



**Desjardins Group ends its third quarter with surplus earnings of \$464 million, up 22.8%, and posts combined surplus earnings of \$1,253 million, up 50.4% after nine months**

*All the caisses and business segments are experiencing excellent growth, and Desjardins Group continues to strengthen its capitalization.*

### Financial Highlights

#### SUMMARY OF FINANCIAL DATA

##### RESULTS

<i>(in millions of \$ and as a %)</i>	For the three months ended September 30			For the nine months ended September 30		
	2010	2009	Change	2010	2009	Change
Total income	\$ 3,275	\$ 3,070	6.7 %	\$ 9,016	\$ 8,087	11.5 %
Combined surplus earnings before member dividends	464	378	22.8	1,253	833	50.4
Return on equity	14.5 %	14.4 %	---	13.9 %	10.9 %	---

##### BALANCE SHEET AND RATIOS

	As at September 30, 2010	As at December 31, 2009
Assets	\$ 175,503	\$ 157,203
Equity	13,042	11,197
Tier I capital ratio	17.6 %	15.9 %
Total capital ratio	18.2	15.9
Gross impaired loans ratio	0.45 %	0.46 %

### Message from Senior Management

For the third quarter ended September 30, 2010, Desjardins Group, the largest cooperative financial group in Canada, posted combined surplus earnings before member dividends of \$464 million, up nearly 23% from \$378 million a year earlier. Return on equity was 14.5%, versus 14.4% for the corresponding quarter in 2009. The Tier 1 capital ratio stood at 17.6%, up from 15.9% as at December 31, 2009.

This quarter's results reflect the major contribution of \$287 million by the Personal Services and Business and Institutional Services' segment. This contribution is a reflection of the higher volume of outstanding loans to consumers and businesses in the caisse network, as well as the growth in credit card and point-of-sale financing operations. The Wealth Management and Life and Health Insurance segment as well as Property and Casualty Insurance segment contributed \$76 million and \$15 million, respectively. The Other segment's contribution totalled \$86 million, primarily due to treasury activities.

Desjardins Group's Development Plan, which extends until 2012, has as its objective to evolve based on current and future issues, while remaining mindful of Desjardins' cooperative nature, its mission and its values. Within this context, medium-term financial objectives aimed at reflecting a balance between cooperative performance and financial performance have been set under the 2010-2012 Strategic Plan. Desjardins Group has once again delivered an overall performance, as at September 30, 2010 that exceeded target objectives. As a result of the sustained growth in operating income, Desjardins Group significantly exceeded its financial objectives for profitability and productivity. In addition, Desjardins is solidly capitalized, with a balance sheet of excellent quality. As a result, with a Tier 1 capital ratio of 17.6%, Desjardins Group remains a leader in the industry.

The following table shows the Group's financial performance for the first nine months of 2010 in relation to its 2012 major financial objectives.

#### MONITORING OF MAIN OBJECTIVES SET IN THE 2010-2012 STRATEGIC PLAN

<i>(as a %)</i>	2012 target	Combined results as at September 30, 2010
<b>Growth and development</b>		
Growth in operating income <sup>(1)</sup>	Greater than 8%	6.4%
<b>Profitability and productivity</b>		
Productivity index	Less than 70%	67.7
Gap between income growth <sup>(2)</sup> and expense growth	Greater than 2%	8.0
Growth in surplus earnings after income taxes	Between 5% and 10%	50.4
Return on equity	Greater than 9%	13.9
<b>Financial stability and risk management</b>		
Tier 1 capital ratio	Greater than 15%	17.6
Gross impaired loans/gross loans	Less than 1%	0.45

(1) Total income, net of income from available-for-sale securities, trading income and other investment income.

(2) Total income, net of expenses related to claims and insurance benefits.

#### MATERIAL EVENT

In connection with its capital management strategy, Desjardins Group issued US\$1 billion in fixed-rate, medium-term deposit notes on the U.S. market on September 8, 2010 through Caisse centrale Desjardins. Desjardins Group is the first Canadian cooperative financial institution to issue senior debt on the U.S. market.

**Monique F. Leroux, FCA, FCMA**  
President and Chief Executive Officer  
Desjardins Group

**Raymond Laurin, CA**  
Senior Vice-President, Finance and Treasury  
and Chief Financial Officer  
Desjardins Group

November 10, 2010

## Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A), dated November 10, 2010, presents the results of the analysis of the main items and changes in the financial position of Desjardins Group for the period ended September 30, 2010, in comparison with corresponding periods in 2009. This MD&A should be read in conjunction with Desjardins Group's Unaudited Quarterly Combined Financial Statements (including the notes thereto) as at September 30, 2010, and Desjardins Group's Annual Report including the 2009 Audited Financial Statements, which were prepared in accordance with Canadian generally accepted accounting principles (GAAP). This report was also prepared in accordance with the regulations in force respecting continuous disclosure obligations of the Canadian Securities Administrators. Unaudited figures are presented in Canadian dollars (\$), and certain prior period data have been reclassified to reflect the presentation adopted in 2010.

Additional information about Desjardins Group is available on the SEDAR Web site at [www.sedar.com](http://www.sedar.com) (under the Capital Desjardins Inc. profile), where the Annual Information Form of Capital Desjardins Inc. and of Caisse centrale Desjardins can also be found.

## Caution Concerning Forward-Looking Statements

Desjardins Group's public communications often include oral or written forward-looking statements. Such forward-looking statements concerning Desjardins Group's activities and strategies may be contained in this MD&A, and may be incorporated in other filings with Canadian regulators or in any other communications. Forward-looking statements may include comments with respect to Desjardins Group's objectives, strategies to achieve those objectives, expected financial results (including those in the area of risk management), and the outlook for Desjardins Group's operations and the Canadian and Quebec economies. Such statements are typically identified by words or phrases such as "believe", "expect", "anticipate", "intend", "estimate", "plan", and "may"; words and expressions of similar import, and future and conditional verbs.

By their very nature, such statements involve assumptions, inherent risks and uncertainties, both general and specific. It is therefore possible that the predictions, projections or other forward-looking statements may not materialize or may prove to be inaccurate because of a number of factors and that actual results may differ materially. A number of factors beyond our control could influence the accuracy of the forward-looking statements in this MD&A. These factors include legislative or regulatory developments in Quebec, Canada or globally, such as changes in fiscal and monetary policies; new reporting guidance and liquidity regulatory guidance, or interpretations of such guidance; and amendments to risk-based capital guidelines. There are also factors linked to changes in economic and financial conditions in Quebec, Canada or globally, including the unemployment rate, changes in interest rates and exchange rates; significant capital market volatility and interruptions, which are causing a liquidity shortage in various markets, particularly the asset-backed commercial paper market (new notes); trade between Quebec and the United States; the ability of third parties to comply with their obligations to Desjardins Group; consumer spending; credit demand; the effects of increased competition in a market open to globalization; competition from new entrants and established competitors; fraud, including the use of new technologies in unprecedented ways against Desjardins Group, its members or its clients; legal or regulatory procedures; consumer saving habits; and the effect of possible international conflicts, including terrorism, or natural disasters.

Lastly, there are operational risk factors, such as risk management models with intrinsic limitations; technological changes; the development and timely marketing of new products and services; the ability to collect accurate and complete information on clients and counterparties; the ability to form and integrate strategic alliances and acquisitions; changes in accounting policies and methods that Desjardins Group uses to report its financial position and results of operations, including uncertainties associated with the significant accounting assumptions and estimates; the effect of applying future accounting changes; the ability to attract and retain key officers; and management's ability to foresee and manage the risks associated with the preceding factors.

It is important to note that the above-mentioned list of factors that could influence future results is not exhaustive. Other factors could have an adverse effect on results. Although Desjardins Group believes that the expectations expressed in these forward-looking statements are reasonable, it can give no assurance or guarantee that these expectations will prove to be correct. Desjardins Group cautions readers against placing undue reliance on forward-looking statements when making decisions.

Desjardins Group does not undertake to update 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. The purpose of the forward-looking statements contained in this report is to help members understand Desjardins Group's financial position as at the dates indicated or for the periods ended on such dates, as well as its strategic priorities and objectives, and these statements may not be appropriate for other purposes.

## Overview of Combined Results

### RESULTS AND KEY RATIOS

<i>(in millions of \$ and as a %)</i>	For the three months ended September 30			For the nine months ended September 30		
	2010	2009	Change	2010	2009	Change
<b>Results</b>						
Total income	\$ 3,275	\$ 3,070	6.7 %	\$ 9,016	\$ 8,087	11.5 %
Provisions for credit losses	56	80	(30)	164	185	(11.4)
Claims, benefits, annuities and changes in insurance provisions	1,320	1,216	8.6	3,253	2,985	9.0
Non-interest expense	1,279	1,220	4.8	3,900	3,716	5.0
<b>Surplus earnings after income taxes and before member dividends</b>	<b>\$ 464</b>	<b>\$ 378</b>	<b>22.8 %</b>	<b>\$ 1,253</b>	<b>\$ 833</b>	<b>50.4 %</b>
Provision for member dividends	66	133	(50.4)	213	239	(10.9)
<b>Key ratios</b>						
Return on equity	14.5 %	14.4 %	0.1 %	13.9 %	10.9 %	3.0 %
Productivity ratio for Desjardins Group <sup>(1)</sup>	65.4	65.8	(0.4)	67.7	72.8	(5.1)
Tier 1 capital ratio	---	---	---	17.6	14.9	---
Total capital ratio	---	---	---	18.2	14.9	---
<b>Contribution to combined surplus earnings by segment <sup>(2)</sup></b>						
Personal Services and Business and Institutional Services	\$ 287	\$ 250	14.8 %	\$ 723	\$ 526	37.5 %
Wealth Management and Life and Health Insurance	76	84	(9.5)	236	177	33.3
Property and Casualty Insurance	15	32	(53.1)	93	67	38.8
Other	86	12	616.7	201	63	219.0
<b>Surplus earnings after income taxes and before member dividends</b>	<b>\$ 464</b>	<b>\$ 378</b>	<b>22.8 %</b>	<b>\$ 1,253</b>	<b>\$ 833</b>	<b>50.4 %</b>

(1) The productivity ratio is Desjardins Group's non-interest expense to total income, net of claims, benefits, annuities and changes in insurance provisions. A reduced ratio indicates improved productivity.

