumptions. However, to show the impact of changes in assumptions, they have been modified on an individual basis.

	As at December 31, 2023		As at December 31, 2022	
	Change in obligation	**Change in cost recognized**	Change in obligation	Change in cost recognized
Group pension plans				
Discount rate				
1% increase	**$ (2,225)**	**$ (175)**	$ (1,655)	$ (209)
1% decrease	**2,972**	**280**	2,423	222
Expected rate of salary increases				
1% increase	**594**	**95**	432	55
1% decrease	**(504)**	**(41)**	(348)	(67)
Group post-retirement benefit plan				
Discount rate				
1% increase	**(67)**	**1**	(58)	3
1% decrease	**83**	**(2)**	71	(5)
Healthcare costs				
1% increase	**36**	**2**	30	2
1% decrease	**(31)**	**(1)**	(26)	(2)

Expected contributions for 2024

Desjardins Group expects to contribute $545 million to its defined benefit pension plans in the next year.

Pension plan obligation maturity profile

For fiscal 2023, the weighted average financial duration was approximately 16 years (14 years in 2022) for the main group pension plan and approximately 13 years (12 years in 2022) for the group post-retirement benefit plan.

NOTE 19 – OTHER LIABILITIES – OTHER

The following table presents the breakdown of “Other liabilities – Other”.

	As at December 31, 2023	As at December 31, 2022 Restated (Note 2)
Accounts payable and other accrued liabilities	$ 4,181	$ 3,537
Interest payable	1,925	1,237
Investment contract liabilities	1,762	1,564
Client contract liabilities	543	523
Member dividends payable	418	404
Taxes payable	278	157
Provisions for risks and expenses	103	288
Borrowings from financial institutions	1	14
Other	1,458	1,368
	$ 10,669	$ 9,092

NOTE 20 – SUBORDINATED NOTES

The subordinated notes presented in Desjardins Group’s Combined Balance Sheets comprise subordinated notes issued by the Federation. The subordinated notes of the Federation are direct unsecured obligations and are subordinated in right of payment to the claims of depositors and certain other creditors of the Federation. These claims extend to other entities included in the Desjardins Cooperative Group (as defined in the Act) in the event of the dissolution, insolvency, bankruptcy or liquidation of the Federation in accordance with applicable law.

Redemptions and cancellations of the notes are subject to the consent and approval of the applicable regulatory authorities. These notes comprise the following items:

	As at December 31, 2023[(2)]	As at December 31, 2022[(2)]
Subordinated notes of the Federation (par value of $1 billion) maturing issued on May 26, 2020 maturing in May 2030, bearing interest at an annual rate of 2.856% for the first 5 years, and for the following 5 years, at an annual rate equal to the 3-month bankers' acceptance plus 2.11%, redeemable at the option of the issuer starting in 2025[(1)]	$ 977	$ 964
Subordinated notes of the Federation (par value of $1 billion) issued on May 28, 2021 maturing in May 2031, bearing interest at an annual rate of 1.992% for the first 5 years, and for the following 5 years, at an annual rate equal to the 3-month bankers' acceptance plus 0.60%, redeemable at the option of the issuer starting in 2026[(1)]	998	998
Subordinated notes of the Federation (par value of $1 billion) issued on August 23, 2022 maturing in August 2032, bearing interest at an annual rate of 5.035% for the first 5 years, and for the following 5 years, at an annual rate equal to the Canadian Overnight Repo Rate Average (CORRA), compounded daily, plus 2.29%, redeemable at the option of the issuer starting in 2027[(1)]	979	966
	$ 2,954	$ 2,928

(1) These subordinated notes qualify as Non-Viability Contingent Capital (NVCC). Upon the occurrence of a trigger event, as defined in the regulations governing capital, these notes are automatically and immediately convertible into Class Z-Contingent capital shares of the Federation, the number of which will be equal to (i) the note value multiplied by 1.50 divided by (ii) the conversion price.

(2) The carrying amount of subordinated notes includes fair value adjustments when hedge accounting is applied.

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

DERIVATIVE FINANCIAL INSTRUMENTS

Desjardins Group's derivative financial instruments include the following types of contracts:

Interest rate contracts

Interest rate contracts include swaps, forward rate agreements and futures. Interest rate swaps are transactions in which two parties exchange interest flows on a specified notional amount for a predetermined period based on agreed-upon fixed and floating rates. Principal amounts are not exchanged. Forward rate agreements are forward transactions on interest rates, based on a notional amount, which call for cash settlement at a future date for the difference between the contractual interest rate and the market rate. Futures represent a future commitment to purchase or deliver financial instruments on a later specified date at a specified price. Futures are traded in predetermined amounts on organized exchanges and are subject to daily cash margining. Desjardins Group uses interest rate contracts primarily for asset and liability management purposes.

Foreign exchange contracts

Foreign exchange contracts include forward contracts, spot transactions and currency swaps. Forward exchange contracts are commitments to exchange, at a future date, two currencies based on a rate agreed by both parties at the inception of the contract. Spot transactions are similar to forward exchange contracts, except that delivery must be made within two business days following the contract date. Currency swaps and cross-currency interest rate swaps are transactions in which the parties exchange interest payments on notional amounts in different currencies. Principal notional amounts are exchanged upon entering into the transaction and upon maturity. Desjardins Group uses currency swaps and cross-currency interest rate swaps to manage its foreign-currency denominated asset and liability exposures.

Other financial derivative contracts

Other derivative financial contracts used by Desjardins Group include total return swaps and stock index options, which are related to financial index transactions, as well as credit default swaps, which are used to manage the credit risk associated with assets and liabilities. Total return swaps are transactions in which one party agrees to pay to or receive from the other party the rate of return on an underlying asset, group of assets or index in exchange for a remuneration specified in the contract. Credit default swaps are transactions in which one of the parties agrees to pay interest to the other party who, in turn, undertakes to make a payment if a predetermined credit incident occurs.

Options

Options are contractual agreements under which the seller grants the purchaser the right but not the obligation to buy (call option) or sell (put option) a specified amount of a financial instrument at a predetermined price, on or before a specified date. The seller receives a premium from the purchaser in exchange for this right. Desjardins Group enters into various options, such as interest rate and stock index options, primarily to meet the needs of its members and clients and to manage its own asset-liability exposures.

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(continued)*

MATURITIES AND FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The following table presents the maturities of the notional amounts and the fair value of derivative financial instruments recognized in the Combined Balance Sheets.

	Terms to maturity					Carrying amount of derivative financial instruments	
As at December 31, 2023	**Under 1 year**	**1 to 3 years**	**Over 3 to 5 years**	**Over 5 years**	**Notional amount**	**Assets**	**Liabilities**
Designated as hedging instruments[1]							
Fair value hedges							
Interest rate contracts / Interest rate risk							
Over-the-counter interest rate swaps	$ 694	$ 204	$ 366	$ 141	$ 1,405	$ 21	$ 31
Interest rate swaps traded through a clearing house	3,437	4,926	14,569	15,251	38,183	—	—
Average rate	*3.7 %*	*2.1 %*	*3.0 %*	*2.2 %*			
	4,131	5,130	14,935	15,392	39,588	21	31
Foreign exchange contracts / Currency risk							
Over-the-counter currency swaps	—	844	—	261	1,105	23	21
CAD-GBP average rate	—	*1.6886*	—	—			
CAD-NOK average rate	—	—	—	*0.1304*			
	—	844	—	261	1,105	23	21
Total – Fair value hedges	4,131	5,974	14,935	15,653	40,693	44	52
Cash flow hedges							
Interest rate contracts / Interest rate risk							
Over-the-counter interest rate swaps	828	—	22	30	880	4	19
Interest rate swaps traded through a clearing house	4,910	7,622	23,921	6,113	42,566	—	—
Average rate	*2.0 %*	*4.0 %*	*3.7 %*	*3.8 %*			
	5,738	7,622	23,943	6,143	43,446	4	19
Foreign exchange contracts / Currency risk							
Over-the-counter currency swaps	4,372	15,884	11,036	—	31,292	250	579
CAD-USD average rate	—	*1.3248*	*1.3248*	—			
CAD-EUR average rate	*1.4629*	*1.4629*	*1.4629*	—			
CAD-CHF average rate	—	—	*1.5749*	—			
CAD-JPY average rate	—	—	*0.0094*	—			
	4,372	15,884	11,036	—	31,292	250	579
Total – Cash flow hedges	10,110	23,506	34,979	6,143	74,738	254	598
Total – Designated as hedging instruments	$ 14,241	$ 29,480	$ 49,914	$ 21,796	$ 115,431	$ 298	$ 650

(1) Hedging instruments are presented under “Derivative financial instruments” in the Combined Balance Sheets.

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(continued)*

MATURITIES AND FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The following table presents the maturities of the notional amounts and the fair value of derivative financial instruments recognized in the Combined Balance Sheets *(continued)*.

As at December 31, 2023	Terms to maturity: Under 1 year	1 to 3 years	Over 3 to 5 years	Over 5 years	Notional amount	Carrying amount of derivative financial instruments: Assets	Liabilities
Trading purposes							
Interest rate contracts							
Over-the-counter contracts							
Interest rate swaps	$ 16,355	$ 5,825	$ 3,860	$ 4,415	$ 30,455	$ 351	$ 665
Forward rate agreements	1,977	—	—	—	1,977	48	33
Options purchased	271	432	281	15	999	21	—
Options written	243	364	222	15	844	—	23
Contracts traded through a clearing house							
Interest rate swaps	129,879	154,767	73,155	25,761	383,562	—	—
Exchange-traded contracts							
Futures	12,620	2,885	—	—	15,505	—	—
Options purchased	30,615	—	—	—	30,615	30	—
Options written	23,991	—	—	—	23,991	—	26
	215,951	164,273	77,518	30,206	487,948	450	747
Foreign exchange contracts							
Over-the-counter contracts							
Forward contracts	66,497	2,745	158	—	69,400	460	717
Currency swaps	3,892	—	313	422	4,627	76	54
Options purchased	1,476	553	39	—	2,068	22	—
Options written	1,790	510	279	—	2,579	—	50
Exchange-traded contracts							
Futures	3	—	—	—	3	—	—
	73,658	3,808	789	422	78,677	558	821
Other contracts(1)							
Over-the-counter contracts							
Swaps	—	60	—	73	133	—	—
Options purchased	10,662	17,723	13,507	129	42,021	4,555	—
Options written	9,568	18,474	12,238	160	40,440	—	4,408
Contracts traded through a clearing house							
Swaps	—	—	676	—	676	—	—
Exchange-traded-contracts							
Futures	988	—	—	—	988	—	—
Options purchased	1	—	—	—	1	—	—
	21,219	36,257	26,421	362	84,259	4,555	4,408
Total – Trading purposes	$ 310,828	$ 204,338	$ 104,728	$ 30,990	$ 650,884	$ 5,563	$ 5,976
Total derivative financial instruments before impact of master netting agreements	$ 325,069	$ 233,818	$ 154,642	$ 52,786	$ 766,315	$ 5,861	$ 6,626
Less:							
Impact of master netting agreements(2)	—	—	—	—	—	1,345	1,345
Total derivative financial instruments after impact of master netting agreements	$ 325,069	$ 233,818	$ 154,642	$ 52,786	$ 766,315	$ 4,516	$ 5,281

(1) Include contracts related to indexed term savings products.
(2) Impact of offsetting credit exposure when Desjardins Group holds master netting agreements without the intention of settling on a net basis or simultaneously.

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(continued)*

MATURITIES AND FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The following table presents the maturities of the notional amounts and the fair value of derivative financial instruments recognized in the Combined Balance Sheets *(continued)*.

	Terms to maturity					Carrying amount of derivative financial instruments	
As at December 31, 2022	Under 1 year	1 to 3 years	Over 3 to 5 years	Over 5 years	Notional amount	Assets	Liabilities
Designated as hedging instruments[1]							
Fair value hedges							
Interest rate contracts / Interest rate risk							
Over-the counter interest rate swaps	$ 286	$ 1,164	$ 304	$ 433	$ 2,187	$ 26	$ 91
Interest rate swaps traded through a clearing house	1,878	13,712	16,454	16,710	48,754	—	—
Average rate	*3.3 %*	*3.6 %*	*2.9 %*	*1.7 %*			
	2,164	14,876	16,758	17,143	50,941	26	91
Foreign exchange contracts / Currency risk							
Over-the-counter currency swaps	1,015	—	—	—	1,015	—	30
CAD-USD average rate	*1.3539*	—	—	—			
	1,015	—	—	—	1,015	—	30
Total – Fair value hedges	3,179	14,876	16,758	17,143	51,956	26	121
Cash flow hedges							
Interest rate contracts / Interest rate risk							
Over-the-counter interest rate swaps	577	2,172	8	294	3,051	24	98
Interest rate swaps traded through a clearing house	5,538	15,653	22,976	5,111	49,278	—	—
Average rate	*2.3 %*	*2.8 %*	*2.9 %*	*2.8 %*			
	6,115	17,825	22,984	5,405	52,329	24	98
Foreign exchange contracts / Currency risk							
Over-the-counter currency swaps	2,217	13,329	10,420	—	25,966	148	748
CAD-USD average rate	—	*1.3539*	*1.3539*	—			
CAD-EUR average rate	*1.4494*	*1.4494*	*1.4494*	—			
	2,217	13,329	10,420	—	25,966	148	748
Total – Cash flow hedges	8,332	31,154	33,404	5,405	78,295	172	846
Total – Designated as hedging instruments	$ 11,511	$ 46,030	$ 50,162	$ 22,548	$ 130,251	$ 198	$ 967

(1) Hedging instruments are presented under "Derivative financial instruments" in the Combined Balance Sheets.

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(continued)*

MATURITIES AND FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The following table presents the maturities of the notional amounts and the fair value of derivative financial instruments recognized in the Combined Balance Sheets *(continued).*

As at December 31, 2022	Terms to maturity: Under 1 year	1 to 3 years	Over 3 to 5 years	Over 5 years	Notional amount	Carrying amount of derivative financial instruments: Assets	Liabilities
Trading purposes							
Interest rate contracts							
Over-the-counter contracts							
Interest rate swaps	$ 24,571	$ 17,330	$ 3,283	$ 4,095	$ 49,279	$ 567	$ 1,217
Forward rate agreements	2,064	—	—	—	2,064	13	20
Options purchased	3,231	338	140	15	3,724	29	—
Options written	3,196	364	137	15	3,712	—	32
Contracts traded through a clearing house							
Interest rate swaps	117,404	116,420	67,172	29,504	330,500	—	—
Exchange-traded contracts							
Futures	12,521	2,763	—	—	15,284	—	—
Options purchased	4,695	—	—	—	4,695	2	—
Options written	5,616	—	—	—	5,616	—	1
	173,298	137,215	70,732	33,629	414,874	611	1,270
Foreign exchange contracts							
Over-the-counter contracts							
Forward contracts	47,004	1,747	99	—	48,850	514	320
Currency swaps	8,196	432	52	500	9,180	229	63
Options purchased	1,030	332	—	—	1,362	34	—
Options written	1,502	345	53	—	1,900	—	32
Exchange-traded contracts							
Futures	—	—	—	—	—	—	—
	57,732	2,856	204	500	61,292	777	415
Other contracts(1)							
Over-the-counter contracts							
Swaps	—	—	60	75	135	—	—
Options purchased	8,325	20,116	11,643	1,191	41,275	4,137	—
Options written	8,261	19,711	11,111	1,113	40,196	—	4,039
Contracts traded through a clearing house							
Swaps	—	1	34	—	35	—	—
Exchange-traded-contracts							
Futures	975	—	—	—	975	—	—
Options purchased	1	1	—	—	2	—	—
	17,562	39,829	22,848	2,379	82,618	4,137	4,039
Total – Trading purposes	$ 248,592	$ 179,900	$ 93,784	$ 36,508	$ 558,784	$ 5,525	$ 5,724
Total derivative financial instruments before impact of master netting agreements	$ 260,103	$ 225,930	$ 143,946	$ 59,056	$ 689,035	$ 5,723	$ 6,691
Less:							
Impact of master netting agreements(2)	—	—	—	—	—	1,452	1,452
Total derivative financial instruments after impact of master netting agreements	$ 260,103	$ 225,930	$ 143,946	$ 59,056	$ 689,035	$ 4,271	$ 5,239

(1) Include contracts related to indexed term savings products.
(2) Impact of offsetting credit exposure when Desjardins Group holds master netting agreements without the intention of settling on a net basis or simultaneously.

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(continued)*

HEDGING ACTIVITIES

The manner in which Desjardins Group assesses market risks as well as the objectives, policies and methods it uses to manage them are presented in Section 4.0, "Risk Management", of the Management's Discussion and Analysis.

Fair value hedges

Fair value hedge transactions involve mostly the use of interest rate swaps to hedge the changes in fair value of a fixed-rate financial instrument caused by a change in interest rates on the market. In addition, when a financial instrument is denominated in a foreign currency, Desjardins Group may enter into fair value hedges by using currency swaps or cross-currency interest rate swaps. The change in fair value of hedging derivative financial instruments offsets the change in fair value of hedged items. Desjardins Group uses fair value hedge strategies for its loan, deposit and securities portfolios.

Cash flow hedges

Cash flow hedge transactions involve mostly the use of interest rate swaps to hedge the changes in future cash flows from a floating-rate financial instrument. Hedging derivative financial instruments reduce the variability of future cash flows from the hedged item. Desjardins Group uses cash flow hedge strategies for its loan, deposit and securities portfolios.

Effectiveness assessment and sources of hedging relationship ineffectiveness

Desjardins Group assesses the effectiveness of a hedging relationship by comparing the change in fair value or cash flows of the hedging instrument with that of the hedged item attributable to the hedged risk to demonstrate the existence of a highly effective correlation between the two instruments. When derivative financial instruments are designated as hedging instruments for a currency risk, only the change in currency risk is taken into account to assess hedge effectiveness.

There is ineffectiveness when the change in fair value of the hedged item attributable to the hedged risk differs from the change in fair value of the hedging instrument. The main sources of ineffectiveness are a difference between the actual and expected repricing dates, a difference between the discounting factors used and a difference between the payment dates for the hedging instrument and the hedged item.

The following table presents information on the ineffectiveness of fair value hedges.

	As at December 31, 2023		As at December 31, 2022	
	Gains (losses) on hedging instruments used as the basis for calculating hedge ineffectiveness	Hedge ineffectiveness recognized in profit or loss[(1)]	Gains (losses) on hedging instruments used as the basis for calculating hedge ineffectiveness	Hedge ineffectiveness recognized in profit or loss[(1)]
Fair value hedges				
Interest rate contracts / Interest rate risk				
Over-the-counter interest rate swaps	**$ 19**	**$ —**	$ (72)	$ —
Interest rate swaps traded through a clearing house	**(420)**	**(17)**	1,253	(11)
Foreign exchange contracts / Currency risk				
Over-the-counter currency swaps	**32**	**(7)**	40	—
Total – Fair value hedges	**$ (369)**	**$ (24)**	$ 1,221	$ (11)

(1) The hedge ineffectiveness is recognized under "Net other investment income (loss)".

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(continued)*

HEDGING ACTIVITIES *(continued)*

Effectiveness assessment and sources of hedging relationship ineffectiveness *(continued)*

The following tables present information on the ineffectiveness of cash flow hedges for the years ended December 31.

2023	**Gains (losses) on hedging instruments used as the basis for calculating hedge ineffectiveness**	**Hedge ineffectiveness recognized in profit or loss[(1)]**	**Hedging gains (losses) recognized in other comprehensive income**	**Gains (losses) reclassified from the cash flow hedge reserve into profit or loss – Active hedges[(2)]**
Cash flow hedges				
Interest rate contracts / Interest rate risk				
Over-the-counter interest rate swaps	**$ 40**	**$ —**	**$ 40**	**$ 3**
Interest rate swaps traded through a clearing house	**364**	**—**	**359**	**202**
Foreign exchange contracts / Currency risk				
Over-the-counter currency swaps	**116**	**(2)**	**124**	**—**
Total – Cash flow hedges	**$ 520**	**$ (2)**	**$ 523**	**$ 205**

2022	Gains (losses) on hedging instruments used as the basis for calculating hedge ineffectiveness	Hedge ineffectiveness recognized in profit or loss[(1)]	Hedging gains (losses) recognized in other comprehensive income	Gains (losses) reclassified from the cash flow hedge reserve into profit or loss – Active hedges[(2)]
Cash flow hedges				
Interest rate contracts / Interest rate risk				
Over-the-counter interest rate swaps	$ (394)	$ (12)	$ (629)	$ (77)
Interest rate swaps traded through a clearing house	(854)	(19)	(339)	75
Foreign exchange contracts / Currency risk				
Over-the-counter currency swaps	126	3	(253)	—
Total – Cash flow hedges	$ (1,122)	$ (28)	$ (1,221)	$ (2)

(1) The hedge ineffectiveness and reclassification adjustment are recognized under “Net other investment income (loss)” in the Combined Statements of Income.
(2) The reclassification adjustment is included under “Interest income – Loans” and “Interest expense – Deposits” in the Combined Statements of Income.

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(continued)*

HEDGING ACTIVITIES *(continued)*

Effectiveness assessment and sources of hedging relationship ineffectiveness *(continued)*

The following tables present the impact of hedge accounting on balances recognized in the Combined Balance Sheets and in accumulated other comprehensive income.

	Cash flow hedges			Fair value hedges			
As at December 31, 2023	**Balance of the cash flow hedge reserve**	**Balance of the reserve for discontinued hedges**	**Gains (losses) on hedged items used as the basis for calculating hedge ineffectiveness for the year**	**Carrying amount of the hedged item**	**Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item**	**Accumulated amount of fair value hedge adjustments for any hedged items that have ceased to be adjusted**	**Gains (losses) on hedged items used as the basis for calculating hedge ineffectiveness for the year**
Interest rate risk							
Assets							
Securities	$ —	$ (2)	$ (1)	$ 22,375	$ —	$ —	$ 730
Loans	439	(1,126)	(527)	840	(36)	—	19
Liabilities							
Deposits	$ (9)	$ 430	$ 122	$ 15,199	$ 3	$ 237	$ (244)
Subordinated notes	—	—	—	1,401	38	2	(23)
Currency risk							
Liabilities							
Deposits	$ (110)	$ —	$ (124)	$ 1,105	$ (22)	$ (7)	$ (39)

	Cash flow hedges			Fair value hedges			
As at December 31, 2022	Balance of the cash flow hedge reserve	Balance of the reserve for discontinued hedges	Gains (losses) on hedged items used as the basis for calculating hedge ineffectiveness for the year	Carrying amount of the hedged item	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	Accumulated amount of fair value hedge adjustments for any hedged items that have ceased to be adjusted	Gains (losses) on hedged items used as the basis for calculating hedge ineffectiveness for the year
Interest rate risk							
Assets							
Securities	$ (5)	$ —	$ 8	$ 22,425	$ —	$ —	$ (1,747)
Loans	(1,260)	(278)	1,597	1,044	(57)	—	(56)
Liabilities							
Deposits	$ 396	$ 276	$ (634)	$ 26,097	$ 586	$ (58)	$ 562
Subordinated notes	—	—	—	1,371	61	4	49
Currency risk							
Liabilities							
Deposits	$ (234)	$ —	$ (120)	$ 971	$ 37	$ (23)	$ (40)

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(continued)*

DERIVATIVE FINANCIAL INSTRUMENTS – CREDIT RISK

The credit risk associated with derivative financial instruments refers to the risk that a counterparty will fail to honour its contractual obligations toward Desjardins Group at a time when the fair value of the instrument is positive for Desjardins Group. The manner in which Desjardins Group assesses this risk as well as the objectives, policies and methods it uses to manage it are presented in Section 4.0, “Risk Management”, of the Management’s Discussion and Analysis. The shaded areas containing text and tables presented in that section are an integral part of these Combined Financial Statements.

Notional amount	Contract amount to which a rate or price is applied in order to calculate the exchange of cash flows.
Replacement cost	The cost of replacing, at current market rates, all contracts with a positive fair value, without taking into consideration the impact of netting agreements or any collateral which may be obtained.
Credit risk equivalent	The total of the replacement cost and future credit exposure, which is represented by the change in value determined using a formula prescribed by Basel III.
Risk-weighted balance	The balance weighted by the risks related to the creditworthiness of counterparties, determined using methods prescribed by Basel III.

The following table gives an overview of Desjardins Group’s derivative financial instruments portfolio and related credit risk, before and after the impact of master netting agreements.

	As at December 31, 2023				As at December 31, 2022			
	Notional amount	**Replacement cost**	**Credit risk equivalent**	**Risk-weighted balance**	Notional amount	Replacement cost	Credit risk equivalent	Risk-weighted balance
Interest rate contracts								
Interest rate swaps	**$ 497,051**	**$ 376**	**$ 553**	**$ 1,817**	$ 483,049	$ 617	$ 340	$ 737
Forward rate agreements	**1,977**	**48**	**80**	**57**	2,064	—	32	18
Futures	**15,505**	**—**	**—**	**—**	15,284	13	1	—
Options purchased	**31,614**	**51**	**14**	**35**	8,419	31	15	45
Options written	**24,835**	**—**	**—**	**—**	9,328	—	—	—
	570,982	**475**	**647**	**1,909**	518,144	661	388	800
Foreign exchange contracts								
Forward agreements	**69,400**	**460**	**706**	**617**	48,850	514	836	741
Futures	**3**	**—**	**—**	**—**	—	—	—	—
Currency swaps	**37,024**	**349**	**454**	**335**	36,161	377	361	229
Options purchased	**2,068**	**22**	**143**	**318**	1,362	34	61	85
Options written	**2,579**	**—**	**—**	**—**	1,900	—	—	—
	111,074	**831**	**1,303**	**1,270**	88,273	925	1,258	1,055
Other contracts								
Swaps	**809**	**—**	**57**	**26**	170	—	2	3
Futures	**988**	**—**	**—**	**—**	975	—	—	—
Options purchased	**42,022**	**4,555**	**4,321**	**2,513**	41,277	4,137	3,554	3,054
Options written	**40,440**	**—**	**—**	**—**	40,196	—	—	—
	84,259	**4,555**	**4,378**	**2,539**	82,618	4,137	3,556	3,057
Total derivative financial instruments before impact of master netting agreements	**$ 766,315**	**$ 5,861**	**$ 6,328**	**$ 5,718**	$ 689,035	$ 5,723	$ 5,202	$ 4,912
Less:								
Impact of master netting agreements(1)	**—**	**1,345**	**—**	**39**	—	1,452	—	36
Total derivative financial instruments after impact of master netting agreements	**$ 766,315**	**$ 4,516**	**$ 6,328**	**$ 5,679**	$ 689,035	$ 4,271	$ 5,202	$ 4,876

(1) Impact of offsetting credit exposure when Desjardins Group holds master netting agreements without the intention of settling on a net basis or simultaneously.

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(continued)*

DERIVATIVE FINANCIAL INSTRUMENTS – CREDIT RISK *(continued)*

The following table presents derivative financial instruments by credit risk rating and type of counterparty.

	As at December 31, 2023		As at December 31, 2022	
	Replacement cost	**Risk-weighted balance**	Replacement cost	Risk-weighted balance
Credit risk rating[1]				
AAA, AA+, AA, AA-	**$ 2,448**	**$ 1,102**	$ 2,299	$ 972
A+, A, A-	**2,894**	**1,549**	2,501	1,257
BBB, B, BB-, BBB-	**221**	**414**	635	1,330
CCC, CC, C	**—**	**—**	—	—
Not rated	**298**	**2,653**	288	1,353
	5,861	**5,718**	5,723	4,912
Less:				
Impact of master netting agreements[2]	**1,345**	**39**	1,452	36
Total after impact of master netting agreements	**$ 4,516**	**$ 5,679**	$ 4,271	$ 4,876
Type of counterparty				
Financial institutions	**$ 5,279**	**$ 2,675**	$ 5,233	$ 2,928
Other	**582**	**3,043**	490	1,984
	5,861	**5,718**	5,723	4,912
Less:				
Impact of master netting agreements[2]	**1,345**	**39**	1,452	36
Total after impact of master netting agreements	**$ 4,516**	**$ 5,679**	$ 4,271	$ 4,876

(1) Credit risk ratings are established by recognized credit agencies. Non-rated counterparties are mainly members or clients of Desjardins Group. Although the table presents information by external rating, risk-weighted assets have been calculated using internal ratings.

(2) Impact of offsetting credit exposure when Desjardins Group holds master netting agreements without the intention of settling on a net basis or simultaneously.

NOTE 22 – SIGNIFICANT TRANSACTIONS

Year ended December 31, 2023

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" hereinafter). Worldsource specializes in independent insurance, mutual fund and securities distribution operations. This acquisition enabled Desjardins Group to consolidate its independent distribution position across Canada and strengthen its growth strategy in the entire Canadian market.

The determination of the fair value of identifiable assets acquired and liabilities assumed as well as the transferred consideration was completed during the year ended December 31, 2023.

The fair value of identifiable assets acquired and liabilities assumed at the acquisition date is presented below.

	As at March 1, 2023
Identifiable net assets acquired	
Cash and deposits with financial institutions	**$ 6**
Amounts receivable from clients, brokers and financial institutions	**254**
Right-of-use assets	**4**
Property, plant and equipment	**1**
Intangible assets	**442**
Investments in companies accounted for using the equity method	**2**
Other assets – Other	**30**
Amounts payable to clients, brokers and financial institutions	**(254)**
Lease liabilities	**(5)**
Deferred tax liabilities	**(104)**
Other liabilities – Other	**(34)**
	342
Consideration	
Cash and cash equivalents acquired	**6**
Net cash used for the acquisition	**743**
Total consideration	**$ 749**
Goodwill resulting from the acquisition	**$ 407**

Goodwill is attributable to the synergies that should result from the acquisition of Worldsource by Desjardins Group. Goodwill is not tax deductible.

Since the acquisition, the contribution of the Worldsource operations to Desjardins Group's "Total net income" has been $409 million. If the acquisition had occurred at the beginning of the year, the contribution of Worldsource would have increased "Total net income" by $515 million for year ended December 31, 2023.

During the year ended December 31, 2023, closing fees of $2 million ($3 million during fiscal 2022) directly attributable to the acquisition have been recognized under "Non-interest expense – Other" in the Combined Statements of Income.

NOTE 23 – CAPITAL STOCK

AUTHORIZED

Capital stock comprises qualifying shares and capital shares.

The caisses may issue an unlimited number of qualifying shares with a par value of $5, redeemable at the option of the caisses in the cases set forth in the Act. Qualifying shares give their member holder one vote for the caisse that issued them, regardless of the number of qualifying shares of such caisse held.

The Federation may issue an unlimited number of F capital shares and contingent Z-capital shares (Z capital shares) with a par value of $10. These shares do not carry any voting rights. F capital shares may be issued only to members of Desjardins caisses in Québec, including their auxiliary members. Z capital shares may be issued to any person in accordance with the Act, but only for converting non-viability contingent capital instruments of the Federation or at the discretion of the Federation after such conversion. The Federation has the right, by resolution of the Board of Directors and with the authorization of the AMF, to redeem unilaterally, in whole or in part, F and Z capital shares if any, at any time. The Federation may also purchase, in whole or in part, F and Z capital shares, if any, by private agreement, at any time, with the authorization of the AMF. The interest rate on F and Z capital shares, if any, is determined by the Federation's Board of Directors, which approves annually the surplus earnings that may be allocated to the payment of interest on these capital shares. Interest is recognized under "Remuneration on capital stock" in the Combined Statements of Changes in Equity after approval. The repayment of principal and payment of interest are subject to compliance with certain conditions.

ISSUED AND PAID SHARES

	As at December 31, 2023	As at December 31, 2022
Qualifying shares	**$ 26**	$ 26
F capital shares	**4,705**	4,760
	$ 4,731	$ 4,786

NOTE 24 – SHARE CAPITAL

AUTHORIZED

There is an unlimited number of Class A preferred shares, offered only to members of CDO, non-voting, without par value, redeemable at the option of the issuer, i.e. CDO, at the paid-up amount plus declared and unpaid dividends, non-participating and non-cumulative.

There is an unlimited number of Class B preferred shares, non-voting, without par value, redeemable at the option of the issuer, i.e. CDO, at the paid-up amount plus declared and unpaid dividends, non-participating and non-cumulative. These shares may be issued in one or more series.

NOTE 25 – ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents the main components of “Accumulated other comprehensive income” (net of taxes).

	As at December 31, 2023		As at December 31, 2022 Restated (Note 2)	
	Group’s share	**Non-controlling interests’ share**	Group’s share	Non-controlling interests' share
Items that will be reclassified subsequently to the Combined Statements of Income				
Net unrealized gains (losses) on debt securities classified as at fair value through other comprehensive income[(1)]	**$ (425)**	**$ (1)**	$ (1,237)	$ (13)
Net unrealized gains (losses) on derivative financial instruments designated as cash flow hedges	**(280)**	**—**	(815)	—
Share of associates and joint ventures accounted for using the equity method	**(3)**	**—**	(6)	—
Accumulated other comprehensive income	**$ (708)**	**$ (1)**	$ (2,058)	$ (13)

(1) Reflects an allowance for credit losses of $18 million as at December 31, 2023 ($10 million as at December 31, 2022) on securities classified as at fair value through other comprehensive income.

NOTE 26 – CAPITAL MANAGEMENT

The goal of capital management at Desjardins Group is to ensure the financial health and sustainability of the Desjardins Cooperative Group. To support maintaining a capital level and structure that enables preserving the trust of members and clients and optimizing the financial cost of capital, the organization set up a target capital structure that considers the banking industry regulatory requirements, Desjardins' ambitions with respect to maintaining its credit ratings as well as the risk profile of the organization and its components. The target structure is updated based on the evolution of the previously-mentioned factors and is approved annually by the Federation’s Board of Directors.

DESJARDINS GROUP’S INTEGRATED CAPITAL MANAGEMENT FRAMEWORK

The regulatory capital adequacy and composition of Desjardins Group as a whole are evaluated using the Capital Adequacy Guideline applicable to financial services cooperatives. In February 2023, the AMF issued an updated version of this guideline to reflect the Basel III regulatory reforms approved by the Basel Committee on Banking Supervision in 2017. The objectives of these reforms were essentially to reduce excessive variability of risk-weighted assets and improve the comparability and transparency of capital ratios reported by financial institutions. The updated version became effective in the first quarter of 2023.

The Capital Adequacy Guideline applicable to financial services cooperatives requires that a minimum amount of capital be maintained on a combined basis by all the Desjardins Group components. The holding company Desjardins Financial Corporation Inc. is subject to the guideline on capital adequacy requirements for life and health insurers issued by the AMF. Consequently, for purposes of calculating capital, the holding company Desjardins Financial Corporation Inc., which mainly holds the insurance companies, is deconsolidated and partly deducted from capital, in accordance with the significant investments rules set out in the Capital Adequacy Guideline applicable to financial services cooperatives.

Some subsidiaries included in the scope of Desjardins Group are subject to regulatory requirements issued by the AMF or other regulatory authorities. Most of these subsidiaries must comply with minimum capital requirements. Desjardins Group monitors and manages these entities’ capital requirements to ensure capital is effectively used and regulations are complied with on an ongoing basis.

Desjardins Group’s capital ratios are calculated according to the Capital Adequacy Guideline applicable to financial services cooperatives and are expressed as regulatory capital as a percentage of risk-weighted assets (RWA).

As it was designated by the AMF as a domestic systemically important financial institution, Desjardins Group is subject to an additional capital surcharge of 1.0% and must maintain a minimum Tier 1A capital ratio of 8.0%. Its Tier 1 capital ratio and total capital ratio must be above 9.5% and 11.5%, respectively. These ratios include a 2.5% capital conservation buffer. Desjardins Group is also subject to an RWA floor. When modeled RWA is less that RWA calculated using the Standardized Approach multiplied by a factor determined by the AMF, the difference is added to the denominator for regulatory capital ratios.

Desjardins Group is also required by the AMF to meet a minimum leverage ratio of 3.5%. This ratio is determined by dividing Tier 1 capital by the exposure measure. The exposure measure is independent from risk and includes: 1) on-balance sheet exposures; 2) securities financing transaction exposures; 3) derivative exposures; and 4) off-balance sheet exposures.

NOTE 26 – CAPITAL MANAGEMENT *(continued)*

Since April 1, 2022, Desjardins Group has to meet the requirements of the Total Loss Absorbing Capacity (TLAC) Guideline issued by the AMF. The TLAC ratio and TLAC leverage ratio are calculated in accordance with this guideline. The guideline applies to a resolution group deemed to be Desjardins Group excluding CDO. Desjardins Group is required to maintain a TLAC ratio of at least 21.5% and a TLAC leverage ratio of at least 6.75%.