(2) Information about each segment is provided in Note 19 to Desjardins Group's Unaudited Quarterly Combined Financial Statements.

### DESJARDINS GROUP PROFILE

Desjardins Group is the largest financial institution in Quebec, the leading cooperative financial group in Canada and the sixth largest in the world, with assets of more than \$175.5 billion. It brings together 450 caisses in Quebec and Ontario, the Fédération des caisses Desjardins du Québec and its subsidiaries, the Fédération des caisses populaires de l'Ontario and its member caisses as well as the Fonds de sécurité Desjardins. A number of its subsidiaries are active across Canada. Its "Personal Services and Business and Institutional Services", "Wealth Management and Life and Health Insurance", and "Property and Casualty Insurance" business segments offer a full range of financial products and services to 5.8 million members and clients, providing a customized response to their needs, regardless of their assets. As one of the largest employers in the country, Desjardins Group capitalizes on the skills of its 42,200 employees and the commitment of close to 5,900 elected officers.

**COMPARATIVE ANALYSIS OF RESULTS FOR THE THIRD QUARTERS OF 2010 AND 2009**

For the third quarter ended September 30, 2010, Desjardins Group posted combined surplus earnings before member dividends of \$464 million, up 22.8% from \$378 million a year earlier.

This solid performance resulted from a higher volume of loans outstanding, credit card and point-of-sale financing activities, as well as the performance of the insurance companies.

Return on equity, the result of surplus earnings before member dividends over average equity, was 14.5%, compared to 14.4% for the same quarter in 2009.

Every quarter, Desjardins Group establishes the most accurate possible estimate of the amount to be recorded for payment of caisse member dividends at the end of the fiscal year. A \$66 million provision for member dividends was therefore recognized for the third quarter of 2010, versus \$133 million for the same period in 2009.

**Total income**

Desjardins Group's total income stood at \$3,275 million for the third quarter of 2010, up \$205 million or 6.7%. Net interest income grew by 4.4% to \$1 billion, primarily as a result of the increase in personal loans outstanding compared to the same quarter of a year earlier.

Other income totalled \$1,194 million for the third quarter, up \$184 million or 18.2% from \$1,010 million for the corresponding quarter in 2009. This increase was mainly attributable to the trading income of the life and health insurance subsidiary and treasury activities. Trading income, however, was largely offset by the growth in actuarial liabilities.

**Non-interest expense and other items**

Non-interest expense amounted to \$1,279 million, up \$59 million or 4.8% from the third quarter of 2009, mainly as a result of the increase in salaries and fringe benefits due to the annual indexing.

Provisions for credit losses amounted to \$56 million for the third quarter of 2010, down \$24 million from the corresponding period in 2009. This decline was mainly due to smaller losses on the Desjardins Card Services portfolio as well as on the business loan portfolio of Caisse centrale Desjardins.

Expenses related to claims, benefits, annuities and changes in insurance provisions totalled \$1,320 million, for an increase of \$104 million or 8.6% over the same quarter of 2009. This increase was primarily due to the deteriorating automobile loss ratio in Ontario and to higher actuarial liabilities in life and health insurance operations related to the growth in trading income.

The productivity ratio, i.e., Desjardins Group's non-interest expense to total income, net of expenses related to claims, annuities and changes in insurance provisions, was 65.4% for the third quarter, compared to 65.8% for the corresponding quarter of 2009.

**COMPARATIVE ANALYSIS OF RESULTS FOR THE FIRST NINE MONTHS OF 2010 AND 2009**

For the nine months ended September 30, 2010, Desjardins Group posted combined surplus earnings before member dividends of \$1,253 million, up sharply by \$420 million or 50.4% from \$833 million a year earlier. Return on equity was 13.9%, versus 10.9% the previous year. The provision for member dividends stood at \$213 million, compared to \$239 million on a year-over-year basis.

This strong performance was the result of business volume growth in the caisse network and in credit card and point-of-sale financing activities, good performances from the insurance companies, and an increase in the fair value of the ABCP (ABTN) restructured term note portfolio.

**Total income**

Desjardins Group's total income was \$9,016 million for the first nine months of 2010, up \$929 million or 11.5% compared to the corresponding period in 2009. Net interest income amounted to \$2,907 million, up \$326 million from the same period in 2009. This increase was primarily due to growth in the caisse network's loans outstanding as well as credit card and point-of-sale financing activities. In a highly competitive environment, net premiums nevertheless grew by 0.6% to \$3,185 million.

Other income totalled \$2,924 million, up \$583 million or 24.9% from the corresponding period in the previous year. This increase is due to trading income, as well as income from available-for-sale securities and from brokerage, investment fund and trust services. In addition, trading income was largely offset by an increase in actuarial liabilities applicable to life and health insurance activities.

**Non-interest expense and other items**

Non-interest expense for the first three quarters of 2010 totalled \$3,900 million, up \$184 million or 5.0% from the same period a year earlier. More than half of this increase resulted from the increase in salaries and fringe benefits due notably to the annual indexing of salaries and to expenses related to pay equity agreements.

Expenses related to claims, benefits, annuities and changes in insurance provisions totalled \$3,253 million for the first nine months of 2010, up \$268 million or 9.0% from a year earlier. This increase was largely due to the actuarial liabilities related to life and health insurance activities, which were higher due to the increase in the fair value of matched investments.

As a result of the growth in income and Group-wide productivity initiatives, the productivity ratio improved significantly to 67.7% for the first nine months of 2010, versus 72.8% for the corresponding period in 2009.

**SEGMENT RESULTS**

Since the beginning of 2010 and based on the new organizational structure, Desjardins Group's operating activities have been divided into the following segments: "Personal Services and Business and Institutional Services", "Wealth Management and Life and Health Insurance", "Property and Casualty Insurance" and "Other". Financial reporting is based on accounting by operations structured according to the needs of members and clients, as well as the markets in which Desjardins operates, and no longer by legal component as was the case previously, thereby reflecting the prevailing internal management method at Desjardins Group. Segmented information for the corresponding period in 2009 has been reclassified to conform to the new basis of presentation.

**Personal Services and Business and Institutional Services segment**

This segment includes "Personal Services", namely all caisse network savings and financing operations, and all development, marketing and distribution activities relating to the service offering to individuals, as well as credit and payment card services. This segment also includes "Business and Institutional Services" provided primarily through the caisse network, which ensures an integrated offering to small and medium-sized businesses and large corporations, including financing, securities, venture capital, and specialized and advisory services. The activities related to Capital Desjardins Inc. and Fonds de sécurité Desjardins were transferred to the "Other" segment in the second quarter of 2010.

**PERSONAL SERVICES AND BUSINESS AND INSTITUTIONAL SERVICES – SEGMENT RESULTS**

<i>(in millions of \$ and as a %)</i>	For the three months ended September 30			For the nine months ended September 30		
	2010	2009	Change	2010	2009	Change
Net interest income	\$ 1,008	\$ 884	14.0 %	\$ 2,761	\$ 2,364	16.8 %
Other income	433	466	(7.1)	1,350	1,335	1.1
Total income	1,441	1,350	6.7	4,111	3,699	11.1
Provisions for credit losses	55	80	(31.3)	164	184	(10.9)
Non-interest expense	1,003	933	7.5	2,979	2,793	6.7
Surplus earnings before member dividends	\$ 287	\$ 250	14.8 %	\$ 723	\$ 526	37.5 %

*Comparison between the third quarters of 2010 and 2009*

The Personal Services and Business and Institutional Services' segment closed the third quarter of 2010 with surplus earnings before member dividends of \$287 million, up 14.8% or \$37 million from the same period a year earlier. This increase was attributable to the higher volume of personal and business loans outstanding generated by Desjardins' caisse network, and by the growth in surplus earnings related to credit card and point-of-sale financing activities.

Total income for the segment stood at \$1,441 million for the third quarter of 2010, up 6.7% or \$91 million from the same quarter in 2009. This increase was primarily due to the \$124 million or 14.0% increase in net interest income, as a result of growth in personal and business loans outstanding and credit card and point-of-sale financing activities. Other income was down by 7.1% or \$33 million from the same period in 2009.

Provisions for credit losses decreased by \$25 million mainly due to the good performance of the Desjardins Card Services portfolio as well as fewer impaired loans and a reduction in the Caisse centrale Desjardins business loan portfolio.

Non-interest expenses rose by 7.5% or \$70 million in comparison to the same quarter of 2009, mainly due to increases in salaries and fringe benefits.

*Comparison between the first nine months of 2010 and 2009*

The segment's surplus earnings before member dividends totalled \$723 million, for the first nine months of 2010, up 37.5% or \$197 million from the same period of 2009.

Total income for this segment amounted to \$4.1 billion, up \$412 million or 11.1%. Net interest income was also up \$397 million or 16.8%. The caisse network contributed significantly to this increase through a higher volume of mortgages and business loans outstanding. More specifically, the robust \$4.2 billion growth in personal mortgages outstanding during the first nine months should be mentioned. This performance reflects the strong momentum in housing starts and the resale market, and the average price of properties, in a context where interest rates have remained favourable to buyers. In addition, consumer spending was beneficial to credit card and point-of-sale financing activities, and contributed to the increase in net interest income.

Other income was up 1.1% or \$15 million from the corresponding period in 2009 essentially as a result of the increased volume of transactions generating additional service charges.

Provisions for credit losses declined \$20 million or 10.9% from the first nine months of 2009. This was due to proactive risk management in the loan portfolio and in credit card and point-of-sale financing activities.

Non-interest expense was up by \$186 million or 6.7% mainly because of the increase in salaries and fringe benefits resulting, in particular, from annual indexing and pay equity agreements.

### Wealth Management and Life and Health Insurance segment

This segment is responsible for designing and distributing specialized savings and life and health insurance products. It supports the integrated distribution of wealth management products and services through the caisse network, and it provides specific products through complementary channels. It also contributes to Desjardins' growth across Canada in Wealth Management and Life and Health Insurance.

#### WEALTH MANAGEMENT AND LIFE AND HEALTH INSURANCE – SEGMENT RESULTS

<i>(in millions of \$ and as a %)</i>	For the three months ended September 30			For the nine months ended September 30		
	2010	2009	Change	2010	2009	Change
Net premiums	\$ 739	\$ 780	(5.3) %	\$ 2,199	\$ 2,215	(0.7) %
Other income	743	618	20.2	1,730	1,242	39.3
Total income	1,484	1,399	6.1	3,932	3,459	13.7
Claims, benefits, annuities and changes in insurance provisions	1,022	961	6.3	2,494	2,216	12.5
Non-interest expense	362	323	12.1	1,118	991	12.8
Surplus earnings before member dividends	\$ 76	\$ 84	(9.5) %	\$ 236	\$ 177	33.3 %

#### Comparison between the third quarters of 2010 and 2009

For the third quarter of 2010, the Wealth Management and Life and Health Insurance segment recorded surplus earnings before member dividends of \$76 million, down 9.5% or \$8 million compared to the same period in 2009. This decline was largely the result of online brokerage activities whose transaction volume fell because of the stock market slowdown in July and August of 2010, compared to the same quarter in 2009.

The segment's total income amounted to \$1,484 million, up \$85 million or 6.1% from the same period in 2009, primarily because of life and health insurance activities, whose investment income increased by \$99 million. Net insurance premiums increased by \$42 million, while net annuity premiums were down by \$83 million. The \$125 million or 20.2% growth in other income was primarily attributable to higher investment income which had no direct impact on surplus earnings, since it was offset by an equivalent increase in actuarial liabilities.

Expenses related to claims, benefits, annuities and changes in insurance provisions were up \$61 million or 6.3% mainly due to an increase in actuarial liabilities to take into account the higher fair value of matched investments, as mentioned above.

Non-interest expense, composed of commissions, remuneration paid to Desjardins caisses and overhead expenses, grew by \$39 million or 12.1%, basically as a result of the higher remuneration paid to the caisses and the increase in salaries and fringe benefits.

#### Comparison between the first nine months of 2010 and 2009

For the first three quarters of 2010, surplus earnings before member dividends from this segment totalled \$236 million, up 33.3% from \$177 million for the same period a year earlier, mainly due to strong business in insurance and annuities as well as the increase in assets under management.

The segment's total income was \$3,932 million, up \$473 million or 13.7% from the same period in 2009. The growth in other income of \$488 million or 39.3% was attributable primarily to the \$365 million increase in investment income. Since this increase was offset by an equivalent change in actuarial liabilities included under Claims, benefits, annuities and changes in insurance provisions, there was no impact on surplus earnings. Furthermore, a \$125 million increase was recorded in income from fees earned on asset management, the distribution of savings products, brokerage services and private management.

The \$278 million increase in expenditures associated with expenses related to claims, benefits, annuities and changes in insurance provisions was mainly due to higher actuarial liabilities arising from the increase in the fair value of matched investments.

Non-interest expense was up \$127 million or 12.8%, basically as a result of higher commissions on sales of savings products as well as an increase in remuneration paid to the caisses, and in salaries and fringe benefits.

## Property and Casualty Insurance

This segment is responsible for designing and distributing of property and casualty insurance products and for providing the related customer service. It works in conjunction with the caisse network, providing support in the distribution of products, and contributes to the growth of Desjardins Group's property and casualty insurance operations across Canada.

### PROPERTY AND CASUALTY INSURANCE – SEGMENT RESULTS

<i>(in millions of \$ and as a %)</i>	For the three months ended September 30			For the nine months ended September 30		
	2010	2009	Change	2010	2009	Change
Net premiums	\$ 387	\$ 365	6.0 %	\$ 1,120	\$ 1,077	4.0 %
Other income	32	26	23.1	64	65	(1.5)
Total income	419	391	7.2	1,184	1,142	3.7
Claims, benefits, annuities and changes in insurance provisions	298	254	17.3	759	769	(1.3)
Non-interest expense	93	84	10.7	276	269	2.6
Surplus earnings before non-controlling interests and member dividends	17	35	(51.4)	104	74	40.5
Surplus earnings before member dividends	\$ 15	\$ 32	(53.1) %	\$ 93	\$ 67	38.8 %

#### Comparison between the third quarters of 2010 and 2009

The Property and Casualty Insurance segment contributed \$15 million to Desjardins Group's combined surplus earnings before member dividends in the quarter or \$17 million less than in the same quarter of 2009.

The segment's surplus earnings before non-controlling interests and member dividends were \$17 million for the third quarter of 2010, down by \$18 million compared to the same quarter a year ago.

Total income for the segment was \$419 million, a \$28 million or 7.2% increase compared to the third quarter of 2009. This was due to higher net premium income as a result of a larger number of policies issued and a higher average premium. This increase in policies stemmed from growth initiatives in Greater Montreal, the contribution from insured groups, the visibility of the Desjardins General Insurance advertising campaign in Ontario and our private label partnership with a financial institution. Furthermore, the Desjardins caisse network contributed \$20 million in gross premiums written in the third quarter of 2010, which was slightly more than the amount recorded one year earlier. Finally, the increase in other income was essentially due to lower interest rates on the markets, which helped drive up the fair value of bonds.

Expenses related to claims increased by \$44 million from the corresponding quarter in 2009 because of the deteriorating automobile loss ratio in Ontario with regard to injury claims. This in turn resulted in an increase in actuarial reserves during the quarter.

The increase in non-interest expense was due to a higher salaries expense, the result of having more employees to support business growth, and an increase in fringe benefits.

#### Comparison between the first nine months of 2010 and 2009

At the end of the first nine months of the year, the segment's surplus earnings before non-controlling interests and member dividends had grown to \$104 million, up \$30 million or 40.5% from the same period of 2009. This increase was primarily due to a decline in expenses related to claims and an increase in net premiums. The better claims experience was mainly due to milder weather conditions in the first six months. This growth in surplus earnings before non-controlling interests was partly offset by a \$15 million increase in income taxes.

The segment's total income stood at \$1,184 million, up \$42 million or 3.7% from the same period of 2009. In the nine months ended September 30, 2010, the caisse network contributed \$57 million in gross premiums written, which was slightly more than the amount recorded for the first nine months of 2009.

**Other segment**

The Other segment primarily includes treasury activities related to Caisse centrale Desjardins' operations. All Desjardins Group's ABTN holdings and consolidation adjustments attributable to all Desjardins Group components are also included in this segment. The operations of Capital Desjardins Inc. and Fonds de sécurité Desjardins, previously reported in the Personal Services and Business and Institutional Services segment, have been included in this segment since the second quarter of 2010.

**OTHER – SEGMENT RESULTS**

<i>(in millions of \$ and as a %)</i>	For the three months ended September 30			For the nine months ended September 30		
	2010	2009	Change	2010	2009	Change
Net interest income	\$ 149	\$ 197	(24.4) %	\$ 507	\$ 481	5.4 %
Other income	18	(85)	121.2	(46)	(149)	69.1
Total income	167	112	49.1	461	332	38.9
Non-interest expense	57	63	(9.5)	199	208	(4.3)
Surplus earnings before member dividends	\$ 86	\$ 12	616.7 %	\$ 201	\$ 63	219.0 %

*Comparison between the third quarters of 2010 and 2009*

The Other segment recorded surplus earnings before member dividends of \$86 million for the third quarter of 2010, up \$74 million or 616.7% from the corresponding quarter a year earlier, mainly as a result of treasury activities and adjustments related to employee future benefits.

*Comparison between the first nine months of 2010 and 2009*

The Other segment posted surplus earnings of \$201 million for the first three quarters of 2010, up \$138 million or 219.0% from the same nine-month period in 2009. This increase was largely due to a net positive change of \$68 million in all items related to the ABCP (ABTN) restructured term note portfolio, treasury activities and the adjustment to employee future benefits, which generated a favourable variance in contributions in relation to the actuarial expense.