REGULATORY CAPITAL

The regulatory capital of Desjardins Group differs from the equity disclosed in the Combined Balance Sheets. It comprises the following components:

(i) Tier 1 capital, which is designed to ensure going concern. It comprises two categories: Tier 1A (core capital) and Tier 1B (additional capital). Tier 1A capital consists, among other items, of eligible capital shares, reserves, undistributed surplus earnings and accumulated other comprehensive income. Tier 1B capital consists of non-controlling interests. Non-controlling interests are determined, in particular, based on the nature of the operations and the capitalization of the investee.

(ii) Tier 2 capital, which is designed to absorb losses in the event of a liquidation. It comprises subordinated notes qualified as Non-Viability Contingent Capital (NVCC), eligible qualifying shares and the eligible portion of the allowance for credit losses.

The following table presents the regulatory capital and available total loss absorbing capital (TLAC) balances, risk-weighted assets and regulatory ratios.

(in millions of dollars and as a percentage)	**As at December 31, 2023**	As at December 31, 2022
Capital and TLAC		
Tier 1A capital(1)	**$ 28,678**	$ 28,156
Tier 1 capital(1)	**28,678**	28,156
Total capital(1)	**30,745**	30,445
Available total loss absorbing capacity (TLAC)(2)	**40,137**	38,722
Risk-weighted assets(1)		
Credit risk	**115,313**	118,783
Market risk	**2,881**	3,959
Operational risk	**22,287**	15,114
Total risk-weighted assets before the capital floor	**140,481**	137,856
Transitional capital floor adjustment	**—**	1,455
Total risk-weighted assets	**$ 140,481**	$ 139,311
Total risk-weighted assets for TLAC ratio purposes(2)	**136,311**	134,880
Leverage ratio exposure(1)	**390,563**	371,598
TLAC leverage ratio exposure(2)	**383,474**	364,519
Ratios		
Tier 1A capital(1)	**20.4%**	20.2%
Tier 1 capital(1)	**20.4**	20.2
Total capital(1)	**21.9**	21.9
TLAC(2)	**29.4**	28.7
Leverage(1)(3)	**7.3**	7.6
TLAC leverage(2)(3)	**10.5**	10.6

(1) Comparative data are in accordance with the requirements of the Capital Adequacy Guideline in effect as at December 31, 2022.

(2) Data calculated at the resolution group level that is deemed to be Desjardins Group excluding CDO.

(3) In accordance with the temporary relief measures issued by the AMF in response to the impact of the COVID-19 pandemic, reserves with central banks were excluded from the leverage ratio exposure measure. These measures ceased to apply in the fourth quarter of 2023.

COMPLIANCE WITH REQUIREMENTS

Desjardins Group and all its components that are subject to regulatory requirements with respect to minimum capital were in compliance with said requirements as at December 31, 2023, as they were in the previous year.

NOTE 27 – NET INTEREST INCOME AND NET OTHER INVESTMENT INCOME (LOSS)

NET INTEREST INCOME

The following table presents the breakdown of net interest income according to the classification of financial assets and liabilities.

For the years ended December 31	2023	2022
Interest income on financial assets		
At amortized cost	$ 12,183	$ 8,403
At fair value through other comprehensive income	1,764	972
At fair value through profit or loss	20	10
	13,967	9,385
Interest expense on financial liabilities		
At amortized cost	6,894	3,038
At fair value through profit or loss	40	17
	6,934	3,055
	$ 7,033	$ 6,330

NET OTHER INVESTMENT INCOME (LOSS)

The following table presents the breakdown of investment income and loss by classification of financial assets and liabilities.

For the years ended December 31	2023			2022 Restated (Note 2)		
	Net Interest and dividend income	Change in fair value and other	Total	Net interest and dividend income	Change in fair value and other	Total
Net other investment income (loss) on financial assets and liabilities						
Classified as at fair value through profit or loss	$ (246)	$ 362	$ 116	$ (118)	$ (293)	$ (411)
Designated as at fair value through profit or loss	—	(45)	(45)	20	10	30
Classified as at fair value through other comprehensive income	33	(82)	(49)	—	(88)	(88)
At amortized cost and other	(510)	2	(508)	(33)	2	(31)
	$ (723)	$ 237	$ (486)	$ (131)	$ (369)	$ (500)

NOTE 28 – INCOME TAXES ON SURPLUS EARNINGS

INCOME TAXES ON SURPLUS EARNINGS FOR THE YEAR

The income tax expense recognized in the Combined Financial Statements for the years ended December 31 is detailed as follows:

		2023		2022 Restated (Note 2)
Combined Statements of Income				
Current income taxes				
Current income tax expense on surplus earnings	**$**	**708**	$	739
Adjustments for current tax of prior years		**(46)**		14
Current tax recovery on remuneration on capital stock		**(78)**		(69)
Tax recovery on member dividends		**(108)**		(106)
		476		578
Deferred income taxes				
Origination and reversal of temporary differences		**(54)**		(343)
Change in tax rates		**—**		1
Adjustments for deferred tax of prior years		**27**		(23)
		(27)		(365)
	$	**449**	$	213
Combined Statements of Comprehensive Income				
Current income taxes	**$**	**134**	$	(355)
Deferred income taxes		**8**		(247)
		142		(602)
Total income tax expense	**$**	**591**	$	(389)

Income taxes on surplus earnings presented in the Combined Statements of Income for the years ended December 31 are detailed as follows:

		2023		2022 Restated (Note 2)
Income taxes on surplus earnings	**$**	**557**	$	319
Tax recovery on member dividends		**(108)**		(106)
Income taxes on surplus earnings	**$**	**449**	$	213

TAX RATE RECONCILIATION

The income tax expense on surplus earnings recognized in the Combined Statements of Income for the years ended December 31 differs from the income tax expense determined using the Canadian statutory rate for the following reasons:

		2023		2022 Restated (Note 2)
Income taxes at the combined Canadian federal and provincial statutory rate of 26.67% (26.80% in 2022)	**$**	**751**	$	418
Tax recovery on member dividends		**(108)**		(106)
Small business deduction		**(7)**		(7)
Non-taxable investment income and other items		**(116)**		(27)
Change in tax rates		**—**		1
Non-deductible expenses		**17**		17
Adjustment for current and deferred tax of prior years		**(19)**		(9)
Current tax recovery on remuneration on capital stock		**(78)**		(69)
Other		**9**		(5)
	$	**449**	$	213

NOTE 28 – INCOME TAXES ON SURPLUS EARNINGS *(continued)*

DEFERRED INCOME TAXES

The deferred income tax sources are as follows:

	Combined Balance Sheets		Combined Statements of Income	
	As at December 31, 2023	As at December 31, 2022 Restated (Note 2)	**2023**	2022 Restated (Note 2)
Deferred tax assets				
Lease liabilities	**$ 146**	$ 162	**$ 16**	$ (7)
Insurance and reinsurance contract assets / liabilities	**100**	—	**(145)**	—
Allowance for credit losses	**196**	200	**4**	(6)
Net defined benefit plan liabilities	**228**	170	**69**	15
Tax losses[1]	**434**	410	**(22)**	(201)
Securities and other financial instruments	**174**	485	**9**	(33)
Investment contract liabilities	**—**	33	**33**	(23)
Other	**125**	115	**21**	(47)
	$ 1,403	$ 1,575	**$ (15)**	$ (302)
Deferred tax liabilities				
Property, plant and equipment, intangible assets and investment property	**$ 265**	$ 156	**$ 5**	$ 34
Right-of-use assets	**135**	152	**(17)**	4
Insurance and reinsurance contract assets / liabilities	**—**	45	**—**	(101)
Net defined benefit plan assets	**11**	178	**—**	—
	411	531	**(12)**	(63)
Net deferred income tax assets (liabilities)	**$ 992**	$ 1,044	**$ (27)**	$ (365)

(1) The recognition of the deferred tax asset arising from tax losses is supported by sufficient future taxable income against which such losses can be used.

For the purposes of presenting the Combined Balance Sheets, deferred tax assets and liabilities are measured by legal entities and presented as follows:

	As at December 31, 2023	As at December 31, 2022 Restated (Note 2)
Deferred tax assets[1]	**$ 1,244**	$ 1,267
Deferred tax liabilities[1]	**252**	223
	$ 992	$ 1,044

(1) Deferred income taxes will reverse mainly in the long term.

The amount of deductible temporary differences, tax losses without expiry dates, and tax credits for which no deferred tax assets have been recognized in the Combined Balance Sheets was $108 million ($111 million as at December 31, 2022).

NOTE 29 – COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

COMMITMENTS AND GUARANTEES

In the normal course of operations, Desjardins Group uses credit instruments and off-balance sheet guarantees to meet the financing needs of its members and clients. The following table shows the contractual amount of commitments as well as the maximum potential amount of future payments under the guarantees that Desjardins Group granted to third parties. The maximum credit risk associated with commitments corresponds to the full amount of additional credit that Desjardins Group could be required to grant if commitments were entirely used. The maximum credit risk associated with guarantees corresponds to the maximum cash outflows that Desjardins Group could be required to make in the event of a complete default by the parties to the guarantees, without taking into account the amounts it could possibly recover through collateral held, insurance policies or other credit risk mitigation methods. These commitments and guarantees do not necessarily represent future cash requirements since many of these instruments will expire or terminate without being funded. In both cases, the maximum risk of loss is substantially greater than the amount recognized in the Combined Balance Sheets.

The amounts shown in the following table represent the maximum exposure to credit risk for financial instruments whose maximum risk differs from the value recognized. Other financial instruments presented in the Combined Balance Sheets expose Desjardins Group to a credit risk. For such instruments, the maximum exposure to credit risk is equal to their carrying amount.

	As at December 31, 2023	As at December 31, 2022
Commitments		
Credit commitments	**$ 131,048**	$ 124,533
Indemnification commitments related to securities lending	**2,875**	3,385
Documentary letters of credit	**17**	18
Guarantees		
Guarantees and standby letters of credit	**2,281**	1,510

Credit commitments

Credit commitments represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. The primary purpose of these instruments is to ensure that members and clients have funds available, when necessary, for variable maturity terms and under specific conditions.

Indemnification commitments related to securities lending

As part of its asset custody operations, Desjardins Group enters into securities lending agreements with clients. Desjardins Group makes indemnification commitments to certain clients who lend securities to ensure that the fair value of the securities lent will be reimbursed in the event that the borrower does not return the borrowed securities and 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.

The borrower must secure the loan at all times with marketable securities generally issued by the federal or provincial governments and representing 102% of the contractual amount. There is a risk of loss if the borrower defaults on its commitments and the value of the collateral is not adequate to cover the amount of the loan. To limit this risk, the value of the collateral pledged by the borrower is adjusted on a daily basis, which ensures a sufficient coverage.

Documentary letters of credit

Documentary letters of credit are instruments issued for a member or a client and represent 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.

Guarantees and standby letters of credit

Guarantees and standby letters of credit represent irrevocable commitments by Desjardins Group to make payments in the event that a member or client cannot meet financial or performance obligations to third parties. Desjardins Group’s policy with respect to collateral received for these instruments is generally the same as for loans. Guarantees and standby letters of credit for which payment depends on meeting a performance obligation are considered non-financial guarantees as the payment does not depend on a credit default on a debt security. Other guarantees and standby letters of credit are financial guarantees.

Other indemnification agreements

In the normal course of its operations, Desjardins Group enters into agreements containing indemnification provisions. These indemnifications are normally related to acquisition, disposal, service and lease contracts, clearing agreements and contracts entered into with directors or officers. Under these agreements, Desjardins Group may be liable for indemnifying a counterparty if certain events occur, such as amendments to statutes and regulations (including tax rules) as well as to disclosed financial positions, the existence of undisclosed liabilities, and losses resulting from third-party activities or as a result of third-party litigation. The indemnification provisions vary from one contract to the next. In several cases, no predetermined amount or limit is stated in the contract, and future events that would trigger a payment are difficult to foresee. Therefore, the maximum amount that Desjardins Group could be required to pay counterparties cannot be estimated. In the past, payments made under these indemnification agreements have been immaterial.

NOTE 29 – COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES *(continued)*

ASSETS PLEDGED AND HELD AS COLLATERAL

In the normal course of its operations, Desjardins Group enters into asset pledge agreements and receives from its members and clients assets as collateral that it is permitted to sell or repledge in the absence of default in accordance with the standardized terms and conditions for these types of transactions. Following are examples of terms and conditions for assets pledged as collateral:

- The risks and rewards of the assets pledged as collateral accrue to the borrower;
- Additional collateral is required when the market value of the transaction exceeds the threshold agreed upon with the borrower;
- The creditor's right to sell the assets or repledge them depends on the agreement under which the assets have been pledged as collateral;
- The assets pledged as collateral are returned to the borrower when mandatory terms and conditions are met. When the creditor is permitted to sell or repledge an asset held as collateral, a comparable asset is returned to the borrower.

The following table shows the carrying amount of Desjardins Group's financial assets pledged as collateral for liabilities or contingent liabilities as well as the fair value of assets from third parties held as collateral or repledged.

	As at December 31, 2023	As at December 31, 2022 Restated (Note 2)
Desjardins Group's financial assets pledged as collateral:		
Cash and deposits with financial institutions	**$ 458**	$ 589
Securities	**12,625**	21,507
Loans	**29,601**	26,681
	42,684	48,777
Assets from third parties:		
Assets held as collateral that may be sold or repledged	**23,176**	23,667
Less: Assets not sold or not repledged	**451**	1,980
	22,725	21,687
	$ 65,409	$ 70,464
Use of assets:		
Transactions involving commitments related to securities sold under repurchase agreements and securities lent and borrowed	**$ 20,851**	$ 30,670
Transactions involving commitments related to securities sold short	**11,716**	9,972
Securitization transactions	**14,440**	13,767
Covered bonds	**15,452**	13,216
Transactions on derivative financial instruments	**1,107**	603
Clearing systems, payment systems and depositories(1)	**1,263**	1,523
Transactions related to insurance contract liabilities(2)	**394**	533
Caisse network money supply from the Bank of Canada	**186**	180
	$ 65,409	$ 70,464

(1) In the normal course of its operations, Desjardins Group must pledge intraday collateral to the Bank of Canada for the use of the Large Value Transfer System. Such collateral is excluded as it is released back at the end of the daily settlement cycle.

(2) Represent securities pledged as collateral in connection with the reinsurance treaty that transferred, at the date of acquisition, the property and casualty insurance contract liabilities of the Canadian businesses of State Farm to Desjardins Group.

PRIVACY BREACH

On June 14, 2022, the Superior Court of Québec had approved the settlement agreement between Desjardins Group and the plaintiffs after class actions had been filed in connection with the privacy breach announced in June 2019. During the year ended December 31, 2023, the compensation payable under this settlement agreement related to loss time has been paid. The Combined Financial Statements reflect the financial impact of this settlement.

LITIGATION

In the normal course of its business, Desjardins Group is involved in various litigation matters and legal proceedings. It is not currently possible to predict the outcome of certain of these litigation matters and legal proceedings, the timing of such outcomes, or the potential impact on Desjardins Group's financial position. In management's opinion, the fair value of the contingent liabilities resulting from such litigation matters and legal proceedings, to the extent that it can be measured, could have an impact on Desjardins Group's profit or loss for a specific period, but would not have a significant adverse impact on its financial position.

NOTE 30 – FINANCIAL INSTRUMENT RISK MANAGEMENT

Desjardins Group is exposed to different types of financial instrument risks in the normal course of operations, such as credit risk, market risk and liquidity risk. The manner in which Desjardins Group assesses these risks as well as the objectives, policies and methods it uses to manage them are presented in Section 4.0, “Risk Management”, of the Management’s Discussion and Analysis. The shaded areas and tables marked with an asterisk (*) presented in that section are an integral part of these Combined Financial Statements. In addition, information on credit risk related to the recognition and measurement of expected credit losses are presented in these Combined Financial Statements, mainly in Note 2, “Accounting policies”, and in Note 8, “Loans and allowance for credit losses”.

CONTRACTUAL MATURITIES OF ON-BALANCE SHEET ITEMS AND OFF-BALANCE SHEET COMMITMENTS

The following tables present 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 with regard to liquidity and financing 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 credit commitments presented in these tables 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 correspond to the maximum cash outflows that Desjardins Group could be required to make in the event of complete default of the parties to 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.

Note 17, “Insurance and reinsurance contracts”, provides additional information on the contractual maturities of reinsurance contract assets and insurance contract liabilities.

NOTE 30 – FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

CONTRACTUAL MATURITIES OF ON-BALANCE SHEET ITEMS AND OFF-BALANCE SHEET COMMITMENTS *(continued)*

As at December 31, 2023	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

For footnotes see next page.

NOTE 30 – FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

CONTRACTUAL MATURITIES OF ON-BALANCE SHEET ITEMS AND OFF-BALANCE SHEET COMMITMENTS *(continued)*

As at December 31, 2023	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
Liabilities and equity										
Deposits										
Individuals(3)	$ 4,911	$ 6,288	$ 17,222	$ 6,685	$ 9,348	$ 19,596	$ 16,631	$ 422	$ 70,416	$151,519
Business and government(3)	19,455	8,816	4,469	2,587	4,254	9,712	21,016	5,585	51,325	127,219
Deposit-taking institutions(3)	314	1	5	7	7	3	—	—	254	591
Insurance contract liabilities	869	803	812	692	665	2,159	4,771	18,508	3,682	32,961
Commitments related to securities sold short(4)	69	72	623	99	66	817	3,691	6,229	20	11,686
Commitments related to securities lent or sold under repurchase agreements	11,681	351	—	—	—	—	—	—	—	12,032
Derivative financial instruments	510	480	653	393	441	1,422	2,487	240	—	6,626
Amounts payable to clients, brokers and financial institutions	5,056	2	—	—	—	—	—	—	4,292	9,350
Lease liabilities	7	12	17	20	18	66	169	244	—	553
Reinsurance contract liabilities	—	—	1	1	1	1	4	30	—	38
Segregated fund net liabilities for investment contracts	—	—	—	—	—	—	—	—	21,233	21,233
Net defined benefit plan liabilities	—	—	—	—	—	—	—	—	867	867
Deferred tax liabilities	—	—	—	—	—	—	—	—	252	252
Other liabilities	3,461	1,766	1,181	427	333	488	837	156	2,020	10,669
Subordinated notes	—	—	—	—	—	—	—	2,954	—	2,954
Total equity – Other	—	—	—	—	—	—	—	—	34,390	34,390
Total liabilities and equity	**$ 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 upon 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 items are classified in the "No stated maturity" column.