## Balance Sheet and Off-Balance Sheet Item Management

### COMBINED BALANCE SHEET

#### BALANCE SHEET AND OTHER INFORMATION

<i>(in millions of \$ and as a %)</i>	<b>As at September 30, 2010</b>	As at December 31, 2009	Change
Assets	<b>\$ 175,503</b>	\$ 157,203	11.6%
Average assets	<b>174,502</b>	158,463	10.1
Loans	<b>115,645</b>	109,995	5.1
Equity	<b>13,042</b>	11,197	16.5
Average equity	<b>12,085</b>	10,399	16.2
Deposits and subordinated debentures	<b>114,453</b>	107,455	6.5

#### Assets

As at September 30, 2010, Desjardins Group had \$175.5 billion in total assets, compared to \$157.2 billion at the end of 2009. This represents growth of \$18.3 billion, or 11.6%. The Group's performance was due to growth in loans outstanding and an increase in the value of securities in the same period.

#### Loans

Despite the economic slowdown in Quebec and Ontario in the third quarter, consumer and business credit demand was relatively unchanged, fostering business development. Desjardins Group's loan portfolio, net of the allowance for credit losses, grew 5.1% or \$5.7 billion since the end of 2009, to \$115.6 billion as at September 30, 2010.

Desjardins continued to excel in residential financing, particularly in Quebec where it is a key player. Despite signs in both the construction and home resale sectors that residential activity was slowing in the third quarter of 2010, demand at the caisses for residential mortgages remained strong. As at September 30, 2010, Desjardins had \$71.9 billion in residential mortgages outstanding, up 6.3% or \$4.2 billion since the end of 2009. This portfolio represented 61.7% of the total loan portfolio as at September 30, 2010.

#### LOANS BY CATEGORY OF BORROWER

<i>(in millions of \$ and as a %)</i>	<b>As at September 30, 2010</b>		As at December 31, 2009	
Residential mortgages	<b>\$ 71,903</b>	<b>61.7 %</b>	\$ 67,667	61.0 %
Consumer, credit card and other personal loans	<b>17,318</b>	<b>14.9</b>	16,915	15.3
Business and government	<b>27,272</b>	<b>23.4</b>	26,259	23.7
	<b>\$ 116,493</b>	<b>100.0 %</b>	\$ 110,841	100.0 %
Allowance for credit losses	<b>(848)</b>	<b>---</b>	(846)	---
	<b>\$ 115,645</b>	<b>---</b> %	\$ 109,995	--- %
Loans guaranteed by governments and other public and parapublic institutions included above	<b>\$ 31,060</b>	<b>---</b> %	\$ 29,140	--- %

Desjardins Group's share of the consumer, credit card and other personal loans market grew 2.4% or \$403 million since the end of 2009. As at September 30, 2010, the amount of consumer, credit card and other personal loans outstanding was \$17.3 billion. Desjardins Group is also very active in businesses and governments financing; outstanding loans to businesses and governments grew 3.9% or \$1.0 billion over the same period, to \$27.3 billion for the third quarter.

## Deposits

As at September 30, 2010, outstanding deposits totalled \$112.3 billion, up 5.8% or \$6.2 billion since the end of 2009. Personal savings, which constitutes the main source of financing, grew by 2.7% or \$2.0 billion to \$77.5 billion. It accounted for 69.0% of the total savings portfolio as at September 30, 2010.

Desjardins Group is also very active in savings recruitment from businesses and governments. The amounts outstanding for this type of deposit stood at \$25.5 billion as at September 30, 2010, up 11.5% or \$2.6 billion since December 31, 2009. Savings from deposit-taking institutions and other sources such as securities issues on capital markets grew by 19.1% or \$1.5 billion during the same period to reach a volume of \$9.4 billion.

### DEPOSITS BY CATEGORY OF INVESTOR

<i>(in millions of \$ and as a %)</i>	<b>As at September 30, 2010</b>		As at December 31, 2009	
Individuals	<b>\$ 77,456</b>	<b>69.0 %</b>	\$ 75,420	71.0 %
Businesses and governments	<b>25,516</b>	<b>2.7</b>	22,876	21.6
Deposit-taking institutions and other	<b>9,366</b>	<b>8.3</b>	7,865	7.4
	<b>\$ 112,338</b>	<b>100.0 %</b>	\$ 106,161	100.0 %

### OFF-BALANCE SHEET ITEMS

#### Savings products

An upswing in Canadian stock market activity in the third quarter of 2010, reflected in a 9.5% jump in the Toronto S&P/TSX index, was good for the market for off-balance sheet savings products, and Desjardins Group took full advantage of this positive environment. Assets under administration or under management, comprised of investment funds and securities grew 9.0% or \$3.8 billion since the end of 2009.

#### Other items

In the normal course of its operations, Desjardins Group makes various off-balance sheet commitments. These include assets under administration and under management for members and clients, credit instruments, securitization, contractual obligations and financial assets received as collateral, which are described on pages 114 to 116 of the 2009 Annual Report. There were no material changes to these off-balance sheet items as at September 30, 2010, other than those disclosed in Note 17, "Commitment", to the financial statements.

## Credit Quality

As at September 30, 2010, gross impaired loans outstanding stood at \$529 million, up \$20 million since December 31, 2009. The gross impaired loans ratio, as a percentage of the total gross loan portfolio, was 0.45% at the end of the third quarter, virtually the same ratio as at December 31, 2009. This makes Desjardins Group's ratio one of the best in the Canadian banking industry.

The provision for credit losses totalled \$56 million for the third quarter, down \$24 million from the same quarter in 2009. Provisions for credit losses for the first nine months of 2010 stood at \$164 million, down \$21 million from the same period of 2009.

Specific allowances for credit losses totalling \$155 million provided a total specific coverage ratio of 29.3% as at September 30, 2010, which is an improvement over the rate of 28.1% as at December 31, 2009. The general allowance amounted to \$693 million as at September 30, 2010, down from the \$703 million recorded as at December 31, 2009.

Information on credit risk management is presented in "Risk Management" below.

### IMPAIRED LOANS BY CATEGORY OF BORROWER

<i>(in millions of \$ and as a %)</i>	As at September 30, 2010				As at December 31, 2009
	Gross loans	Gross impaired loans	Specific allowances for credit losses	Net impaired loans	Net impaired loans
Residential mortgages <sup>(1)</sup>	\$ 71,903	\$ 144	\$ 9	\$ 135	\$ 124
Consumer, credit card and other personal loans	17,318	80	34	46	50
Business and government	27,272	305	112	193	192
<b>Total</b>	<b>\$ 116,493</b>	<b>\$ 529</b>	<b>\$ 155</b>	<b>\$ 374</b>	<b>\$ 366</b>
As a percentage of gross loans		0.45 %		0.32 %	0.33 %
<b>Specific coverage ratio broken down as follows <sup>(2)</sup></b>					
Residential mortgages <sup>(1)</sup>				6.3 %	9.6 %
Consumer, credit card and other personal loans				42.5 %	38.8 %
Business and government				36.7 %	33.6 %
<b>Total specific coverage ratio</b>				<b>29.3 %</b>	<b>28.1 %</b>

(1) Residential mortgages include a reclassification of home equity lines of credit in the first quarter of 2009.

(2) The specific coverage ratio is the sum of the specific allowances for each impaired loan, divided by the total balance of gross impaired loans.

## Capital Management and Credit Ratings

### CAPITAL MANAGEMENT

#### CAPITAL AND CAPITAL RATIOS

<i>(in millions of \$ and as a %)</i>	As at September 30, 2010	As at December 31, 2009
<b>Tier 1 capital</b>		
Eligible capital stock	\$ 2,134	\$ 1,607
Reserves	8,983	8,149
Undistributed surplus earnings	1,013	795
Non-controlling interests	53	42
Goodwill	(109)	(109)
Other deductions <sup>(1)</sup>	(169)	(244)
<b>Total Tier 1 capital</b>	<b>\$ 11,905</b>	<b>\$ 10,240</b>
<b>Tier 2 capital</b>		
Subordinated debentures	2,125	1,300
Eligible general allowance	403	388
Other eligible securities	70	77
Unrealized cumulative gains on available-for-sale securities (net of income taxes)	3	5
Other deductions <sup>(1)</sup>	(2,208)	(1,770)
<b>Total Tier 2 capital</b>	<b>\$ 393</b>	<b>\$ ----</b>
<b>Total capital</b>	<b>\$ 12,298</b>	<b>\$ 10,240</b>
<b>Capital ratios</b>		
Tier 1 capital ratios	17.6%	15.9%
Total capital ratios	18.2	15.9

(1) Include the provision deficit related to the Internal Ratings Based approach as well as investments in unconsolidated subsidiaries and in affiliated companies.

Desjardins Group's capital ratios are calculated according to the guideline on adequacy of capital base standards applicable to financial services cooperatives, issued by the Autorité des marchés financiers du Québec (AMF). This regulatory framework, which has been in effect since the first quarter of 2009, is largely based on the revised framework for international convergence of capital measurement and capital standards (Basel II) issued by the Bank for International Settlements (BIS). In this regard, the AMF recently allowed Desjardins Group to use the Advanced Internal Ratings Based approach for credit risk related to retail loan portfolios (Personal Services). Other credit exposures and market risk are assessed according to a standardized approach, while operational risk is calculated based on the Basic Indicator approach. The new methods have mainly affected the calculation of risk-weighted assets. However, no material change has been made in the calculation of capital.