NOTE 30 – FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

CONTRACTUAL MATURITIES OF ON-BALANCE SHEET ITEMS AND OFF-BALANCE SHEET COMMITMENTS *(continued)*

As at December 31, 2022 Restated (Note 2)	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	$ 7,900	$ 974	$ —	$ —	$ —	$ —	$ —	$ —	$ 39	$ 8,913
Securities										
Securities at fair value through profit or loss(1)	108	866	1,064	902	788	2,252	5,931	16,563	5,513	33,987
Securities at fair value through other comprehensive income(1)	554	1,646	1,613	1,640	869	5,792	24,093	14,986	65	51,258
Securities at amortized cost	—	—	—	—	1	1	6	42	—	50
Securities borrowed or purchased under reverse repurchase agreements	13,766	970	2,288	—	—	—	—	—	—	17,024
Loans										
Residential mortgages(2)	2,438	3,102	6,683	6,622	8,303	18,951	99,544	7,015	7,024	159,682
Consumer, credit card and other personal loans(2)	55	84	168	199	241	1,156	4,841	8,222	9,245	24,211
Business and government(2)	17,166	5,922	5,697	5,028	5,668	6,042	11,878	2,335	7,076	66,812
Allowance for credit losses	—	—	—	—	—	—	—	—	(1,035)	(1,035)
Segregated fund net assets	—	—	—	—	—	—	—	—	21,356	21,356
Clients' liability under acceptances	25	—	—	—	—	—	—	—	—	25
Derivative financial instruments	274	539	758	300	493	1,259	1,894	206	—	5,723
Amounts receivable from clients, brokers and financial institutions	2,771	5	—	—	—	—	—	—	710	3,486
Reinsurance contract assets	19	65	71	61	60	167	346	751	82	1,622
Right-of-use assets	—	—	—	—	—	—	—	—	543	543
Investment property	—	—	—	—	—	—	—	—	929	929
Property, plant and equipment	—	—	—	—	—	—	—	—	1,587	1,587
Goodwill	—	—	—	—	—	—	—	—	157	157
Intangible assets	—	—	—	—	—	—	—	—	663	663
Investments in companies accounted for using the equity method	—	—	—	—	—	—	—	—	1,465	1,465
Net defined benefit plan assets	—	—	—	—	—	—	—	—	679	679
Deferred tax assets	—	—	—	—	—	—	—	—	1,267	1,267
Other assets - Other	836	772	239	14	16	12	31	—	1,620	3,540
Total assets	$ 45,912	$ 14,945	$ 18,581	$ 14,766	$ 16,439	$ 35,632	$148,564	$ 50,120	$ 58,985	$403,944

For footnotes see next page.

NOTE 30 – FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

CONTRACTUAL MATURITIES OF ON-BALANCE SHEET ITEMS AND OFF-BALANCE SHEET COMMITMENTS *(continued)*

As at December 31, 2022 Restated (Note 2)	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
Liabilities and equity										
Deposits										
Individuals(3)	$ 3,627	$ 3,817	$ 8,936	$ 6,750	$ 9,148	$ 19,852	$ 15,422	$ 260	$ 77,565	$ 145,377
Business and government(3)	11,216	8,919	4,938	2,447	2,845	8,220	19,852	3,963	51,772	114,172
Deposit-taking institutions(3)	61	12	7	4	3	6	2	—	192	287
Insurance contract liabilities	830	831	910	827	814	2,111	4,634	15,498	3,747	30,202
Acceptances	25	—	—	—	—	—	—	—	—	25
Commitments related to securities sold short(4)	146	1,009	331	54	45	1,114	2,944	4,208	8	9,859
Commitments related to securities lent or sold under repurchase agreements	23,994	571	—	—	—	—	—	—	—	24,565
Derivative financial instruments	131	387	753	311	579	1,672	2,428	430	—	6,691
Amounts payable to clients, brokers and financial institutions	4,846	4	—	—	—	—	—	—	4,128	8,978
Lease liabilities	6	12	18	21	19	69	189	288	—	622
Reinsurance contract liabilities	—	1	1	1	1	2	4	26	—	36
Segregated fund net liabilities for investment contracts	—	—	—	—	—	—	—	—	17,826	17,826
Net defined benefit plan liabilities	—	—	—	—	—	—	—	—	654	654
Deferred tax liabilities	—	—	—	—	—	—	—	—	223	223
Other liabilities	3,074	947	857	324	268	393	674	333	2,222	9,092
Subordinated notes	—	—	—	—	—	—	—	2,928	—	2,928
Total equity	—	—	—	—	—	—	—	—	32,407	32,407
Total liabilities and equity	$ 47,956	$ 16,510	$ 16,751	$ 10,739	$ 13,722	$ 33,439	$ 46,149	$ 27,934	$ 190,744	$ 403,944
Off-balance sheet commitments										
Credit commitments(5)	$ 1,223	$ 93	$ 574	$ 866	$ 885	$ 6,053	$ 10,994	$ 773	$ 103,072	$ 124,533
Indemnification commitments related to securities lending	—	—	—	—	—	—	—	—	3,385	3,385
Documentary letters of credit	5	1	3	4	5	—	—	—	—	18
Guarantees and standby letters of credit	267	263	393	217	235	43	42	1	49	1,510

(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 upon 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 items are classified in the "No stated maturity" column.

NOTE 31 – SEGMENTED INFORMATION

Desjardins Group’s financial reporting is grouped by activities, which are defined based on the needs of its members and clients and the markets in which Desjardins Group operates and reflect Desjardins Group’s internal management method. Accordingly, Desjardins Group’s financial results are grouped in three business segments, namely Personal and Business Services, Wealth Management and Life and Health Insurance, and Property and Casualty insurance, plus an “Other” category. Some changes were made to operating segments to reflect management's decisions on how each segment is managed. The main change relates to the activities of the networks specialized in wealth management of Desjardins Securities Inc., which were previously reported in the Personal and Business Services segment and are now reported in the Wealth Management and Life and Health Insurance segment. Comparative figures have been restated to reflect the reclassifications.

The Personal and Business Services segment offers Desjardins Group’s members and clients a comprehensive, integrated offering designed to meet the needs of individuals, businesses, institutions, not-for-profit organizations and cooperatives through the Desjardins caisse network, the Desjardins Business centres as well as specialized teams. This offering meets a range of needs including day-to-day transactions, financing, specialty services, access to capital markets, development capital and business ownership transfers and advice and, through its distribution network, life and health and property and casualty insurance products. This segment also offers its products and services through complementary distribution networks and mortgage representatives, by phone, online and via applications for mobile devices, as well as ATMs.

The Wealth Management and Life and Health Insurance segment provides various categories of service offerings aimed at increasing the wealth of members and clients of Desjardins Group and helping them protect their financial security. These offerings are intended for individuals or businesses, while group insurance or savings plans meet the needs of employees through their businesses or those of individuals who are part of any other group. This segment designs several lines of life and health insurance protection and savings and investment products. In addition to its own products and services, it distributes external savings and investment products as well as securities and private management products. This segment also includes asset management for institutional clients. Its products and services are distributed through employees of the Desjardins caisse network and Desjardins Business centres, financial security advisors, investment advisors, private managers, exclusive agents, independent partners, actuarial consulting firms and group plan representatives. Certain product lines are also distributed online, via applications for mobile devices and through client care centres. Since the first quarter of 2023, this segment has also included the operations of Worldsource, which is specialized in independent insurance, mutual fund and securities distribution activities, following its acquisition.

The Property and Casualty Insurance segment offers insurance products allowing members and clients of Desjardins Group to protect themselves against the impact of a disaster. It includes the activities of Desjardins General Insurance Group Inc. Its products are distributed through property and casualty insurance agents in the Desjardins caisse network and in several client contact centres and Desjardins Business centres, through a network of exclusive agents in the field in Québec and outside Québec, online and via applications for mobile devices.

The “Other” category includes financial information that is not specific to any particular business segment. It primarily includes treasury activities and activities related to financial intermediation between surplus liquidity and the liquidity needs of the caisses. This category also includes the results of the support functions provided by the Federation to Desjardins Group. It also includes Desjardins Technology Group Inc., which encompasses all of Desjardins Group’s IT operations. In addition to various adjustments necessary to prepare the Combined Financial Statements, the intersegment balance eliminations are classified in this category.

Intersegment transactions are recognized at the exchange amount, which represents the amount agreed to by the various legal entities and business units. The terms and conditions of these transactions are comparable to those offered on financial markets. The results of the main segments reflect data collected by internal financial reporting systems and are consistent with the policies applicable to the preparation of the Combined Financial Statements of Desjardins Group.

NOTE 31 – SEGMENTED INFORMATION *(continued)*

RESULTS BY BUSINESS SEGMENT

The following table provides a summary of Desjardins Group's financial results by business segment for the years ended December 31.

	Personal and Business Services		Wealth Management and Life and Health Insurance		Property and Casualty Insurance		Other		Combined	
	2023	2022 Restated (Note 2)	**2023**	2022 Restated (Note 2)	**2023**	2022 Restated (Note 2)	**2023**	2022 Restated (Note 2)	**2023**	2022 Restated (Note 2)
Net interest income	**$ 6,576**	$ 5,677	**$ 21**	$ 8	**$ —**	$ —	**$ 436**	$ 645	**$ 7,033**	$ 6,330
Net insurance service income	**—**	—	**1,000**	770	**1,049**	291	**8**	5	**2,057**	1,066
Other income	**2,210**	2,292	**2,362**	1,777	**(26)**	(33)	**(1,059)**	(1,092)	**3,487**	2,944
Total net income	**8,786**	7,969	**3,383**	2,555	**1,023**	258	**(615)**	(442)	**12,577**	10,340
Provision for credit losses	**521**	274	**5**	—	**5**	—	**(2)**	3	**529**	277
Non-interest expense	**6,702**	6,313	**2,680**	2,127	**374**	332	**(524)**	(270)	**9,232**	8,502
Operating surplus earnings	**1,563**	1,382	**698**	428	**644**	(74)	**(89)**	(175)	**2,816**	1,561
Income taxes on surplus earnings	**401**	362	**117**	115	**150**	(39)	**(111)**	(119)	**557**	319
Surplus earnings before member dividends	**1,162**	1,020	**581**	313	**494**	(35)	**22**	(56)	**2,259**	1,242
Member dividends, net of income tax recovery	**304**	297	**—**	—	**—**	—	**—**	—	**304**	297
Net surplus earnings for the year after member dividends	**$ 858**	$ 723	**$ 581**	$ 313	**$ 494**	$ (35)	**$ 22**	$ (56)	**$ 1,955**	$ 945
of which:										
Group's share	**$ 858**	$ 723	**$ 581**	$ 313	**$ 423**	$ (53)	**$ 22**	$ (56)	**$ 1,884**	$ 927
Non-controlling interests' share	**—**	—	**—**	—	**71**	18	**—**	—	**71**	18

SEGMENT ASSETS

	Personal and Business Services	Wealth Management and Life and Health Insurance	Property and Casualty Insurance	Other	Combined
As at December 31, 2023	**$ 333,597**	**$ 62,696**	**$ 13,548**	**$ 13,099**	**$ 422,940**
As at December 31, 2022 Restated (Note 2)	$ 318,997	$ 53,832	$ 12,846	$ 18,269	$ 403,944

NOTE 32 – RELATED PARTY DISCLOSURES

Desjardins Group's related parties mainly include associates, joint ventures and employee benefit plans, as well as certain entities for which the substance of the relationship indicates that they are related to Desjardins Group, including the Desjardins Funds. They also include Desjardins Group's key management personnel and close members of their family, as well as entities over which these persons exercise, directly or indirectly, control, joint control or significant influence.

TRANSACTIONS WITH DESJARDINS GROUP'S RELATED PARTIES

Transactions with Desjardins Group's related parties were entered into under terms and conditions that are similar to those offered to unrelated parties.

The main transactions are associated with fund management and custody fees. They are also associated with management income from pension plans and interest expense paid to the Desjardins Group Pension Plan.

These transactions and balances as at the reporting dates are as follows:

	2023			2022 Restated (Note 2)		
	Associates / Joint ventures	**Other related parties**	**Total**	Associates / Joint ventures	Other related parties	Total
Combined Statements of Income						
Net insurance investment income (loss)	**$ 1**	**$ 39**	**$ 40**	$ 2	$ 44	$ 46
Brokerage and investment fund services	**1**	**607**	**608**	1	635	636
Net other investment income (loss)	**—**	**20**	**20**	8	(3)	5
Other income	**15**	**62**	**77**	20	143	163
Other expenses	**(5)**	**(12)**	**(17)**	(6)	—	(6)
Combined Balance Sheets						
Securities	**$ —**	**$ 178**	**$ 178**	$ 51	$ 29	$ 80
Securities borrowed or purchased under reverse repurchase agreements	**—**	**188**	**188**	—	226	226
Loans	**151**	**31**	**182**	114	3	117
Segregated fund net assets	**—**	**2,997**	**2,997**	—	2,569	2,569
Other assets – Other	**8**	**46**	**54**	11	76	87
Deposits	**116**	**1,129**	**1,245**	97	132	229
Commitments related to securities lent or sold under repurchase agreements	**—**	**3**	**3**	—	12	12
Other liabilities – Other	**256**	**129**	**385**	3	100	103
Other						
Commitments given	**$ 117**	**$ 793**	**$ 910**	$ 142	$ 571	$ 713
Guarantees given	**34**	**154**	**188**	40	143	183
Guarantees received	**—**	**187**	**187**	—	216	216

KEY MANAGEMENT PERSONNEL COMPENSATION

Desjardins Group's key management personnel comprises the members of its Board of Directors and its Management Committee. These individuals have the authority and responsibility for planning, directing and controlling the activities of Desjardins Group. In the normal course of operations, Desjardins Group carries out financial transactions with its management personnel. In addition to the compensation paid to key management personnel, the main financial transactions also include routine financial intermediation transactions as well as wealth management, life and health insurance, and property and casualty insurance transactions with the various Desjardins Group entities. These transactions were entered into under terms and conditions that are similar to those offered to unrelated parties.

For the years ended December 31, the compensation of Desjardins Group's key management personnel was as follows:

	2023	2022
Short-term benefits	**$ 26**	$ 19
Other long-term and post-employment benefits	**12**	11
	$ 38	$ 30

Strong and adaptable governance practices

The values and democratic structure of Desjardins Group (Desjardins) are central to the organization's strategic vision and initiatives to create value for our members and clients through an exceptional product and service lineup that contributes to their financial empowerment. Representatives acting on behalf of caisse members contribute to the organization's governance. The rules for electing and appointing directors are set out in the *Bylaws of the Groupe coopératif Desjardins* (group bylaws) or the *Policy on the Composition of Boards of Directors of Subsidiaries and Components*. Directors from the caisse network sit on the boards of directors of the *Fédération des caisses Desjardins du Québec* (the Federation) and some of its subsidiaries. Representatives chosen from among the caisse directors attend the Federation's general meetings. The Federation's Board of Directors (Board) also has six co-opted members who are not elected caisse directors (but who are caisse members) to enrich the decision-making process with new perspectives and experiences.

To prepare for their decision-making responsibilities, caisse directors regularly participate in team-building exercises and they attend the Congress, which is generally held every four years. As representatives of their caisse, these directors delve into the local needs of their members and communities and make sure we're always doing what's best for them. The boards of the Federation and our subsidiaries are also always responsible for making sure we're supporting and doing what's best for Desjardins members and clients and subsidiary shareholders across Canada, the United States and Europe.

We incorporate environmental, social and governance (ESG) factors into our governance and business practices. This aspect has become essential in the financial sector. We also pursued our commitments to fight and adapt to climate change, and we began reflecting on biodiversity conservation—topics that are increasingly important for our boards. Our goals to be everyone's #1 choice and to enrich the lives of people and communities depend on collective efforts to protect resources and the environment. We work with other key players in the civil sector and in government to contribute to a sustainable, responsible economy.

Governance highlights

In 2023, the Federation made changes to the Board's governance practices to address its needs and to continue to align with regulatory guidelines.

The main highlights are:

1. Updating the Desjardins Group governance model

At the Federation's last annual general meeting on March 24 and 25, 2023, delegates from the Desjardins caisses in Quebec and Ontario approved the decision to separate the role of Chair of the Board from the role of President and Chief Executive Officer (CEO) of Desjardins.

On June 22, 2023, the Federation's Board announced that Guy Cormier would assume the role of President and CEO in March 2024, when the new model takes effect. He'll be assisting the Board with its work to split the leadership roles between March 2024 and March 2026 at the latest. At the same time, he will continue to lead Desjardins Group with the full powers granted to the President and CEO. Once the new governance model has been fully implemented, the Board will select a new President and CEO for Desjardins Group by March 2026 at the latest. Guy Cormier will not be eligible for this position. The Chair of the Board will be elected by their peers on the Board and step into their new role in May 2024. The person currently serving as Vice-Chair and Lead Director will assume the role of Interim Chair from March 2024 until the new Chair is elected in May 2024.

The Board has appointed a special committee of Board members to oversee the execution of the transformation plan and the separation of the roles of Chair and President and CEO. The committee is also responsible for implementing the mechanisms needed to ensure sound governance and the adequate management of the risks inherent to the change.

2. Changing the organizational structure

On March 13, 2023, Antoine Avril—up until then Vice-President and Chief Credit Officer—was named Executive Vice-President, Risk Management. He took over from Francine Champoux, who retired at the end of March 2023.

On May 16, 2023, we announced changes to the organizational structure. These changes are designed to improve accountability, efficiency and alignment within the organization. The new structure will standardize how we organize our business segments, while taking into account the retirement of Éric Lachaîne, Executive Vice-President, Caisse Network and Member and Client Services, in September 2023 after a 35-year career with Desjardins Group. The main changes are:

- Nathalie Larue became head of the new Personal Services Executive Division. She took over from Éric Lachaîne while retaining some of the teams that were already under her responsibility. All teams that were part of the Caisse Network and Member and Client Services Executive Division now report to the new executive division except the teams in the Wealth Management Advisory Services Division, which were transferred to the Wealth Management and Life and Health Insurance Executive Division led by Denis Dubois.
- Isabelle Garon took the helm of the new Marketing, Communications, Cooperation and President's Office Executive Division. As part of her new responsibilities, she welcomed the marketing and member/client experience teams from Nathalie Larue's executive division and the corporate communications and change management team from Marie-Huguette Cormier's executive division.
- The Human Resources and Communications Executive Division became the Human Resources Executive Division under Marie-Huguette Cormier.
- The Operations Executive Division, led by Di-Thaï Hua, also evolved. It welcomed part of the Desjardins Group Project and Process Management Office Division, namely the teams dedicated to processes, which were previously part of Nathalie Larue's team.
- The Information Technology Executive Division became the Technology and Projects Executive Division, with Johanne Duhaime still at the helm. The name change reflects the fact that the other portion of the Desjardins Group Project and Process Management Office Division is now under Johanne Duhaime's responsibility, specifically the project management office teams.

3. Holding caisse and Federation annual general meetings

Between March 27 and April 30, 2023, 207 Desjardins caisses in Quebec and Ontario successfully held online, hybrid or in-person annual general meetings. Since we introduced deferred voting in 2020, member participation in decision-making has climbed sharply. This year, over 17,000 members attended their caisse's annual general meeting live or listened to the recording, and nearly 140,000 members voted on the proposed allocation of surplus earnings and, if applicable, the election of members to their board of directors. For the Federation, 1,052 registered voting delegates from Desjardins caisses across Quebec and Ontario attended the annual general meeting on March 24 and 25, 2023.

Governance structure

Our governance structure is designed to help us achieve our mission: As a cooperative financial group contributing to the development of communities, we give our members and clients the support they need to be financially empowered. The Federation oversees the development and application of the Desjardins-wide governance framework, which takes into account our cooperative nature, our sustainable development and responsible finance objectives, the complexity of our operations, the *Autorité des marchés financiers* (AMF)'s guidelines and other regulatory requirements. This framework covers the activities of the Federation, the Desjardins Security Fund, our subsidiaries, Quebec caisses and Caisse Desjardins Ontario Credit Union Inc. As certain components are subject to specific laws and regulations, the framework is designed to comply with all applicable rules, including those of the Canadian Securities Administrators (CSA) and the Office of the Superintendent of Financial Institutions, as well as industry best practices.

1. Mandate of the Board of Directors

Administration of the Federation

Pursuant to the *Act respecting financial services cooperatives*, the Board is responsible for managing the affairs of the Federation, with support from its commissions and committees. It ensures that the necessary mechanisms and structures are in place for the Federation to fulfill its role as the organization that guides, plans, coordinates, monitors and controls all Desjardins operations. As part of its responsibilities, it makes the necessary decisions and coordinates the components' actions to support our organization over the long term. The organizational structure, which is built around the business segments and support functions, serves to optimize overall performance, streamline the organization and improve financial and risk management. The Board's responsibilities include the following:

a. Corporate culture

The Board is responsible for promoting the corporate culture based on Desjardins's values: money at the service of human development, democratic action, personal commitment, rigour and integrity in the cooperative enterprise, solidarity with the community and intercooperation, with a view to earning the trust of the public and ensuring members and clients have confidence in their financial services cooperative. The Board is responsible for respecting and enforcing the *Desjardins Code of Professional Conduct* while the Board of Ethics and Professional Conduct is responsible for ensuring that ethical rules are followed and for obtaining the required accountability.

At the heart of this ever-evolving culture is the strategic framework defined by the Board, which is based on Desjardins's mission. All our decision-making and actions regarding our strategic priorities are guided by our goal of becoming everyone's #1 choice by always doing what's best for our members and clients.

The Federation has a Board of Ethics and Professional Conduct (BEPC) whose members are independent from management and from the Board. We also have a policy for reporting violations of regulations and of the *Desjardins Code of Professional Conduct*. This policy is combined with a confidential reporting mechanism that protects the anonymity of those who use it. We regularly remind employees of the existence of this governance mechanism.

The *Desjardins Code of Professional Conduct*, which is available to the public on Desjardins.com, applies to all Desjardins components. It includes a section on ethics and Desjardins's mission and values, and a section that describes the principles and all the rules of professional conduct. Regarding the first principle of the *Desjardins Code of Professional Conduct*, respect for others, the public can find information in the Social and Cooperative Responsibility Report. All Desjardins employees and directors must sign an annual acknowledgement that they have read and agree to uphold the *Desjardins Code of Professional Conduct*. The BEPC obtains a report and follows up on this. All Desjardins employees and directors must sign an annual acknowledgement that they have read and agree to uphold the *Desjardins Code of Professional Conduct*. The BEPC obtains a report and follows up on this.

b. Strategic and financial planning process

The Board has an ongoing strategic and financial planning process for Desjardins that includes a financial plan, crisis scenarios, a funding plan and a capitalization plan. This process is the basis for all other plans for Desjardins components and focuses on maintaining continuity, setting priorities and fostering commitment. The Board adopts a strategic plan that is updated periodically. For this process, it requests the participation of the caisses, Desjardins Group's democratic bodies and business segments, as well as the decision-making bodies of its subsidiaries.

The strategic planning process periodically calls on the Congress, which is an assembly of more than 1,000 caisse delegates. Mechanisms are in place to ensure that all components are aligned with key strategic directions. For example, the general incentive plan is used to set shared objectives that revolve around always doing what's best for members and clients and promoting unity, equity and synergy within the organization. These shared objectives encourage all managers and employees to make the right choice.

The Board plays a supervisory, monitoring and control role in this process, with support from the Desjardins Group Management Committee (DGMC). The DGMC produces regular reports using a variety of mechanisms and tools such as the performance review so the Board can monitor the progress made on Desjardins's strategic plan and business plans, and make changes as needed.

c. Identification and management of main risks

The Board is responsible for identifying the main risks facing Desjardins, approving the organization's risk appetite framework and ensuring that management sets up the required systems to manage these risks in a sound and prudent manner. The Board is supported in these tasks by the Risk Management Executive Division and the Desjardins Group Monitoring Office. Backed by the Risk Management Commission (RMC), the Board works with the Audit and Inspection Commission (AIC), which is responsible for risks related to the financial reporting process. The DGMC also supports the Board in carrying out its responsibilities in this area. All RMC sessions include closed-door meetings with the Risk Management Executive Division, as well as closed-door meetings which are not attended by management.

A detailed presentation of the risk management principles applied at Desjardins can be found in the "Risk management" section of the Management's Discussion and Analysis on page 52.

The mandates and lists of members of the commissions and committees that support the Federation's Board of Directors are available on Desjardins.com. There is also a report (in French only) detailing the annual highlights of the Risk Management Commission regarding its mandate and operations.

d. Succession planning

The Board oversees the senior management succession and development program with the support of the Human Resources Commission (HRC), which is chaired by an independent director, and the Human Resources Executive Division. The HRC runs the program and reports to the Board, making recommendations as needed. This program is an important tool for the DGMC, as it promotes personal development, supports succession planning and helps protect the organization against human resources-related risks.

Talent development, succession planning and hiring processes promote professional competency and diversity among Desjardins staff.

President and CEO

Previously, the President and CEO of Desjardins was chosen by an electoral college made up of representatives from all Quebec and Ontario caisses. The maximum tenure was eight years (two four-year terms). The Board of Directors and its CEO Total Compensation and Succession Planning Committee play a role in compensation, working conditions, annual objectives and the assessment of annual objectives. The new governance model separating the role of Chair of the Board from the role of President and CEO will be fully implemented by March 2026. At that point, the Board will select a new President and CEO to succeed Guy Cormier and serve a maximum term of 10 years.

The special committee tasked with overseeing the transformation plan and splitting the roles will recommend to the Board the necessary measures and support to ensure a smooth transition between presidents, taking into account the related risk management.

e. Integrity of internal control and management reporting systems

The Board, backed by the AIC, ensures the implementation of effective control systems and processes and obtains the required reporting information from management. The Board is supported in this responsibility by Desjardins's Chief Monitoring Officer, whose internal audit charter and audit plan are approved by the AIC. A rigorous financial governance process is applied throughout Desjardins to properly support the Executive Vice-President of Finance and CFO who, together with Desjardins's President and CEO, is responsible for certifying Desjardins's Combined Financial Statements.

Desjardins discloses financial information in compliance with CSA *National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109). However, unlike the Federation, Desjardins is not, on a combined basis, a reporting issuer according to the National Instrument or any other applicable securities regulations. In accordance with the decision issued by the AMF on April 23, 2021, Desjardins Group's Combined Financial Statements and Management's Discussion and Analysis are submitted by the Federation instead of the Federation's Consolidated Financial Statements and Management's Discussion and Analysis in order to satisfy the financial disclosure obligations that apply to the Federation as a reporting issuer. Further, the Federation maintains controls and procedures for Desjardins Group's Combined Financial Statements and Management Discussion and Analysis in accordance with NI 52-109. Since April 23, 2021, in accordance with the decisions of the AMF and the CSAs, the Federation has been using Desjardins Group's financial statements and Management Discussion and Analysis for all relevant purposes as set out in the applicable securities regulations. Information about the controls and procedures for Desjardins Group's Combined Financial Statements and Management Discussion and Analysis is presented in section 5.0 "Additional information" of the 2023 Management's Discussion and Analysis.

We continuously monitor our internal control system to make sure it's effective, efficient and tailored to our organization's needs. This system is designed to provide the boards of directors of Desjardins subsidiaries and components with reasonable assurance that the subsidiaries and components are achieving their business objectives in compliance with regulatory requirements.

The Board of Directors ensures that the DGMC provides the Board and its commissions and committees with information that is accurate, timely and adapted to the specific needs of its directors so they can take advantage of business opportunities and measure the risks involved. Board members are invited to assess the quality of documents used in the decision-making process. This is a recurring segment on the agenda to ensure continuous improvement.

The Board benefits from the information used by each business segment to effectively monitor key performance indicators, meaning the Board can quickly obtain strategic information pertinent to the decision-making process.

At least once a quarter, Board members receive financial reports and operating reports so they can assess Desjardins's situation and status reports on the Federation's projects. The Board ensures that appropriate policies and procedures are in place to facilitate the production and presentation of these reports.

To effectively carry out its duties, the Board holds regular meetings on a predetermined schedule. Board members receive the meeting agenda in advance, along with any relevant documentation, to ensure productive discussions and to facilitate the decision-making process. The Board constantly seeks to increase its efficiency and focus its efforts on strategic issues by optimizing meeting agendas and by delegating certain operational responsibilities to the DGMC. The DGMC's mandate, which clarifies how responsibilities are divided between the Board and senior management, is reviewed annually.

Directors have access to technological tools so they can easily and securely access all meeting-related documentation and frameworks governing Desjardins's operations. They are required to comply with Desjardins's *Information Security Policy*.

f. Strategic communications

The Board adopts the *Desjardins Group Communications Policy* and strategic communications priorities for Desjardins, in line with Desjardins Group's strategic and financial plans, including actions to be taken and targets. The Federation also draws up an integrated Desjardins-wide communications plan in order to better manage relations with the caisses and their members; the business segments and their clients; employees; socioeconomic, community and non-governmental organizations; opinion makers; the public; the media; rating agencies; governments; and regulatory authorities. It ensures consistent, quality communications across Desjardins, helps promote Desjardins's cooperative nature, contributes to the promotion, development and growth of the Desjardins brand; and listens to internal and external audiences.

The Federation oversees the financial reporting process and the disclosure of any major changes that may affect Desjardins's financial position. It uses different teams and various channels to communicate effectively with its stakeholders.

These teams and channels include: the compliance team, the Desjardins ethics and professional conduct support team and the caisse complaint-handling procedure; as well as, within Desjardins: the annual general meetings, the Collaboration Forum, the disclosure of quarterly and annual financial results, publications (including our annual report and the Social and Cooperative Responsibility Report), toll-free telephone numbers, intranet portals for employees and for caisse directors, the website (which includes information on the Co-opme program on education, cooperation and dialogue with our members and clients, as well as a Member Relations section and an Investor Relations section), the Federation's member services team, the procedure for reporting violations of regulations and of the *Desjardins Code of Professional Conduct*, newsletters and social media (Facebook, YouTube, LinkedIn, X, Instagram, etc.).

In addition, the Federation maintains relations with international rating agencies and coordinates Desjardins's relationships with the different levels of government in compliance with applicable lobbying legislation. In 2021, the Federation created the Regulatory Activities Coordination and Advisory Services Administrative Department and adopted the *Policy on the Management of Regulatory Authority Findings and Action Plans*. Because of the complexity of its operations, Desjardins works with over 80 regulatory authorities. The purpose of this unit is to help build effective and efficient relationships between Desjardins and regulators.

2. Composition and nomination of the Federation's Board of Directors and Board of Ethics and Professional Conduct

The *Act respecting financial services cooperatives* requires the Federation to set out the number of directors, which must not be less than five, in its bylaws. In 2023, the Federation's Board of Directors consisted of 19 members, 18 of whom are independent directors. The final member is the President and CEO of Desjardins Group. Of the 18 independent directors:

- 12 are caisse directors who were elected by the delegates of the Federation member caisses during the annual general meeting or who were co-opted during the year in the event of a vacancy on the Board. These directors represent our cooperative foundations and have in-depth knowledge of their community and the activities of Desjardins.
- 6 are not caisse directors, but caisse members co-opted by the Board of Directors with complementary and diverse skills and experiences.

One seat is reserved for the President and CEO of Desjardins, who is not an independent director. After the organization's leadership roles are separated at the annual general meeting on March 22 and 23, 2024, the President and CEO appointed by the members of the Board will continue to hold a position on the Board.

There are also two caisse general managers who have observer status and the right to speak, but not the right to vote. They help the Board assess strategies and objectives and make sure they reflect members' and clients' needs.

Additionally, the following members of management support the Board with its roles and responsibilities by attending its meetings: the Senior Executive Vice-President and COO; the Executive Vice-President, Finance and CFO; the Executive Vice-President, Marketing, Communications, Cooperation and President's Office; and the Secretary General.

Candidates for the positions of elected and co-opted directors and for elected positions on the BEPC are reviewed by the Nomination and Election Committee as outlined in the *Policy Governing the Integrity and Competency of Directors of the Federation, its Subsidiaries and Members of the Board of Ethics and Professional Conduct*. This committee then recommends a pool of candidates for the Board and the BEPC to elect or co-opt. It can also recommend rejecting candidates who don't meet the enhanced group profile and priority areas.

Members of the Board and the BEPC have four-year renewable terms, and each year around one-quarter of Board and BEPC members are outgoing. They are subject to a limit of three terms, consecutive or not.

Board membership is also based on an enhanced group profile, in accordance with the group bylaws. The Board adopts and updates, as needed, this enhanced group profile, which it strives to achieve, and which takes into account the following criteria: interpersonal skills and expertise related to the individual qualities required to be a member of the Board; the skills required to handle the strategic and fiduciary responsibilities of a domestic systemically important financial institution that is also a cooperative; and representation from diverse communities, members and clients. The Federation has designed tools to help electors understand what is expected of directors and what the board needs, so they can make an informed choice when they vote. The Board puts in place strategies to fulfill all of the responsibilities set out in its mandate and to present candidates who contribute to reaching the required skillset mix at the annual general meeting. The BEPC has the same responsibility for that governing body, which is independent from the Board of Directors. The general meeting's role is to elect people who meet the requirements set by the Board and the BEPC, which are defined as priority areas.

Desjardins has adopted a gender parity priority for the boards of directors of the Federation, its caisses and its subsidiaries. Parity is taken into account in the electoral, co-optation and nomination processes. Our goal is to reach parity in 2024.

Changes to the composition of the Federation's Board of Directors and Board of Ethics and Professional Conduct in 2023:

Directors on the Board:

- Lisa Baillargeon, Chair of the Board, Caisse Desjardins Charles-Lemoyne (re-elected for four years, effective March 25, 2023).
- Francine Côté, Chair of the Board, Desjardins Ontario Credit Union (elected for four years, effective March 25, 2023).
- Jean-François Laporte, Vice-Chair of the Board, Caisse Desjardins de la Pommeraie (elected for four years, effective March 25, 2023).
- Luc Bachand, Co-opted Director (re-appointed for four years by the Board on January 26, 2023, effective March 25, 2023).
- Elaine Lajeunesse, Co-opted Director (appointed for four years by the Board on February 24, 2023, effective March 25, 2023).
- Dominique Jodoin, Co-opted Director (re-appointed for four years by the Board on December 15, 2023, effective March 23, 2024).

* Marie-Josée Lamothe's and Stéphane Trottier's terms ended on March 25, 2023.

Observers on the Board:

- Richard Villeneuve, General Manager, Caisse Desjardins d'Alma (appointed for two years by the Board on November 16, 2022, effective March 25, 2023).
- Kathleen Bilodeau, General Manager, Caisse Desjardins de Sillery—Saint-Louis-de-France (re-appointed for four years by the Board on November 16, 2022, effective March 25, 2023).

* The term of Neil Hawthorn (caisse general manager) ended on March 25, 2023.

Members of the BEPC:

- Katia Cyr, Director and Vice-Chair of the Board, Caisse Desjardins du Nord de Sherbrooke (re-elected for four years, effective March 25, 2023).
- Alexandre Rousseau, Director, Caisse Desjardins du Centre-est de Montréal (appointed by the BEPC for nearly three years on November 2, 2023, to fill the position left vacant by Michel Yelle and complete the remainder of his term until the 2026 annual general meeting).

* Michel Yelle's term on the BEPC ended on April 25, 2023, after he was not re-elected to his caisse's board of directors.

3. Definition of independent director

As defined by the CSA, a director is independent if they do not have a significant relationship, directly or indirectly, with the Federation. "Significant relationship" means a relationship that, in the opinion of the Board, may reasonably be expected to affect their independence.

The Board also takes into consideration the AMF's *Governance Guideline* for financial institutions, which defines independence as the ability of board members to exercise, collectively or individually, objective and impartial judgment regarding the financial institution's affairs without undue influence from senior management or stakeholders.

The only non-independent member of the Board of Directors is Desjardins's President and CEO, who is a member of Federation management. The directors do not have any business or personal, professional or financial ties to any other members of the Board or to members of the DGMC or anyone reporting to them, nor do they have any interests which, in the opinion of the Board, could significantly interfere with their ability to act in the best interests of the Groupe coopératif Desjardins, or any interests of any other nature which, in the opinion of the Board, could reasonably be perceived as harmful. However, given that directors could also have similar roles on the boards of other companies, under certain circumstances a real or potential conflict of interest may arise due to their duties to the Federation and to the other companies.