The goal of capital management at Desjardins Group is to ensure that a sufficient level of high-quality capital is maintained in order to provide flexibility for its development, keep a favourable credit rating and maintain the confidence of depositors and capital markets.

Desjardins Group ranks among the best capitalized financial institutions in Canada: its Tier 1 and total capital ratios, determined under the new regulatory framework (Basel II), stood at 17.6% and 18.2%, respectively, as at September 30, 2010. A year earlier, these ratios both stood at 14.9%, and they were 15.9% as at December 31, 2009. Desjardins Group therefore still enjoys excellent capitalization, with a Tier I capital ratio above its 15% objective and at a level more than 450 basis points higher than the median of the major Canadian banks. In the context of developing the 2010-2012 Strategic Plan, the financial objective for Desjardins Group's Tier 1 capital ratio was raised to a minimum of 15%, thereby taking prevailing global economic conditions into account as well as the implementation of the AMF's new guideline on adequacy of capital base standards. The previous target was set at 13%.

The following table presents risk-weighted assets according to the Internal Ratings Based and standardized approaches.

### RISK-WEIGHTED ASSETS

As at September 30, 2010  <i>(in millions of \$ and as a %)</i>	Internal Ratings Based approach		Standardized approach		TOTAL As at September 30, 2010			As at December 31, 2009
	Exposure <sup>(1)</sup>	Risk- weighted assets	Exposure <sup>(1)</sup>	Risk- weighted assets	Exposure <sup>(1)</sup>	Risk- weighted assets	Average risk- weighting rate	Risk- weighted assets
Sovereign borrowers	\$ ---	\$ ---	\$ 11,637	\$ ---	\$ 11,637	\$ ---	--	\$ ---
Financial institutions	---	---	7,896	1,575	7,896	1,575	20 %	1,680
Businesses	---	---	34,150	24,584	34,150	24,584	72	22,904
Mortgages	44,636	4,158	1,085	224	45,721	4,382	10	4,863
Revolving exposures for eligible retail clients	24,702	7,220	---	---	24,702	7,220	29	5,877
Other retail exposures	30,129	3,247	3,895	2,383	34,024	5,630	17	6,838
Securitization	---	---	1,443	637	1,443	637	44	711
Equities	---	---	173	173	173	173	100	228
Trading portfolio	---	---	1,954	443	1,954	443	23	348
Other assets <sup>(2)</sup>	---	---	---	---	12,263	3,328	27	2,845
Scaling factor <sup>(3)</sup>	---	878	---	---	---	878	---	855
<b>Total credit risk</b>	<b>\$ 99,467</b>	<b>\$ 15,503</b>	<b>\$ 62,233</b>	<b>\$ 30,019</b>	<b>\$ 173,963</b>	<b>\$ 48,850</b>	<b>---</b>	<b>\$ 47,149</b>
Market risk	---	---	---	1,858	---	1,858	---	2,251
Operational risk <sup>(4)</sup>	---	---	---	---	---	10,243	---	9,793
Transitional adjustment for floor <sup>(5)</sup>	---	---	---	---	---	6,543	---	5,362
<b>Total risk-weighted assets</b>	<b>\$ 99,467</b>	<b>\$ 15,503</b>	<b>\$ 62,233</b>	<b>\$ 31,877</b>	<b>\$ 173,963</b>	<b>\$ 67,494</b>	<b>---%</b>	<b>\$ 64,555</b>

(1) Net exposure, after credit risk mitigation (net of specific allowances under the standardized approach but not under the advanced approach, in accordance with the AMF guideline).

(2) Other assets are valued using a method other than the standardized approach or the Internal Ratings Based approach.

(3) The scaling factor is a 6% calibration of risk assets assessed using the advanced approach for credit exposures in accordance with Section 1.3 of the AMF guideline.

(4) The Basic Indicator approach was used to assess operational risk.

(5) As prescribed in Section 1.6 of the AMF guideline.

### CREDIT RATINGS

During the first nine months of 2010, the credit ratings of Caisse centrale Desjardins, attesting to the financial soundness of Desjardins Group and its caisse network, did not change from those stated on page 110 of Desjardins Group's 2009 Annual Report. These ratings illustrate Desjardins Group's ability to access markets for institutional financing at competitive rates.

### CREDIT RATINGS

	Short-term	Medium- and long-term	Subordinated debt
Standard & Poor's	A-1+	AA-	A+
Moody's	P-1 *	Aa1 *	Aa2 *
DBRS	R-1 (high)	AA	AA (low)

\*Negative outlook

## Cash Position and Sources of Financing

### CASH POSITION

Desjardins Group's management framework for its cash position and sources of financing is addressed on pages 112 and 113 of the 2009 Annual Report. No material change was made to the management framework in 2010. In management's opinion, the cash and financing position remains appropriate for Desjardins Group's business strategies and its liquidity risk tolerance.

As at September 30, 2010, Desjardins Group's cash and securities totalled \$39.7 billion, which is \$7.1 billion more than at the end of 2009. The ratio of cash and securities to total assets therefore stood at 22.6% at the end of the third quarter, compared to 20.8% as at December 31, 2009. This ratio considerably exceeded regulatory requirements. Liquidities, it should be remembered, are comprised of the aggregate of securities, and cash and deposits with financial institutions. Securities consist largely of instruments issued by governments and public bodies.

Bond rates have continued to fall in recent months to historic or close to historic lows. It seems more and more likely that the U.S. Federal Reserve will buy more U.S. government bonds, thereby raising demand. Because of the shaky economic conditions and a possible return of financial tensions, a significant increase in bond rates is not anticipated in the short term, unless the marked move by the Federal Reserve is less than predicted.

The combined balance sheets for the caisses are still meeting the neutral matching target. Projected net interest income per \$100 of assets for the next twelve months is relatively stable in the caisse network, in spite of the lower bond rates mentioned above.

In terms of mix, 69% of Desjardins Group's deposits came from the retail market (Personal Services) while 23% came from businesses and governments. Desjardins Group also raises financing on institutional capital markets through Capital Desjardins Inc. for subordinated debentures and through Caisse centrale Desjardins for money market instruments, commercial paper, medium-term deposit notes and securitization of the caisse network's mortgage loans. In addition, Desjardins Group is eligible for the federal program to support large Canadian lending institutions, which places Desjardins in the same league as the major financial institutions in Canada and enables it to benefit from the same tools and prerogatives.

Of the total of \$25.7 billion in financing that came from institutional capital markets, deposit note and subordinated debenture issues accounted for 61%, or \$15.7 billion. Of this amount, 35% was attributable to international markets and 65% to the Canadian market.

### *Comparison between the third quarters of 2010 and 2009*

For the quarter ended September 30, 2010, cash flows from operating activities totalled \$1,099 million, compared to \$(34) million a year earlier. This \$1,133 million difference stems mainly from increases of \$1,162 million in instruments designated as held for trading and \$388 million of changes in the "Other" item. These increases were offset by decreases of \$(715) million in changes in the fair value of financial instruments and \$(128) million from interest receivable.

Cash flows from financing activities were \$(374) million for the third quarter of 2010, compared to \$2,126 million a year earlier. This \$(2,500) million reduction was particularly attributable to a \$(1,609) million decrease resulting from changes in commitments related to securities lent or sold under repurchase agreements and a net negative change of \$(1,572) million in commitments related to securities sold short. These changes were however offset by an \$895 million increase due to net change in deposits.

Cash flows used in investing activities totalled \$(1,012) million for the third quarter of 2010, compared to \$(2,430) million for the corresponding quarter of 2009. This \$1,418 million change was mainly attributable to the \$3,888 million increase arising from changes in proceeds from disposals of available-for-sale securities. These changes were offset, however, by a \$(1,628) million change in purchases of available-for-sale securities, as well as a \$(532) million decrease arising from the net change in loans.

### *Comparison between the first nine months of 2010 and 2009*

For the first nine months of 2010, cash flows from operating activities totalled \$(2,060) million, compared to \$(781) million for the corresponding period of 2009. This \$(1,279) million difference stems mainly from negative changes of \$(1,747) million in securities required to be classified as held for trading and \$(2,263) million under the "Other" item. This reduction in cash flows was offset, however, by increases of \$2,343 million resulting from changes in securities designated as held for trading under the fair value option and of \$314 million resulting from net changes in actuarial and related liabilities.

Cash flows from financing activities were \$14,048 million for the first nine months of 2010, compared to \$8,767 million for the corresponding period of 2009. This \$5,281 million increase stems mainly from positive changes of \$1,750 million in commitments related to securities lent or sold under repurchase agreements, \$1,727 million in net change in deposits, \$764 million related to the decrease in repayments of debt securities and subordinated debentures, \$673 million related to the net change in commitments related to securities sold short, \$393 million in net change in non-controlling interests and \$235 million resulting from the net change in capital stock. The increases in cash flows were offset, however, by a \$(166) million reduction in issuance of debt securities and subordinated debentures.

Cash flows used in investing activities totalled \$(11,879) million for the first nine months of 2010, compared to \$(8,455) million for the same period in 2009, a difference of \$(3,424) million owing to a negative change of \$(3,981) million related to the increase in purchases of available-for-sale securities, a negative change of \$(3,659) million in proceeds from maturities of available-for-sale securities and a \$(1,748) million decrease related to net change in loans. These changes were offset by positive changes of \$5,548 million in proceeds from disposals of available-for-sale securities.

#### **SOURCES OF FUNDING**

To ensure stable and diversified sources of funding, the Desjardins Group has secured various funding sources on institutional capital markets. It regularly conducts transactions on the Canadian money market and, from time to time, makes public and private issues of term notes or subordinated debt.

In an effort to even better diversify the sources of financing of Desjardins Group as well as to extend their average term, Caisse centrale Desjardins successfully issued fixed-rate, medium-term deposit notes in the amount of US\$1 billion in the United States on September 8, 2010, making Desjardins Group the first Canadian cooperative financial institution to issue senior debt on the U.S. market.

This public issue of deposit notes is the fourth that Caisse centrale Desjardins has made since the beginning of 2010. In order to broaden the investor base, Desjardins Group has issued CA\$4.2 billion of various securities since the start of the year on the Canadian, European and U.S. markets. Like the major Canadian banks, Desjardins Group has benefited from the popularity of the Canadian banking industry with institutional investors.

During the third quarter, Caisse centrale Desjardins took part in the Canada Mortgage and Housing Corporation (CMHC) securitization program for an amount of \$363 million. Capital Desjardins Inc., for its part, renewed its Canadian borrowing program on July 30 for a period of 25 months.

Finally, caisse members also participated in the capitalization of their financial cooperative by purchasing permanent shares. Sales during the first nine months of the year totalled \$482 million. Since September 2009, the amount of sales totalled \$1.1 billion.

## Risk Management

Desjardins Group is exposed to different types of risks in the normal course of business, including credit risk, liquidity risk, market risk, operational risk and reputation risk. Desjardins Group's objective in risk management is to optimize the risk-return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the organization's functions. During the first nine months of 2010, Desjardins Group's risk management policies and practices did not change from those stated on pages 117 to 125 of the 2009 Annual Report.

Desjardins Group's risk management approach is based on principles promoting the accountability of business segments and entities with respect to combined results and risk management quality and the leading role played by the Board of Directors of all Desjardins Group subsidiaries in risk and result monitoring. Many committees support the Board of Directors and management of each subsidiary in discharging their risk management responsibilities.

### Credit risk

Credit risk is the risk of losses resulting from a borrower's or counterparty's failure to honour its contractual obligations, whether or not this obligation appears on the balance sheet.

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

### Supplementary credit risk information

#### NET EXPOSURE (exposure at default [EAD]) before credit risk mitigation (CRM)

<i>(in millions of \$)</i>	Exposure classes as at September 30, 2010					Net exposure <sup>(2)</sup>
	Exposure used	Unused exposure	Off-balance sheet exposure <sup>(1)</sup>	Total		
<b>Standardized approach</b>						
Sovereign borrowers	\$ 10,625	\$ 529	\$ 1,683	\$ 12,837	\$ 11,637	
Financial institutions	6,370	1,815	3,392	11,577	7,896	
Businesses	31,791	2,397	1,370	35,558	34,150	
Mortgages	1,074	11	---	1,085	1,085	
Other retail exposures	3,862	750	32	4,644	3,895	
Securitization	1,443	---	---	1,443	1,443	
Equities	173	---	---	173	173	
Trading portfolio	---	---	20,188	20,188	1,954	
<b>Internal Ratings Based approach</b>						
Mortgages	39,837	4,799	---	44,636	44,636	
Revolving exposures for retail clients	8,979	15,714	9	24,702	24,702	
Other retail exposures	23,393	6,734	2	30,129	30,129	
<b>Total</b>	<b>\$ 127,547</b>	<b>\$ 32,749</b>	<b>\$ 26,676</b>	<b>\$ 186,972</b>	<b>\$ 161,700</b>	

(1) Including repo-style transactions, over-the-counter derivatives and other off-balance sheet exposures.

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

#### EXPOSURE BY CLASS AND RISK WEIGHTS (STANDARDIZED APPROACH)

<i>(in millions of \$)</i>	Risk weights as at September 30, 2010							
	0%	20%	35%	50%	75%	100%	Other	Total
Sovereign borrowers	\$ 12,837	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 12,837
Financial institutions	---	11,725	---	---	---	---	---	11,725
Businesses	---	1,387	---	---	---	33,862	396	35,645
Mortgages	---	---	1,071	---	---	15	---	1,086
Other retail exposures	---	---	---	---	4,587	31	50	4,668
Securitization	---	171	---	1,203	---	---	69	1,443
Equities	---	---	---	---	---	173	---	173
Trading portfolio	1,944	16,901	---	64	---	1,279	---	20,188
<b>Total</b>	<b>\$ 14,781</b>	<b>\$ 30,184</b>	<b>\$ 1,071</b>	<b>\$ 1,267</b>	<b>\$ 4,587</b>	<b>\$ 35,360</b>	<b>\$ 515</b>	<b>\$ 87,765</b>

**Counterparty and issuer risk**

Of the securities held in all securities portfolios by Desjardins Group, approximately 70% are issued or guaranteed by public or parapublic entities. The portfolios are concentrated with Canadian issuers and counterparties of very high quality.

The Risk Management Executive Division of Desjardins Group sets the maximum exposure for each counterparty and issuer based on quantitative and qualitative criteria. These limits are then allocated to the various components based on their needs.

**Market risk**

Market risk refers to the risk of changes in the fair value of financial instruments resulting from fluctuations in the parameters affecting this value, in particular, interest rates, exchange rates and their volatility.

Desjardins Group is primarily exposed to market risk through positions related to its traditional financing and savings recruitment activities. It is also exposed to market risk through its trading activities. Desjardins Group and its components have adopted policies that set out the principles, limits and procedures to use in managing market risk.

**Interest rate risk management**

Desjardins Group is exposed to interest rate risk, which represents the potential impact of interest rate fluctuations on net interest income and on the economic value of equity.

Dynamic and prudent management is applied to achieve the objective of optimizing net interest income while minimizing the negative impact of interest rate movements. Desjardins Group's policies describe the principles, limits and procedures used to manage this risk. Simulations are run to measure the impact of different variables on net interest income and the economic value of equity. The assumptions used in the simulations are based on an analysis of historical data and the impact of different interest rate conditions on the data, and concern changes in the structure of the Combined Balance Sheets, including the modelling of non-maturity deposits, member behaviour and pricing. Desjardins Group's asset and liability management committee (the Asset/Liability Committee) is responsible for analyzing and adopting on a monthly basis the global matching strategy while respecting the parameters defined in interest rate risk management policies.

The following table presents the potential impact on the non-trading portfolio of a sudden and sustained 100-basis-point increase or decrease in interest rates on the economic value of equity.

**INTEREST RATE SENSITIVITY (before income taxes)**

<i>(in millions of \$)</i>	<b>As at September 30, 2010</b>	As at June 30, 2010	As at September 30, 2009
Impact on the economic value of equity of a 100-basis-point increase in interest rates	<b>\$(48)</b>	\$(34)	\$(40)
Impact on the economic value of equity of a 100-basis-point decrease in interest rates	<b>50</b>	40	64

The extent of the interest rate risk depends on the gap between cash flows from assets, liabilities and off-balance sheet instruments. The position presented reflects the position as at that date, and may change depending on members' behaviour, the interest rate environment and the strategies adopted by the Asset/Liability Committee.

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

Market risk management for trading portfolios is done on a daily basis and is governed by a specific policy.

The main tool used to measure the market risk of trading portfolios is the “Value-at-Risk” (VaR), which represents an estimate of the potential loss for a certain period of time at a given confidence level.

A Monte Carlo VaR is calculated daily, using a 99% confidence level, on the trading portfolios for a holding horizon of one day. It is therefore reasonable to expect a loss exceeding the VaR figure once every 100 days. The calculation of VaR is based on historical data for a one-year interval.

The following table presents the aggregate VaR of the trading activities of Desjardins Group by risk category as well as the diversification effect, which represents the difference between aggregate VaR and the sum of VaR for the different risk categories. Equity, interest rate and foreign exchange risks are the three risk categories to which Desjardins Group is exposed. The definition of trading portfolio meets the various criteria set out in the Basel Accord.

#### VaR BY RISK CATEGORY (TRADING PORTFOLIO)

<i>(in millions of \$)</i>	As at	For the three months ended			As at	For the three months ended
	September 30, 2010	September 30, 2010			June 30, 2010	June 30, 2010
		Average	High	Low		Average
Equities	\$0.5	\$0.2	\$0.5	\$0.1	\$0.2	\$0.5
Foreign exchange	0.1	0.1	0.3	0.1	0.1	0.1
Interest rate	5.8	4.8	6.0	3.6	5.0	5.4
Diversification effect <sup>(1)</sup>	(0.6)	(0.3)	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	(0.3)	(0.6)
<b>Aggregate VaR</b>	<b>\$5.8</b>	<b>\$4.8</b>	<b>\$6.0</b>	<b>\$3.6</b>	<b>\$5.0</b>	<b>\$5.4</b>

(1) Risk reduction related to diversification, namely the difference between the sum of the VaR for the various market risks and the aggregate VaR.

(2) Not applicable; the highs and lows of the various market risk categories can refer to different dates.