For guidance in these matters, the Board of Directors refers to the provisions of the *Desjardins Code of Professional Conduct* and the *Conflict of Interest Management Policy*, which govern the actions of its directors, and to the declarations of interests filed annually by the directors. To make sure the assessment follows Basel Committee recommendations, we revised the declaration of interests form in 2020 to add the disclosure of personal, professional and financial ties to other members of the Board or to members of the DGMC and anyone reporting to them. Directors are subject to rules of professional conduct that require them to avoid putting themselves in real or perceived conflict of interest situations. They need to declare any such situation to the governing bodies in question and abstain from voting, making any decisions concerning the situation or influencing any votes or decisions.

Independent directors

In the opinion of the Board, and in accordance with the definition provided by the CSA, the following directors are independent:

Louis Babineau	Geneviève Côté	Jean-François Laporte
Luc Bachand	André Grenier	Denis Latulippe
Lisa Baillargeon	Nadine Groulx	Michel Magnan
Jordan Baril-Furino	Elaine Lajeunesse	Paula Parhon
Johanne Charbonneau	Dominique Jodoin	Serge Rousseau
Francine Côté	Maryse Lapierre	Patricia-Ann Sarrazin-Sullivan

Non-independent directors and bases for that determination

According to the notion of independence defined by the CSA, only Guy Cormier is considered a non-independent director because he is a member of Federation management.

4. Performance reviews and director skills

Performance reviews

The Board and its commissions and committees conduct a review of their performance every two years. A two-year action plan based on these performance reviews is then submitted to the Board by the Corporate Governance and Responsible Finance Commission (CGRFC), which oversees the plan.

The 2023 exercise was accompanied by individual meetings between each director, the Chair and the Vice-Chair and Lead Director. These meetings are intended to enhance the performance of decision-making bodies and each director's contribution. The Vice-Chair and Lead Director held closed-door sessions with the Board, without the Chair present, after every meeting to monitor the Board's independence and ensure exemplary conduct. At the end of each meeting, the members discussed the Board's performance and the quality of documentation behind closed doors.

Overall, the Chair of the Board, in collaboration with the Vice-Chair and Lead Director, was responsible for the performance review process for the Board and its members. The Corporate Governance and Responsible Finance Commission supervised the process.

Finally, the Board reviews the mandates and processes of its commissions and committees every year to make sure they're optimized so they can serve as effective advisors to the Board. The Board also regularly reviews the rules governing the composition of its commissions and committees and how chairs are appointed for subsidiaries, commissions and committees. These commissions and committees are made up entirely or almost entirely of independent parties. At the end of each meeting, they hold closed-door sessions: one with the non-independent director, namely the President and CEO, and a second one without the President and CEO or other members of management, especially when reporting on supervisory roles. Like other management staff, general manager observers who attend the meeting must withdraw during the closed-door sessions. The composition and mandates for these commissions and committees are reviewed annually. Any work carried out by a commission or committee is documented in a report, which is presented at the next Board meeting.

The BEPC also conducts performance reviews using a variety of mechanisms.

Director skills

The Board has adopted an enhanced group profile with criteria to help preselect candidates for election at the general meeting and members co-opted by the Board. Since the combination of skills and areas of expertise varies with the arrival and departure of directors, the Federation has established competency targets to determine the minimum number of directors with the skills needed to ensure that the Board can operate effectively and fulfill its responsibilities. In 2023, all targets were met.

On the recommendation of the CGRFC and in accordance with the integrity and competency criteria in the AMF Governance Guideline, the Board performs a self-assessment of the skills of its members. Each member completes a self-assessment grid for this purpose. The results of the self-assessments and the individual interviews are used to establish individual objectives and development plans, which the Chair and the Vice-Chair and Lead Director are responsible for.

The information below shows that the members of the Federation's Board collectively possess a wide range of experience and complementary skills that enable them to make an active and enlightened contribution to Desjardins's governance. The enhanced group profile adopted by the Board and the skills of its members are reviewed together annually, and the results show what the Board needs to focus on to satisfy this profile.

FEDERATION DIRECTOR SKILLS AND EXPERTISE

The composition of the Board of Directors is a key factor in governance. Member contributions are diverse and complementary, from gender to experience. To achieve the enhanced group profile, the directors—whether elected or co-opted—each contribute to helping the Board of Directors play its role and collectively shoulder all the responsibilities of a domestic systemically important financial institution. There is more information about the members of the Board of Directors on our website: Desjardins.com.

Guy Cormier, BAA, MBA

President and CEO of Desjardins Group and Chair of the Federation's Board of Directors since 2016[(1)].

Key areas of expertise:

- Organizational culture, cooperative business model and communication
- Finance and accounting
- Governance
- Strategic vision
- Financial services market (banking and insurance)

Johanne Charbonneau, Corporate Director, FCPA, MBA, C.Dir.

Desjardins Group director since 2019 and **Vice-Chair of the Board and Lead Director** since 2021.[(2)]

Key areas of expertise:

- Finance and accounting
- Governance
- Risk management and compliance
- Human resources

Maryse Lapierre, Notary, LLB, DDN, ASC

Desjardins Group director since 2021 and **Secretary of the Board** since 2022.

Key areas of expertise:

- Organizational culture, cooperative business model and communication
- Corporate law
- Business ethics and professional conduct
- Governance

Louis Babineau, Professor, DBA, ASC

Desjardins Group director since 2016.

Key areas of expertise:

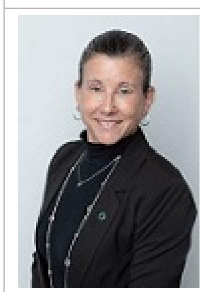
- Organizational culture, cooperative business model and communication
- Governance
- Risk management and compliance
- Business models, distribution and digital innovation

Luc Bachand, Corporate Director, MBA, ICD.D, FICB

Desjardins Group director since 2021.

Key areas of expertise:

- Finance and accounting
- Financial services market (banking and insurance)
- Capital markets
- Governance



Lisa Baillargeon, Professor, PhD, MBA, CPA, C.Adm, ICD.D

Desjardins Group director since 2019.

Key areas of expertise:

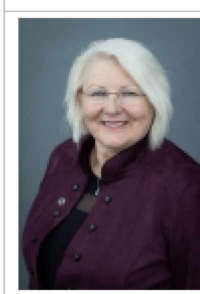
- Finance and accounting
- Business ethics and professional conduct
- Governance
- Human resources

Jordan Baril-Furino, Engineer, MBA

Desjardins Group director since 2021.

Key areas of expertise:

- Organizational culture, cooperative business model and communication
- Strategic vision (youth and the next generation)



Francine Côté, Corporate Director, CPA, CISA, ASC, C.Dir.

Desjardins Group director since 2023.

Key areas of expertise:

- Finance and accounting
- Financial services market (banking and insurance)
- Business models, distribution and digital innovation
- Risk management and compliance

Geneviève Côté, Lawyer, ASC, C.Dir.

Desjardins Group director since 2022.

Key areas of expertise:

- Organizational culture, cooperative business model and communication
- Corporate law
- Governance
- Risk management and compliance

André Grenier, Agrologist and Agribusiness Management Consulting Firm President

Desjardins Group director since 2018.

Key areas of expertise:

- Organizational culture, cooperative business model and communication
- Finance and accounting
- Strategic vision (agricultural sector)

Nadine Groulx, Agricultural and Maple-Producing Entrepreneur

Desjardins Group director since 2017.

Key areas of expertise:

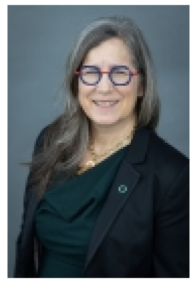
- Organizational culture, cooperative business model and communication
- Responsible finance
- Business ethics and professional conduct
- Strategic vision (agricultural sector)

Dominique Jodoin, Tech Company President and CEO, MBA, MSc

Desjardins Group director since 2020.

Key areas of expertise:

- Business models, distribution and digital innovation
- Advanced analytics and artificial intelligence
- Risk management and compliance
- IT security and management

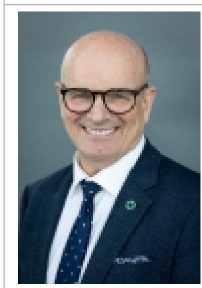


Elaine Lajeunesse, Actuary, CFA, FCAS, FCIA, ICD.D

Desjardins Group director since 2023.

Key areas of expertise:

- Finance and accounting
- Financial services market (banking and insurance)
- Risk management and compliance
- IT security and management



Jean-François Laporte, Corporate Director, MBA, ASC, C.Dir.

Desjardins Group director since 2023 and previously from 2017 to 2021.

Key areas of expertise:

- Organizational culture, cooperative business model and communication
- Finance and accounting
- Financial services market (banking and insurance)
- Business models, distribution and digital innovation

Denis Latulippe, Actuary, FCIA, MBA, MSc, ASC

Desjardins Group director since 2021.

Key areas of expertise:

- Finance and accounting
- Responsible finance
- Financial services market (banking and insurance)
- Risk management and compliance

Michel Magnan, Professor, PhD, FCPA, ASC, C.Dir.

Desjardins Group director since 2021.

Key areas of expertise:

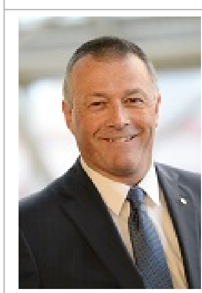
- Finance and accounting
- Financial services market (banking and insurance)
- Risk management and compliance
- Governance

Paula Parhon, IT Consulting Firm President, ASC, C.Adm.

Desjardins Group director since 2022.

Key areas of expertise:

- Business models, distribution and digital innovation
- Advanced analytics and artificial intelligence
- Risk management and compliance
- IT security and management



Serge Rousseau, Corporate Director

Desjardins Group director since 2014.

Key areas of expertise:

- Organizational culture, cooperative business model and communication
- Financial services market (banking and insurance)
- Risk management and compliance
- Human resources

Patricia-Ann Sarrazin-Sullivan, Architect, C.Adm.

Desjardins Group director since 2021.

Key areas of expertise:

- Organizational culture, cooperative business model and communication
- Responsible finance
- Governance

Observers

Kathleen Bilodeau, General Manager, Caisse Desjardins de Sillery—Saint-Louis-de-France

Richard Villeneuve, General Manager, Caisse Desjardins d'Alma

(1) The President and CEO's mandate as Chair of the Board will end after the annual general meeting on March 23, 2024, when the organization's leadership roles are separated.
(2) The Lead Director role will be eliminated as of March 24, 2024, when the Board will elect one of its independent directors to serve as Chair.

REPRESENTATION ON THE BOARD:

In 2023, we reached our goal of gender parity on the Federation's Board of Directors. The representation of women on the board, its commissions and its committees is as follows:

BoD	EC	CCC	AIC	RMC	HRC	TCSPC	CGRFC
9/19 (47%)	1/5 (20%)	3/6 (50%)	1/5 (20%)	3/6 (50%)	2/6 (33%)	2/5 (40%)	3/6 (50%)

BoD = Board of Directors; EC = Executive Committee; CCC = Cooperation and Culture Commission; AIC = Audit and Inspection Commission; RMC = Risk Management Commission; HRC = Human Resources Commission; TCSPC = CEO Total Compensation and Succession Planning Committee; CGRFC = Corporate Governance and Responsible Finance Commission.

The Board also recognizes the importance of ethnocultural diversity and is working to increase it. In 2023, the Board had one director from the Italian community and one from the Romanian community.

5. Onboarding and training program for new Federation directors and BEPC members

The Federation oversees onboarding and continuous training for its Board members. It develops individual and group knowledge acquisition and enhancement activities, so Board members can learn more about the various aspects of their roles and responsibilities and Desjardins Group's operations. All new directors and members of the BEPC attend orientation sessions where they meet with members of management and receive a reference manual containing all the information they need to carry out their duties. Onboarding sessions are held to ensure effective and efficient integration of new members of Board commissions and committees.

The training program for Board members is based on needs identified through their skills self-assessments. The results of the self-assessments and the individual interviews are used to establish individual objectives and development plans. The CGRFC reviews the results and proposes the two-year shared skills development program to the Board. The Board also holds conferences on specific topics related to strategic planning and the associated challenges. These conferences, which are also attended by members of the DGMC, are skills development and contribution opportunities for Board members. The training program was updated specifically to include skills development and enrichment activities with external experts to help the Board expand its knowledge base for informed and independent decision-making. The Board's commissions and committees suggest new training activities annually based on the needs of their members. The same applies to the Board of Ethics and Professional Conduct.

With a focus on knowledge continuity, skills and collegiality among directors, the Board supports the electoral college with candidate selection to make sure it takes into account the need to strengthen the seniority of the Board and BEPC.

Directors may take training that is relevant to their duties and responsibilities at any time. The Board of Directors is a member of the Institute of Corporate Directors and members of the Board can benefit from its resources on current and emerging governance issues and best practices.

In 2023, directors and members of commissions and committees attended sessions on the following topics:

Topics	Participants
ESG trends and issues	BoD
Circular economy	BoD / CGRFC
Corporate director insights	BoD
Roles and responsibilities of the Chair of the Board and the President and CEO of Desjardins Group	BoD
Developing and using political savvy	BoD
Artificial intelligence: Data, analytics and chatbots	BoD
Visit to the Security Operations Centre and the ETTIC lab (cybersecurity, offensive security and adversary simulation)	BoD
IFRS 17 – Insurance contracts	BoD
Desjardins Group's prudential approach to financial and risk management	BoD
Evolution of global financial sector trends to better understand the competitive environment	BoD
Financial statements, capital, liquidity and financial overviews of the business lines	BoD
Equity, diversity and inclusion – Inclusive Circles	BoD
ESG disclosure and new standards	AIC
Prospectus (processes, auditor role)	AIC
Implementation of funds transfer pricing	AIC
IFRS and audit standards	AIC
Canadian Public Accountability Board	AIC
Internal audits and regulatory changes regarding personal information protection and cybersecurity	AIC
Fiscal updates	AIC
Energy, science-based targets and ESG programs	AIC
Desjardins's financial support mechanisms	CCC
Cooperative and democratic life with major cooperative partners	CCC
Cultural shift and the challenges of maintaining a vibrant culture	CCC
Coordination and influence between stakeholders	CCC
Supervision frameworks (Autorité des marchés financiers and Office of the Superintendent of Financial Institutions)	CGRFC
Ethics and compliance	CGRFC
Review of climate ambitions for the financial sector	CGRFC
Risk mapping	RMC
The effect of diversification at Desjardins Group	RMC
Regulatory changes, including Basel III reforms	RMC
Resilience and IT risks	RMC
Modular enterprise architecture	RMC
Changes to ESG risks – Climate change	RMC
Advanced analytics in risk management	RMC
Total compensation	HRC
HR practices at Hydro-Québec	HRC
Trends in HR	HRC

BoD (Board of Directors); CCC (Cooperation and Culture Commission); AIC (Audit and Inspection Commission); RMC (Risk Management Commission); HRC (Human Resources Commission); CGRFC (Corporate Governance and Responsible Finance Commission).

6. Compensation policy for Federation directors and BEPC members

The Board of Directors reviews, whenever it deems it necessary but at least every five years, its policy on the compensation of its officers as defined in the *Act respecting financial services cooperatives*, namely the members of the Federation's Board of Directors and the Board of Ethics and Professional Conduct. It receives recommendations from the Corporate Governance and Responsible Finance Commission, which keeps a close eye on industry developments. The policy's compensation rates are consistent with those of comparable organizations. In 2023, the Federation's Board of Directors reviewed compensation rates using data from 2021, 2022 and 2023. In February 2024, the Board approved a 13.1% increase for members of the Federation's Board of Directors and Board of Ethics and Professional Conduct, based on the 2023 review. The new compensation rates will come into effect on April 1, 2024.

The applicable frameworks on compensation for Desjardins Group officers include guidelines for calculating the compensation for elected caisse and Federation directors, BEPC members and the directors of some Desjardins subsidiaries.

In accordance with the *Act respecting financial services cooperatives,* the total budget for the payment of attendance fees to directors and BEPC members is authorized at the Federation's general meeting. The total compensation budget (annual stipends plus attendance fees) is reported at the general meeting. A report on changes to the compensation budget is presented at the general meeting every year. The total budget for 2023 was $2,206,000, the same as in 2022.

The policy's compensation rates can be found on page 260 of this section of the Desjardins Group annual report.

7. Independence of the Board of Directors from Desjardins management

Desjardins's governing bodies have established a number of structures and procedures to ensure the Board's independence from management:

- There is only one Board member who is also a member of Desjardins management: the President and CEO of Desjardins, who was also Chair of the Board in 2023 and until March 2024. Since the President and CEO does not select the members of the Board, its legitimacy and independence are ensured. The President and CEO abstains from voting on any decision regarding the electoral process that applies to the Board of Directors and the BEPC and any decision regarding the co-optation process for Board members who are not elected caisse directors. Following the general meeting on March 22 and 23, 2024, the President and CEO will no longer be the Chair of the Board, but will remain a member of the Board. The governance frameworks will stipulate that the President and CEO cannot take part in the election of Board officials, including the Chair.

- The Vice-Chair and Lead Director, an independent member of the Board who is not from the caisse network, ensures the Board's independence from management at all times. The Vice-Chair and Lead Director presides over Board meetings when the issues being discussed require the recusal of the Chair of the Board and CEO, and over closed-door meetings reserved for independent directors. This person also reports to the Board annually on their activities and actions taken to ensure Board independence. The group bylaws state that the Vice-Chair and Lead Director replaces the Chair when the Chair has a real or perceived conflict of interest or is otherwise unable to act. A description of this position is available in the *Governance Policy.* Starting in May 2024, the Board of Directors will elect the Board officials, including the Chair of the Board, from among its members. If the Chair of the Board is an elected member from the caisse network, the Vice-Chair will be chosen from among the co-opted members, and vice versa. The role of Lead Director will be eliminated because going forward, the Chair will be an independent director. The person currently serving as Vice-Chair and Lead Director will assume the role of Interim Chair from March 24, 2024 until the new Chair is elected in May 2024.

- The directors hold periodic informal meetings among themselves. The Chair of the Board and President and CEO of Desjardins provides updates to the members of the DGMC who assist the Board, since DGMC members are not present at these meetings.

- Closed-door sessions not attended by management (except for the Chair of the Board and President and CEO) are held at the end of each meeting of the Board and of the Executive Committee. The same is true for Board commissions and committees.