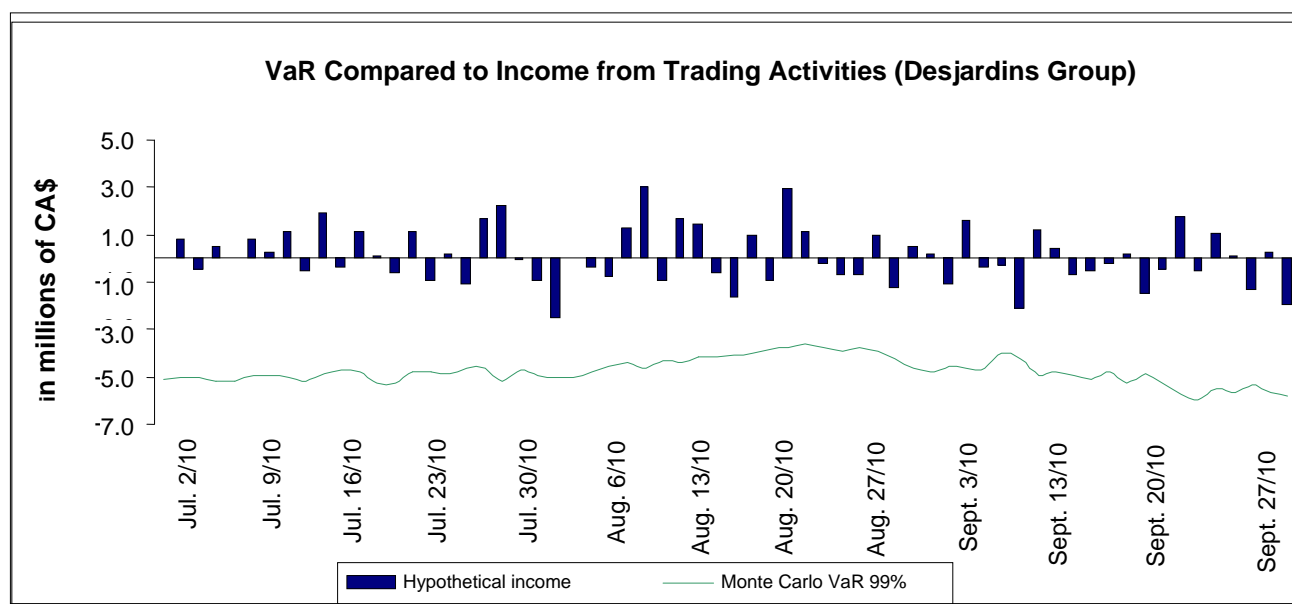
As at September 30, 2010, aggregate VaR was \$5.8 million, the interest rate VaR being the largest component. The aggregate VaR was higher than its quarterly average of \$4.8 million and also higher than its June 30, 2010 level of \$5.0 million. The risk mitigation related to diversification amounted to \$0.6 million as at September 30, 2010.

#### Back testing

Back testing is conducted to validate the VaR model used by comparing the VaR daily with profits or losses (P&L) on Desjardins Group portfolios.

Desjardins Group carries out back testing daily, applying a hypothetical P&L on 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 income related to these activities. During the third quarter of 2010, losses never exceeded VaR.



## **ADDITIONAL INFORMATION RELATED TO EXPOSURE TO CERTAIN RISKS**

In order to give external users a better idea of its exposure to risk related to current market events, Desjardins Group decided to use as a guideline the best practices promoted and issued by the Financial Stability Board (FSB), formerly known as the Financial Stability Forum (FSF). The Forum was founded in 1999 by G7 finance ministers and central bank governors to promote international financial stability through information exchange and international cooperation in the supervision of capital markets and the surveillance of financial institutions. In March 2009, the FSF decided to expand membership to include all G20 countries, in addition to Spain and the European Commission. Since then, it has been called the Financial Stability Board (FSB).

These best practices include enhanced disclosure of risks related to financial instruments which markets consider to be of higher risk. Some of these disclosures are already included in this Management's Discussion and Analysis under "Risk Management" and "Off-Balance Sheet Items".

Desjardins Group used these recommendations as a guideline in making the additional disclosures below as at September 30, 2010:

### **Exposure to subprime residential and Alt-A mortgage loans**

As part of its operations, Desjardins Group is exposed to credit risks related to subprime residential mortgage loans (defined as loans to borrowers with a high credit risk profile) and Alt-A mortgage loans (defined as loans to borrowers with non-standard income documentation). However, Desjardins Group's exposure to subprime residential mortgage loans was \$1 million (less than \$2 million as at December 31, 2009). Only one loan is currently in default. Exposure to Alt-A mortgage loans was \$52 million (\$60 million as at December 31, 2009). Subprime residential and Alt-A mortgage loans are recorded on the Combined Balance Sheets as loans measured at amortized cost. As at September 30, 2010, total subprime residential mortgage loans and Alt-A mortgage loans represented less than 0.1% (also less than 0.1% as at December 31, 2009) of Desjardins Group's total assets.

### **Leveraged finance loans**

Exposure to leveraged finance loans (defined as loans to large corporations and finance companies whose credit rating is between BB+ and D and whose debt level is very high compared to other active companies in the same industry) was \$81 million (\$111 million as at December 31, 2009), and is in the form of disbursed and undisbursed commitments. Leveraged finance is generally used to achieve a specific objective, such as making an acquisition, or effecting a takeover or share buy-back. Leveraged finance loans are recorded on the Combined Balance Sheets as loans and receivables, and represented less than 0.1% (also less than 0.1% in 2009) of Desjardins Group's total assets.

### **Collateralized debt obligations**

The fair value and notional amount of collateralized debt obligations were both \$141 million (\$135 million and \$151 million, respectively, in 2009). None of the securities held is directly backed by subprime residential mortgages. Collateralized debt obligations are presented in the Combined Balance Sheets as available-for-sale securities and securities held for trading.

### **Commercial mortgage-backed securities**

For commercial mortgage-backed securities, the fair value and principal amount were \$308 million and \$298 million, respectively (\$329 million and \$343 million in 2009). It should be noted that Desjardins Group holds only Canadian securities. These securities are presented in the Combined Balance Sheets as securities held for trading.

### **Financial asset-backed securities**

For financial asset-backed securities, the fair value and notional amount were \$86 million and \$98 million, respectively (\$277 million and \$310 million in 2009). These securities are presented in the Combined Balance Sheets as available-for-sale securities and securities held for trading.

### **Credit default swap portfolio**

First-to-default credit default swaps and credit default swaps (collateralized debt obligations) were entered into with counterparties. As at September 30, 2010, the negative fair value and notional amount of these credit default swaps amounted to \$29 million and \$82 million, respectively (\$60 million and \$147 million in 2009). These swaps are presented in the Combined Balance Sheets as derivative financial instruments.

### **Total return swap portfolio**

The positive and negative fair values of total return swaps, excluding those carried out in connection with securitization activities, were less than \$1 million and \$7 million, respectively (\$2 million and \$9 million in 2009). The notional amount of these swaps amounted to \$56 million (\$95 million in 2009). Total return swaps are presented in the Combined Balance Sheets as derivative financial instruments.

### Assets under administration and under management

Desjardins Group is one of Canada's leading wealth managers and trustees. Assets under administration and under management are essentially comprised of financial assets in the form of investment funds held mainly by individuals, securities in custody and assets accumulated by pension funds; they therefore do not belong to Desjardins Group, but to its members and clients. These assets are described in detail under "Off-Balance Sheet Items".

### Securitization

Desjardins Group participates in the Canada Mortgage-Backed Securities Program under the *National Housing Act*. Transactions involve the use of off-balance sheet arrangements with special purpose entities. The special purpose entity used by Desjardins Group is Canada Housing Trust, set up by the Canada Mortgage and Housing Corporation under the Canada Mortgage Bonds Program. These arrangements are described under "Off-Balance Sheet Items" and in Note 8, "Securitization of Mortgage Loans", to the Quarterly Combined Financial Statements.

### Special purpose entities

In the normal course of business, Desjardins Group enters into various financial transactions with special purpose entities, or SPEs. The entities are usually created for a unique and distinct purpose; they often have a limited life; and they are used to legally isolate the financial assets they hold from the transferring organization, which could be a client or Desjardins Group itself. SPEs are not operating entities and generally have no employees. In accordance with generally accepted accounting principles, special purpose entities can be recognized or not recognized on the Combined Balance Sheets.

Details concerning significant exposure to SPEs are provided in the table below:

#### SIGNIFICANT EXPOSURE TO SPECIAL PURPOSE ENTITIES

<i>(in millions of \$)</i>	As at September 30, 2010	
	Exposure of Desjardins Group	Total assets of special purpose entities <sup>(1)</sup>
<b>Unconsolidated special purpose entities</b>		
Trusts for Canadian non-bank asset-backed term notes subject to the Montréal Accord restructuring plan <sup>(2)</sup>	\$ 2,469	\$ 16,437
Private investment funds related to guaranteed-capital products and other activities <sup>(3)</sup>	212	577
<b>Consolidated special purpose entities</b>		
Private hedge funds related to guaranteed-capital products and other activities <sup>(3)</sup>	21	52
Desjardins Credit Union	\$ 147	\$ 1,417

(1) The total assets of special purpose entities disclosed correspond to the most recent data obtained by Desjardins Group's management. For the investment funds and hedge funds related to guaranteed-capital structured products, the amount presented corresponds to the SPE's net assets.