- Closed-door sessions not attended by the Chair and President and CEO are held with the individuals in independent oversight functions, namely the Executive Vice-President, Finance and CFO; the Executive Vice-President, Risk Management; the Vice-President and Chief Compliance and Privacy Officer; the Chief Monitoring Officer; and the Chief Security Officer.

- Closed-door sessions between independent directors, not attended by the Chair of the Board and President and CEO, are held at the end of each meeting of the Board and the commissions and committees this person sits on.

- The Board periodically holds meetings with the BEPC.

- The CGRFC, the CEO Total Compensation and Succession Planning Committee, and the Audit and Inspection Commission are chaired by independent directors who are not caisse directors. The Cooperation and Culture Commission, the Risk Management Commission and the Human Resources Commission are chaired by independent directors from the caisse network.

- The CGRFC, chaired by the Vice-Chair of the Board and Lead Director, is responsible for making sure the Board fulfills its duties.

- However, the responsibility of drawing up and overseeing meeting agendas for the Board and its commissions/committees falls to the Chair of the Board and is subject to the process for assessing the effectiveness of governing bodies.

- There is a direct line between the Vice-Chair of the Board and Lead Director and the Secretary General, who assumes functional leadership of the CGRFC and the BEPC.

- Only independent directors serve on the CEO Total Compensation and Succession Planning Committee (TCSPC).

- The division of responsibilities between the Board and the DGMC is formally documented in the *Governance Policy* and the mandates of these two governing bodies, which define their respective areas of activity.

- The President and CEO can appoint and replace the Senior Executive Vice-President and COO, but the Board's approval is required. This safeguard allows the Board to assess the relationship between the CEO and the COO.

- The members of the Human Resources Commission (HRC) and the TCSPC are supported, when needed, by an external consultant when dealing with issues involving total compensation for senior management. Since 2021, the composition of these bodies has included an external member who is not on the Federation's Board. This external member is an independent director with one of our insurance subsidiaries, with expertise in total compensation.

Combined functions of Chair of the Board and President and CEO

The responsibilities of the President and CEO of Desjardins Group are set out in the group bylaws and in the *Governance Policy*. The functions of Desjardins's Chair of the Board and President and CEO will remain combined until the general meeting on March 22 and 23, 2024. Following the general meeting, the President and CEO will no longer be the Chair of the Board, but will remain a director. In May 2024, the Board will elect one of its members to serve as Chair. If the Chair of the Board is an elected member from the caisse network, the Vice-Chair will be chosen from among the co-opted members, and vice versa. The role of Lead Director will be eliminated. The current Vice-Chair and Lead Director will assume the role of Interim Chair from March 2024 until a new Chair is elected in May 2024.

8. Senior management reviews

a. Setting annual management objectives and performance reviews

President and CEO

The annual objectives of Desjardins's President and CEO are recommended to the Board by the TCSPC. This committee is chaired by the Vice-Chair of the Board and Lead Director in accordance with the established independence standards. The President and CEO is not present for the committee's deliberations.

The degree to which these objectives are achieved is measured through a year-end review process. The TCSPC supervises the performance review of Desjardins's President and CEO and sets out how Board members participate in the process.

Senior Executive Vice-President and COO

The annual objectives of the Senior Executive Vice-President and COO are set by the Board, on the recommendation of the President and CEO. They are first presented to the HRC.

Executive vice-presidents on the DGMC

The objectives of the executive vice-presidents on the DGMC are set by the President and CEO and the Senior Executive Vice-President and COO. They are provided to the HRC and the Board for information purposes.

b. Variable compensation evaluation

President and CEO

The variable compensation paid to the President and CEO is determined by an evaluation of the annual objectives by the Board of Directors and the achievement of certain strategic planning priority targets.

Senior Executive Vice-President and COO and executive vice-presidents on the DGMC

The Board has established guidelines for setting objectives for the various indicators to ensure sound management of Desjardins's general incentive plan that the Senior Executive Vice-President and other executive vice-presidents participate in. The results are reviewed by the HRC and approved by the Board.

9. External consultants

A director may ask the Board to retain the services of an external consultant at the Federation's expense. The Board is reminded about this option annually. However, to ensure that such services are relevant, a request must be submitted to the CGRFC.

Mandates and membership of the Federation's commissions, committees and BEPC

As at December 31, 2023

The Board creates committees and commissions and defines their mandates in order to support and streamline its guidance, planning, monitoring and control activities. These commissions and committees are made up entirely or almost entirely of independent parties. At the end of each meeting, the Board and these commissions and committees hold two closed-door sessions without members of management or observers: one with the Chair of the Board and President and CEO, and a second one without this person. The composition and mandates for these bodies are reviewed annually. Any work carried out by a commission or committee is documented in a factual report, which is presented at the next Board meeting, and the commission or committee chair gives Board members a summary of the issues discussed.

The detailed mandates of these bodies are available on Desjardins.com.

Here is the composition of the commissions and committees of the Board of Directors (only the President and CEO is a non-independent director) and the Federation's other governing bodies:

EXECUTIVE COMMITTEE

In principle, this committee has the same functions and powers as the Board, with the exception of those which the Board may reserve for itself or assign to another committee or commission. The scope of this committee's mandate is mainly limited to matters pertaining to the Federation's powers of intervention at the caisse level and the review of certain financial commitments so that strategic decisions remain the responsibility of the Board.

It is composed of five directors:
1. Guy Cormier, Chair
2. Luc Bachard [i]
3. Dominique Jodoin
4. Maryse Lapierre [i]
5. Serge Rousseau

[i] Appointed on June 7, 2023.

Marie-Josée Lamothe was a member until March 25, 2023.
Nadine Groulx was a member until June 7, 2023.

SPECIAL GOVERNANCE MODEL TRANSFORMATION COMMITTEE

This committee is responsible for overseeing the execution of the transformation plan and the separation of the roles of Chair and President and CEO. The committee is also responsible for implementing the mechanisms needed to ensure sound governance and the adequate management of the risks inherent to the change, as well as making recommendations to the Board about the transition. To ensure that the committee members won't have any conflicts of interest with respect to the decisions they recommend, each committee member confirmed that they do not wish to run for Chair of the Board in May 2024.

It is composed of six directors:
1. Johanne Charbonneau, Chair
2. Guy Cormier
3. Geneviève Côté
4. Maryse Lapierre, Secretary
5. Michel Magnan
6. Serge Rousseau

COOPERATION AND CULTURE COMMISSION

This commission assists the Board with issues related to Desjardins's cooperative and democratic culture as it pertains to our mission and values and their consideration in commercial and management practices as well as the cultural shift. It ensures the effective and efficient implementation of mechanisms for collaboration, participation and connection with the network.

It is composed of six directors, plus one general manager observer:
1. Maryse Lapierre, Chair [(i)]
2. Jordan Baril-Furino [(ii)]
3. André Grenier
4. Nadine Groulx
5. Dominique Jodoin
6. Patricia-Ann Sarrazin-Sullivan [(ii)]

Observer:
7. Kathleen Bilodeau (caisse general manager)

[(i)] Appointed June 7, 2023.
[(ii)] Appointed June 7, 2023.

Louis Babineau was a member until June 7, 2023.

AUDIT AND INSPECTION COMMISSION

The Audit and Inspection Commission, (AIC) established under the *Act respecting financial services cooperatives,* acts as the audit committee for the Federation's caisse inspection activities. The AIC reviews all financial information, supervises the required reporting activities and plays a lead role in overseeing internal controls for financial disclosure and assessing their accuracy. It has a direct line of communication with the Desjardins Group Monitoring Office, which oversees the internal audit of Desjardins subsidiaries and components and the inspection of Quebec caisses and Caisse Desjardins Ontario Credit Union Inc. It also has a line of communication with the external auditors, should the need arise to discuss and review any issues. The AIC also ensures the independence of Desjardins's internal audit function and adopts its internal audit charter and audit plan.

It is composed of five directors from the Federation's Board, including two representatives from Desjardins's insurance subsidiaries (Desjardins Financial Security Life Assurance Company Inc. and Desjardins General Insurance Group Inc.) and an observer who can participate in deliberations but cannot propose, second or vote on any recommendations made to the Board. Its chair is an independent director who is an FCPA:
1. Michel Magnan, Chair
2. Luc Bachand
3. Francine Côté [(i)]
4. André Grenier
5. Jean-François Laporte [(ii)]

Representatives of the insurance subsidiaries:
6. Robert St-Aubin, Chair of the Audit Committee at Desjardins Financial Security Life Assurance Company Inc.
7. Clarence Turgeon, Chair of the Audit and Risk Management Committee at Desjardins General Insurance Group Inc.

Observer:
8. Kathleen Bilodeau (caisse general manager)

[(i)] Appointed on June 7, 2023.
[(ii)] Appointed September 26, 2023.

Jordan Baril-Furino was a member until June 7, 2023.
Lisa Baillargeon was a member until September 26, 2023.

RISK MANAGEMENT COMMISSION

This commission's main role is to assist the Board with overall strategies and directions for risk management[1]. It ensures the implementation of an integrated risk management framework and standards and policies that establish the rules for accepting, monitoring, managing and reporting the material risks that Desjardins is exposed to. It also monitors compliance with Desjardins's risk appetite framework and examines the steps that need to be taken when established limits have been exceeded.

It has eight members, including six directors and two external members in accordance with the *Policy on the composition of commissions and committees*, and two observers:

1. Louis Babineau, Chair
2. Dominique Jodoin
3. Elaine Lajeunesse [i]
4. Jean-François Laporte [i]
5. Paula Parhon
6. Patricia-Ann Sarrazin-Sullivan

External members:

7. Christine Sayegh Filgiano, independent director at Desjardins Financial Security Life Assurance Company Inc.
8. Bernard Morency, [i] independent director at Desjardins General Insurance Group Inc.

Observers:

9. Michel Magnan, Chair, Audit and Inspection Commission
10. Richard Villeneuve [i] (caisse general manager)

[i] Appointed on June 7, 2023.

Marie-Josée Lamothe, Neil Hawthorn (caisse general manager), Francine Côté (at this time external member and independent director at Desjardins General Insurance Group Inc.) and Stéphane Trottier were members until March 25, 2023.

HUMAN RESOURCES COMMISSION

This commission supports the Board in the following areas: governance and risk management of issues relating to human resources and overall compensation across Desjardins; equity, diversity and inclusion; creation and maintenance of the integration and skills development program for Desjardins managers and employees; the senior management succession plan; creation and maintenance of the profile of Desjardins managers and employees; annual salary recommendations, including incentive plans; the group insurance plan; changes to the pension plan; union relations; the management structure, etc. Its mandate does not include the terms of employment for the Chair of the Board and President and CEO.

It has seven members, including six directors and one external member in accordance with the *Policy on the composition of commissions and committees* :

1. Serge Rousseau, Chair
2. Louis Babineau [i]
3. Johanne Charbonneau
4. Guy Cormier
5. Nadine Groulx [i]
6. Denis Latulippe

External member:

7. Julien Ponce, independent director at Desjardins General Insurance Group Inc.

[i] Appointed on June 7, 2023.

Maryse Lapierre was a member until June 7, 2023.

[1] Risk management includes risks related to security functions (information security, personal information protection, financial crime prevention, fraud prevention and physical security), regulatory non-compliance risk and climate risk.

CEO TOTAL COMPENSATION AND SUCCESSION PLANNING COMMITTEE

This committee, whose members are all independent directors, supports the Board with questions pertaining to the roles of Chair of the Board and President and CEO when it comes to compensation, working conditions, annual objectives and their assessment, and succession planning for the President and CEO.

It has six members, including five directors and one external member in accordance with the *Policy on the composition of commissions and committees* :
1. Johanne Charbonneau, Chair
2. Louis Babineau (i)
3. Nadine Groulx (i)
4. Denis Latulippe
5. Serge Rousseau

External member:
6. Julien Ponce, independent director at Desjardins General Insurance Group Inc.

(i) Appointed on June 7, 2023.

Maryse Lapierre was a member until June 7, 2023.

CORPORATE GOVERNANCE AND RESPONSIBLE FINANCE COMMISSION

This commission supports the Board in applying and updating Desjardins's corporate governance, sustainable development and responsible financing framework. It monitors best practices and examines guidelines and reports issued by regulatory authorities. It also assists the Board in administering its relationship with management and maintaining its independence. It oversees the performance review program for members of the Board and its commissions and committees, as well as the integration and skills development program for Federation directors. In addition, it examines Desjardins's Social and Cooperative Responsibility Report and Climate Action at Desjardins report and recommends their adoption to the Board. It administers various policies, including the *Governance Policy, Desjardins Group Officer Compensation Policy,* the *Policy Governing the Integrity and Competency of Directors of the Federation, Its Subsidiaries and Members of the Board of Ethics and Professional Conduct*, and the *Desjardins Group Sustainable Development Policy.*

It is composed of six directors:
1. Johanne Charbonneau, Chair
2. Lisa Baillargeon
3. Guy Cormier
4. Nadine Groulx
5. Michel Magnan
6. Serge Rousseau

NOMINATION AND ELECTION COMMITTEE

This committee oversees the proper conduct of the election and co-optation process for positions on the Board of Directors and Board of Ethics and Professional Conduct. It reviews candidates for positions on the Board, the BEPC and the boards of subsidiaries based on their enhanced group profiles and skills assessment criteria. The committee also oversees the election of the President and CEO of Desjardins Group. It provides guidelines for the electoral process, ensures compliance with them and sets up processes that enable the electoral college to properly fulfill its role. It also establishes any other measures or rules necessary for the electoral and co-optation processes to run properly. In addition, it makes any other decisions about these processes within the limits of its powers and responsibilities as defined in its mandate. This mandate is adopted by the Board of Directors in accordance with the group bylaws. The committee is accountable to the Board.

It is composed of five independent members, including an independent director from the Federation Board of Directors, in accordance with the group bylaws.
1. Louis Brunelle, Chair
2. Hélène Lee-Gosselin, Vice-Chair
3. Lisa Baillargeon (Federation director) (i)
4. Nicole Blanchette
5. Martine Lafrance

(i) Appointed on June 7, 2023.

Johanne Charbonneau, Vice-Chair of the Board and Lead Director, was a member until June 7, 2023.

DESJARDINS GROUP RETIREMENT COMMITTEE

By virtue of the powers vested in it by the *Supplemental Pension Plans Act* and by the *Desjardins Group Pension Plan Regulation*, the Desjardins Group Retirement Committee (DGRC) is in charge of administering the Desjardins Group Pension Plan (DGPP), managing the pension fund and paying members and their survivors the benefits they are entitled to. The members share the role of trustee for the pension fund.

The Federation assumes the responsibilities of the DGPP's sponsor. The Federation's Board has decision-making powers in certain areas, including the *Desjardins Group Pension Plan Regulation*, the nature and terms of benefit payments to members and retirees, contribution rates and the use of any surplus. The Federation stands surety for the obligations (payment of benefits) resulting from the participation of all Desjardins employers in the DGPP.

This committee has 11 members: six employer representatives (including the Chair), two who represent active members, two who represent non-active members and beneficiaries, and one external member. The employer representatives and the external member are appointed by the Federation's Board, and those who represent active members, non-active members and beneficiaries are elected.

Employer representatives:
1. Denis Latulippe, Chair
2. Jean-François Laporte, Vice-Chair (i)
3. Geneviève Côté, Secretary (i)
4. Claudia Champagne, independent director at Desjardins Financial Security Life Assurance Company Inc.
5. Bernard Morency, independent director at Desjardins General Insurance Group Inc.
6. Patricia-Ann Sarrazin-Sullivan

(i) Appointed on June 7, 2023.

Maryse Lapierre was a member until June 7, 2023.
Stéphane Trottier was a member until March 25, 2023.

Active member representatives:
7. Dominic Laurin
8. Brigitte Chabarekh, non-voting member

External member:
9. Marc Saint-Pierre

Non-active member and beneficiary representatives:
10. Jacques Dignard
11. Robert Desbiens, non-voting member

DGRC INVESTMENT COMMITTEE

Under the responsibility of the DGRC, which adopts the *Investment Policy*, the Investment Committee's mandate is to ensure that the policy is applied, respected and followed. The committee selects investment vehicles, awards mandates to portfolio managers and ensures that each investment meets expectations.

It is composed of four members:
1. Frédéric Godbout, Chair (i)
2. Louis Beaulieu
3. François Hudon
4. Martin Pepin (ii)

(i) Appointed Vice-President of the Desjardins Group Pension Plan on August 23, 2023, to replace Sylvain Gareau.
(ii) Appointed on August 30, 2023, to replace Éric Lemay.

BOARD OF ETHICS AND PROFESSIONAL CONDUCT

Pursuant to the *Act respecting financial services cooperatives*, the Federation has a BEPC that is independent from its Board of Directors. The BEPC's five members are directors of caisses. The BEPC is supported by a team that reports to the Secretary General, which enables it to implement decisions resulting from its mandate.

The BEPC's main responsibilities are to:
- Ensure the independence and objectivity of the Federation's inspection service for the caisses (DGMO), and to work with the Audit and Inspection Commission to make recommendations to the Board regarding the appointment or removal of the person responsible for managing this service;
- Adopt the rules of conduct applicable to the directors of Desjardins and its subsidiaries and to the employees of the Federation and the caisses, present these rules for approval to the Board, and ensure the caisses and the Federation comply with them;
- Support the caisses and the Federation in applying the rules of conduct, in particular by developing informative tools and activities along with an advisory services offer;
- Issue advice, observations and recommendations on ethical and professional conduct issues, particularly in cases of misconduct.

It has five members:
1. Michel Guénette, Chair
2. Katia Cyr, Vice-Chair [i]
3. Ahmed Naciri
4. Annie Vaillancourt
5. Alexandre Rousseau [ii]

[i] Re-elected by acclamation on March 25, 2023.
[ii] Appointed on November 2, 2023, to replace Michel Yelle, whose term ended on April 25, 2023, after he was not re-elected to his caisse's board of directors.

DESJARDINS GROUP MANAGEMENT COMMITTEE

This committee supports the President and CEO and the Board in their responsibility of giving Desjardins a unified management structure. It helps the Board incorporate the strategic directions of the cooperative network, business segments and support functions and implement business development strategies. It also oversees operations in accordance with the rules and requirements set by the Board, other Desjardins governing bodies and regulatory authorities. It is responsible for operational matters with economic, environmental and social significance that have an impact on Desjardins. It makes sure that all Desjardins's operations are above board and that its managers and employees act with integrity. It held 18 meetings in 2023.

It is composed of 12 management members, including five women (42%):

- **Guy Cormier**
  Chair of the Board and President and CEO of Desjardins Group
- **Réal Bellemare**
  Senior Executive Vice-President and COO
- **Antoine Avril** (1)
  Executive Vice-President, Risk Management
- **Jean-Yves Bourgeois**
  Executive Vice-President Business Services
- **Marie-Huguette Cormier** (2)
  Executive Vice-President, Human Resources
- **Denis Dubois**
  Executive Vice-President, Wealth Management and Life and Health Insurance
  President and COO, Desjardins Financial Security Life Assurance Company Inc.
- **Johanne Duhaime** (2)
  Executive Vice-President, Technology and Projects
- **Isabelle Garon** (2)
  Executive Vice-President, Marketing, Communications, Cooperation and President's Office
- **Di-Thai Hua**
  Executive Vice-President, Operations
- **Nathalie Larue** (2)(3)
  Executive Vice-President, Personal Services
- **Valérie Lavoie**
  Executive Vice-President, Property and Casualty Insurance
  President and COO, Desjardins General Insurance Group Inc.
- **Alain Leprohon**
  Executive Vice-President, Finance and CFO

(1) Appointed March 13, 2023, to replace Francine Champoux, who retired on March 31, 2023.
(2) Following the changes to Desjardins Group's organizational structure announced on May 13, 2023, the Human Resources and Communications Executive Division was renamed the Human Resources Executive Division; the Information Technology Executive Division was renamed the Technology and Projects Executive Division; the Cooperation, Director Support and President's Office Executive Division was renamed the Marketing, Communications, Cooperation and President's Office Executive Division; the Strategy, Marketing and Personal Services Executive Division was renamed the Personal Services Executive Division, which now oversees most teams from the Caisse Network and Member and Client Services Executive Division, except those in the Wealth Management Advisory Services Division, which were transferred to the Wealth Management and Life and Health Insurance Executive Division.
(3) Éric Lachaîne, Executive Vice-President, Caisse Network and Member and Client Services, retired on September 30, 2023.

DGMC members are deemed to be Federation managers within the meaning of section 93 of the *Act respecting financial services cooperatives.* The following individuals are also considered Federation managers:

- Marie-Andrée Alain, Vice-President and Chief Compliance and Privacy Officer
- Luc Boucher, Vice-President and Chief Legal Officer
- Nicolas Coulombe, Chief Security Officer
- Brigitte Dufour, (i) Secretary General
- Jean-Sébastien Pilon, Vice-President and Chief Information Security Officer
- Steeve Talbot, Chief Monitoring Officer

(i) Appointed May 11, 2023, to replace Pauline D'Amboise, who was Secretary General and Vice President, Governance and Sustainable Development until that date.

The DGMC has Desjardins-wide coordination committees in the following areas:

- Disclosure
- Environmental, social and governance issues
- Finance and risk management
- Data governance
- Investment plan steering
- Climate change risk management

DIRECTOR COMPENSATION

The Federation is subject to obligations regarding the disclosure of director compensation. As required by CSA *National Instrument 51-102 Respecting Continuous Disclosure Obligations*, the compensation of Federation directors is presented below and in the Federation's Annual Information Form. The form is available on the SEDAR+ website at (www.sedarplus.com) under the *Fédération des caisses Desjardins du Québec*'s profile.

In February 2024, the Federation's Board of Directors approved a 13.1% adjustment for members of the board. Rates will come into effect on April 1, 2024. The previous adjustment, which came into effect on January 1, 2022, covered the period from 2017 to 2020. Since the roles of Chair of the Board and President and CEO will be separated following the annual general meeting in March 2024, the Chair of the Board will start being paid once elected in May 2024. The President and CEO will not be paid for their involvement on the Board.

Compensation rates for the members of the Federation's Board of Directors and the members of the Board of Ethics and Professional Conduct:

	Federation (1)	Subsidiaries
Chair of the Board of Directors(2)	**$0 Position is held by the President and CEO of Desjardins Group**	**$12,620**
Annual stipend for the chair of a commission or committee of the Board of Directors(3)	**$8,120 (not including the Audit and Inspection Commission)**	**$8,120**
Additional annual stipend for the chair of the Audit and Inspection Commission	**$16,240**	**N/A**
Annual stipend for the Vice-Chair of the Board of Directors	**$25,020**	**N/A**
Annual stipend for a member of the Board of Directors(4)	**$59,020**	**$12,020**
Annual stipend for a member of a commission or a committee of the Board of Directors(5)	**$2,530**	**$2,530**
Additional annual stipend for a member of the Audit and Inspection Commission	**$2,530**	**$2,530 (Audit and Risk Management Committee)**
Attendance fee for a meeting of the Board of Directors	**$1,510 (daily maximum)**	**$1,510 (daily maximum)**
Attendance fee for a meeting of a commission or committee of the Board of Directors(6)	**$1,510 (daily maximum) $755 (per half-day)**	**$1,510 (daily maximum) $755 (per half-day)**
Attendance fee for a short meeting (conference call, etc.)	**$255**	**$255**
Attendance fee for a meeting of the Board of Ethics and Professional Conduct or the Professional Conduct Committee(7)	**$3,020 (for the chair) $1,510 (for members)**	**$755 (per half-day)**

*** Rates came into effect January 1, 2022 following a benchmark over the period 2017 to 2020, and will remain in effect until April 1, 2024.

N/A: Not applicable

(1) The director compensation indicated for the Federation includes, where applicable, the portion paid to members of the Board to also serve as directors of Desjardins Trust Inc. The members of Desjardins Trust's board of directors are chosen from the members of the Federation's Board, plus Sébastien Vallée, President and CEO of Desjardins Trust, as a director.

(2) The position of chair of the boards of directors of the following subsidiaries is held by a member of the Federation's Board: Desjardins International Development, Desjardins General Insurance Group Inc. and Desjardins Financial Security Life Assurance Company Inc. On an exceptional basis, chairs can be chosen from among the directors from the caisse network who sit on the boards of these subsidiaries. In that case, a member of the Federation's Board will serve as vice-chair.

(3) The attendance fee is doubled in lieu of the annual stipend for the chairs of commissions or committees that hold fewer than four meetings per year, except for the chair of the CEO Total Compensation and Succession Planning Committee.

(4) A single stipend is paid for their roles on the board or any commission or committee of the Federation and Desjardins Trust. For the Federation, the annual stipend also covers directors' roles as members of the community collaboration groups and of the Collaboration Forum.

(5) A Board member's annual stipend includes all of the commissions and committees they sit on for the Federation and Desjardins Trust boards. In other words, a single stipend is paid for all positions held for each of these entities.

(6) The maximum daily attendance fee for the Federation and Desjardins Trust is $1,510, regardless of the number of board, commission or committee meetings a member attends in a single day. Every effort is made to schedule multiple meetings on the same day to keep costs to a minimum. The Federation's Board may invite any caisse director to sit on any of its committees. The Board determines the compensation to be paid based on the nature of the responsibilities entrusted to the caisse director and the compensation schedule. General managers who sit on the Board or on a commission or committee as observers do not receive an attendance fee.

(7) This represents the fee for full-day meetings of the Federation's BEPC. The fee for half-day meetings is $1,510 for the chair and $755 for members.

Director compensation table

The compensation paid to each member in 2023 for members of the Federation and Desjardins Trust boards, including members whose terms ended in 2023, or for other duties is detailed as follows:

Name	Compensation received as a director of the Federation and Desjardins Trust		Other fees (1)		2023 TOTAL ($)
	Attendance fees ($)	Annual stipend ($)	Attendance fees ($)	Annual stipend ($)	
Babineau, Louis (Chair of the Board, DGIG)(2)	45,585	67,140	17,195	36,000	**165,920**
Bachand, Luc	36,495	62,720	1,785	6,310	**107,310**
Baillargeon, Lisa (Chair of the Board,DID)(2)	48,830	61,550	7,120	42,200	**159,700**
Baril-Furino, Jordan	32,771	60,123	2,489	22,563	**117,946**
Charbonneau, Johanne(3)	51,331	101,545	3,040	15,150	**171,066**
Cormier, Guy(4)	—	—	—	—	**—**
Côté, Francine*	32,323	45,573	20,752	27,650	**126,298**
Côté, Geneviève	33,525	59,020	1,275	13,736	**107,556**
Grenier, André (Chair of the Board, DSF)(2)	39,770	61,550	765	12,620	**114,705**
Groulx, Nadine	42,800	62,561	20,475	23,380	**149,216**
Jodoin, Dominique	43,055	60,285	2,550	15,150	**121,040**
Lajeunesse, Elaine*	26,240	44,265	—	—	**70,505**
Lamothe, Marie-Josée*	13,335	13,547	255	3,788	**30,925**
Lapierre, Maryse	37,800	63,599	—	5,744	**107,143**
Laporte, Jean-François*	31,025	44,265	—	7,426	**82,716**
Latulippe, Denis	35,270	60,285	—	25,240	**120,795**
Magnan, Michel	56,716	80,315	1,469	23,853	**162,353**
Parhon, Paula	38,770	59,020	—	—	**97,790**
Rousseau, Serge (Vice-Chair of the Board, DFS)(2)	47,390	67,140	14,875	15,150	**144,555**
Sarrazin-Sullivan, Patricia-Ann	40,280	59,020	—	13,170	**112,470**
Trottier, Stéphane*	12,335	12,915	—	3,293	**28,543**
Total	**745,646**	**1,146,438**	**94,045**	**312,423**	**2,298,552**

* The terms of Marie-Josée Lamothe and Stéphane Trottier ended on March 25, 2023. The terms of Francine Côté, Elaine Lajeunesse and Jean-François Laporte started on March 25, 2023.

(1) Amounts received for: chairing the board of a subsidiary; sitting on the Desjardins Group Retirement Committee (DGRC) or the DGRC Investment Committee; sitting on the board of directors of Desjardins Financial Corporation Inc., and the Desjardins Security Fund; and contributing to other ad hoc committees.

(2) The position of chair of the boards of directors of the following subsidiaries is held by a member of the Federation's Board: Desjardins International Development (DID), Desjardins General Insurance Group Inc. (DGIG), Desjardins Financial Security Life Assurance Company Inc. (DFS) and Desjardins Security Fund (DSF). On an exceptional basis, chairs can be chosen from among the directors from the caisse network who sit on the boards of these subsidiaries. In that case, a member of the Federation's Board will serve as vice-chair.

(3) Johanne Charbonneau receives compensation for her roles as Vice-Chair of the Board and Lead Director, Chair of the Corporate Governance and Responsible Finance Commission and Chair of the CEO Total Compensation and Succession Planning Committee.

(4) Desjardins's President and CEO does not receive any compensation for the position of chair and member of the boards of directors of the Federation, Desjardins Trust, Desjardins Financial Security and Desjardins Financial Corporation Inc.

Compensation of members of the Federation’s Board of Ethics and Professional Conduct

Name	Attendance fees ($)
Cyr, Katia	7,325
Guénette, Michel	13,140
Naciri, Ahmed	6,815
Vaillancourt, Annie	7,070
Yelle, Michel*	2,030
Rousseau, Alexandre**	255
Total	**36,635**

* Michel Yelle's term ended on April 25, 2023.
** Alexandre Rousseau's term started on November 2, 2023.

Record of attendance for the members of the Federation's board of directors

Name	BoD (regular)	BoD (special)	EC	CCC	AIC	RMC	HRC	TCSPC	CGRFC	DGRC
Babineau, Louis	11/11	1/1	—	4/4	—	10/10	5/5	4/4	—	—
Bachand, Luc	11/11	0/1	2/5	—	7/7	—	—	—	—	—
Baillargeon, Lisa(1)	11/11	1/1	—	—	5/5	—	—	—	9/10	—
Baril-Furino, Jordan	11/11	1/1	—	3/3	3/4	—	—	—	—	—
Bilodeau, Kathleen(1)	9,5/11	—	—	7/7	7/7	—	—	—	—	—
Charbonneau, Johanne	11/11	1/1	—	—	—	—	8/8	9/9	12/12	—
Cormier, Guy(1)	11/11	—	4/7	—	—	—	8/8	—	11/12	—
Côté, Francine(2)	8/8	1/1	—	—	3/3	1/1	—	—	—	—
Côté, Geneviève	11/11	1/1	—	—	—	—	—	—	—	2/2
Grenier, André	11/11	1/1	—	6/7	6/7	—	—	—	—	—
Groulx, Nadine	11/11	1/1	1/1	6/7	—	—	3/5	4/4	11/12	—
Hawthorn, Neil(3)	3/3	—	—	—	—	3/4	—	—	—	—
Jodoin, Dominique	11/11	1/1	7/7	7/7	—	10/10	—	—	—	—
Lajeunesse, Elaine(2)	8/8	1/1	—	—	—	5/5	—	—	—	—
Lamothe, Marie-Josée(3)	3/3	—	—	—	—	3/4	—	—	—	—
Lapierre, Maryse	11/11	1/1	6/6	7/7	—	—	3/3	5/5	—	3/3
Laporte, Jean-François(2)	8/8	1/1	—	—	2/2	5/5	—	—	—	2/2
Latulippe, Denis	11/11	1/1	—	—	—	—	8/8	8/9	—	5/5
Magnan, Michel	11/11	1/1	—	—	7/7	10/10	—	—	11/11	—
Parhon, Paula	11/11	1/1	—	—	—	10/10	—	—	—	—
Rousseau, Serge	11/11	1/1	7/7	—	—	—	8/8	9/9	12/12	—
Sarrazin-Sullivan, Patricia-Ann	11/11	1/1	—	3/3	—	10/10	—	—	—	5/5
Trottier, Stéphane(3)	3/3	—	—	—	—	3/4	—	—	—	2/2
Villeneuve, Richard(1)(2)	8/8	—	—	—	—	4/5	—	—	—	—

BoD = Board of Directors, EC = Executive Committee, CCC = Cooperation and Culture Commission, AIC = Audit and Inspection Commission, RMC = Risk Management Commission, HRC = Human Resources Commission, TCSPC = CEO Total Compensation and Succession Planning Committee, CGRFC = Corporate Governance and Responsible Finance Commission, and DGRC = Desjardins Group Retirement Committee.

(1) Guy Cormier, Kathleen Bilodeau and Richard Villeneuve did not attend the special meeting of the board of directors due to a conflict of interest. Lisa Baillargeon did not attend two CGRFC meetings due to a conflict of interest.
(2) The terms of Francine Côté, Elaine Lajeunesse, Jean-François Laporte and Richard Villeneuve (observer) started on March 25, 2023.
(3) The terms of Marie-Josée Lamothe, Stéphane Trottier and Neil Hawthorn (observer) ended on March 25, 2023.

Board members commit to attending Board meetings and meetings of the commissions and committees to which they are invited, and to staying for the entire meeting. Each member of the Board must attend at least 75% of the meetings to which they are invited. Directors may be absent for professional or personal reasons, but justification is required in all instances.

In 2023, the Board held 11 regular meetings over 19 days and one special meeting. The attendance rate for meetings of the Federation's Board was 99.1%.

Record of attendance for the members of the Federation's Board of Ethics and Professional Conduct

Name	
Cyr, Katia	13/13
Guénette, Michel	13/13
Naciri, Ahmed	11/12
Vaillancourt, Annie	12/13
Yelle, Michel	6/6
Rousseau, Alexandre	1/2

Main components and subsidiaries[1]

As at December 31, 2023

Components and subsidiaries	Main activities
DESJARDINS CAISSES IN QUÉBEC AND CAISSE DESJARDINS ONTARIO CREDIT UNION INC.	Cooperative financial institutions
FÉDÉRATION DES CAISSES DESJARDINS DU QUÉBEC	Planning, supervision, coordination, treasury and development of Desjardins Group, Desjardins Group's financial agent on the Canadian and international markets and payment solution and credit card issuance
DESJARDINS FINANCIAL SERVICES FIRM INC.	Mutual fund brokerage and financial planning services
DESJARDINS FINANCIAL HOLDING INC.	Holding company
Desjardins Financial Corporation Inc.	Holding company
Desjardins Global Asset Management Inc.	Asset management
Desjardins General Insurance Group Inc.	Property and casualty insurance
Certas Direct Insurance Company	Property and casualty insurance
Certas Home and Auto Insurance Company	Property and casualty insurance
Desjardins General Insurance Inc.	Property and casualty insurance
Desjardins General Insurance Services Inc.	Property and casualty insurance
The Personal General Insurance Inc.	Property and casualty insurance
The Personal Insurance Company	Property and casualty insurance
Desjardins Financial Security Life Assurance Company	Life and health insurance and financial services
Assistel inc.	Assistance services
Desjardins Investment Product Operations Inc.	Processing and administration of savings and investment accounts and specialized products for Desjardins Group components
Desjardins Independent Network Insurance Inc.	Mutual fund and insurance brokerage
Desjardins Investments Inc.	Design, administration and distribution of insurance and savings products
Desjardins Financial Security Investments Inc.	Mutual fund and insurance brokerage
Worldsource Group of Companies Inc.	Investment company
IDC Worldsource Insurance Network Inc.	Independent insurance distribution
Worldsource Financial Management Inc.	Independent mutual fund distribution
Worldsource Securities Inc.	Independent securities distribution
Desjardins Trust Inc.	Asset custody and trust services
Desjardins Real Estate Group Inc.	Property and workspace management
Desjardins Shared Services Group Inc.	Administrative services
Desjardins Technology Group Inc.	Development, maintenance and modernization of Desjardins Group technology
Aviso Wealth LP	Wealth management company held in equal shares by Desjardins Group and CU CUMIS Wealth Holdings LP, a limited partnership formed under the laws of Ontario, composed of five provincial credit union centrals and the CUMIS Group
Desjardins Securities Inc.	Securities brokerage
9420-7404 Québec inc.	Real estate services and operates the EspaceProprio, DuProprio, RénoAssistance et Confia brands
DESJARDINS CAPITAL MANAGEMENT INC.	Development and venture capital fund management
COLLABRIA FINANCIAL SERVICES INC.	Payment solution and credit card issuance
FONDS DE SÉCURITÉ DESJARDINS	Financial reserve for the Desjardins caisses

[1] Additional information on Desjardins Group's activities is presented in Section 2.3 "Analysis of business segment results" in the 2023 Management's Discussion and Analysis.

Desjardins