(2) See Note 6, "Securities", to the Quarterly Combined Financial Statements. The amount indicated comprises the margin funding facility of \$1,193 million and the fair value of the new notes of \$1,276 million.

(3) For presentation purposes, cross-investments between investment funds and hedge funds have not been eliminated.

### End of moratorium

July 2010 marked the end of the 18-month moratorium period on additional collateral calls for the vast majority of underlying credit default swaps under the Montréal Accord on asset-backed term notes (ABTN). The lifting of the moratorium had no impact on the market value of the ABTNs since the necessary triggers for the calculations leading to margin calls are very far from the current levels of the indices.

### Subsequent events

Since September 30, there have been three credit index transactions for hedging purposes. The object of these transactions was to reduce the risk of Desjardins' exposure to ABTNs.

## Additional Information

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies used by Desjardins Group are described in Note 1 to the 2009 Annual Report, on pages 158 to 161 or, when appropriate, in the notes to the financial statements to enable the reader to understand these policies. Some of these policies are of particular importance to the presentation of Desjardins Group's financial position and results of operations since they require management to make assumptions and estimates, some of which may involve uncertainties. Pages 130 to 132 of the 2009 Annual Report summarize these accounting policies. No significant changes were made to these assumptions and estimates during the first nine months of 2010.

### CHANGES IN ACCOUNTING POLICIES

A description of the new accounting standards adopted in 2010 and future changes in accounting policies may be found in Notes 2 and 3 to the Unaudited Quarterly Combined Financial Statements of Desjardins Group.

Desjardins Group and its publicly accountable legal entities will adopt the International Financial Reporting Standards (IFRS) as of January 1, 2011 as the accounting framework for the preparation of its interim and annual financial statements. Desjardins Group will adopt the IFRS on January 1, 2011 and will release its first IFRS quarterly combined financial statements for the first quarter ending March 31, 2011, as well as comparative information, an opening statement of financial position as at January 1, 2010, and transitional reconciliations.

On pages 136 and following of its 2009 Annual Report, Desjardins Group published a summary of the main implications of the IFRS changeover for current accounting policies that may have an impact on its results, its financial position or its operations. These main differences reflect the most recent assumptions, estimates and expectations of Desjardins Group's management. However, developments in certain standards, the unavailability of certain market data and the schedule for completing certain solutions, Desjardins Group is unable, at this stage, to provide a reasonable estimate of the financial implications of the entire IFRS transition with regard to its results and financial position. The impact of the IFRS conversion will depend on accounting options elected, general economic conditions and the conditions prevailing in the financial sector on the transition date.

During the period ended September 30, 2010, Desjardins Group continued its conversion to IFRS and the updating of its information systems, processes and internal controls. It also continued to accumulate financial information in order to prepare its opening statement of financial position and its first quarter financial statements. Finally, it continued to make changes to its model Combined Financial Statements and Notes in order to identify additional disclosure requirements during first-time adoption and thereafter.

The Autorité des marchés financiers issued a notice to allow an irrevocable election to be made on the IFRS changeover date in order to mitigate the impact of the adoption of these standards. As a result of this election, retained earnings and the reserve can be adjusted quarterly on a straight-line basis from the IFRS changeover date to December 31, 2012 for the purpose of calculating regulatory capital ratios. Desjardins Group plans to make this election as of the IFRS adoption date.

As part of its change management plan, Desjardins Group has held training sessions for members of its Board of Directors and Management Committee as well as members of its Audit and Inspection Commission, finance department staff and the personnel of certain areas particularly affected by the IFRS transition, such as credit service employees. A training plan has also been developed for the officers of the caisses and the components. The purpose of the training, which will take place over the next few months, will be to transfer the knowledge acquired in the IFRS transition program to operating activities. Raising IFRS awareness throughout Desjardins Group will be a priority until the December 31, 2011. Desjardins Group will complete its communication plan with regard to members and investors by the end of the year.

Among other things, Desjardins Group will finalize the implementation of its new processes and internal controls over financial reporting and business activities resulting from the adoption of the IFRS or generally accepted accounting principles for private enterprises by members and clients. It will also upgrade its performance measures, variable compensation programs, and its planning and budget processes. Internal and external auditors, as well as the governance team, support the Desjardins Group by reviewing the mechanisms put in place as well as the accounting positions pertaining to IFRS.

Until December 31, 2011, Desjardins Group will continue to monitor IFRS developments, adjusting its transition plan if necessary. The progress made to date is in line with the established schedule and is reported on a regular basis to management as well as to Desjardins Group's Audit and Inspection Commission. Desjardins Group will report the quantitative impact of IFRS adoption on the financial statements when the final decisions have been made.

For more information on Desjardins Group's IFRS transition program, the reader is referred to page 134 of Desjardins Group's 2009 Annual Report, which lists the key components of its transition plan.

## ECONOMIC OUTLOOK

The global recovery is still cause for great concern, particularly in the United States. Private sector job creation south of the border remains sluggish, the real estate market is still in serious trouble and the trade balance is continuing to deteriorate. Economic growth should be roughly 2.6% this year and 2.4% next year, a relatively low post-recession rate. As for the eurozone, its ability to overcome the sovereign debt crisis and the resilience of consumer confidence have been surprising. Since the European Central Bank is not planning to put any new measures in place, the euro quickly shot upward. This indicates that growth is likely to taper off soon in this zone, partly because of the foreign sector. China continues to dominate worldwide economic growth. The recent increase in its key interest rates confirms concerns about the economy overheating, especially the real estate market.

Volatile capital markets are still on the menu. The recovery has not yet proven that it is solid, and investors are still reluctant to take risks. In spite of very low interest rates, the global economy has not taken off again. The situation is all the more difficult because governments would like to pull out of the economy in order to improve their fiscal balance. With core inflation under 1% and unemployment running at above 9.5%, the Federal Reserve is uncomfortable with its objectives. It is therefore considering new quantitative easing measures with the goals of stimulating demand and fighting low inflation. Expectations in this regard have caused the greenback to fall against other currencies, which could be a boon to U.S. foreign trade.

The Canadian economy is also showing signs of losing steam. Annualized growth in real GDP slowed to 2.0% in the second quarter and could drop further in the third quarter. Employment deteriorated in September, and the residential housing market is losing some of its vigour. As long as the economy of our neighbour to the south struggles, Canada's external sector will be at risk. Under the circumstances, the Bank of Canada acted prudently by stopping the rise in its key rates on October 19. The break could continue until at least next spring.

Quebec's economic growth has slowed considerably since the beginning of the year, and there is no indication of it picking up again in the fall. Apart from the labour market, which continues to be astonishingly vigorous, most economic statistics continue to be disappointing. International exports fell again in July, and the situation will not improve for good until next year. Annualized growth in real GDP could therefore slow down at a less sustained pace than the second quarter rate of 2.0%. Ontario's economy is also losing strength, and the rise in unemployment from 8.3% in June to 8.8% in September is a sign of the difficulties in which it finds itself.

## SUMMARY OF QUARTERLY COMBINED RESULTS

The following table presents a summary of the results of Desjardins Group for the last eight quarters.

	2010				2009			2008	
		Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<i>(in millions of \$ and as a %)</i>									
Total income	\$	3,275	\$ 2,943	\$ 2,798	\$ 2,583	\$ 3,070	\$ 2,772	\$ 2,245	\$ 1,729
Surplus earnings before member dividends	\$	464	\$ 408	\$ 381	\$ 244	\$ 378	\$ 338	\$ 117	\$ (476)
Provision for member dividends, net of income taxes		66	51	53	50	95	29	39	(63)
Surplus earnings (deficit) for the period after member dividends		415	357	328	194	283	309	78	(413)
Total assets		175,503	173,500	165,571	157,203	163,213	159,867	159,734	152,298
Return on equity		14.5 %	13.6 %	13.5 %	8.8 %	14.4 %	13.4 %	4.8 %	(19.3) %
Tier 1 capital ratio		17.6	16.7	16.1	15.9	14.9	14.7	13.7	13.4
Total capital ratio		18.2	17.5	16.1	15.9	14.9	14.7	13.7	12.9

**COMBINED BALANCE SHEET****(unaudited)**

<i>(in millions of \$)</i>	September 30, 2010	December 31, 2009
<b>ASSETS</b>		
<b>Cash and deposits with financial institutions</b>	\$ 1,195	\$ 1,086
<b>Securities (Note 6)</b>		
Available-for-sale securities	14,906	12,064
Securities held for trading	23,476	19,349
Securities held to maturity	17	18
Equity method securities	134	129
	<b>38,533</b>	<b>31,560</b>
<b>Securities borrowed or purchased under reverse repurchase agreements</b>	<b>8,415</b>	<b>5,055</b>
<b>Loans (Notes 7 and 8)</b>		
Residential mortgages	71,903	67,667
Consumer, credit card and other personal loans	17,318	16,915
Business and government	27,272	26,259
	<b>116,493</b>	<b>110,841</b>
Allowance for credit losses	<b>(848)</b>	<b>(846)</b>
	<b>115,645</b>	<b>109,995</b>
<b>Other assets</b>		
Land, buildings and equipment	976	1,008
Interest receivable	612	469
Derivative financial instruments (Note 13)	2,408	2,647
Clients' liabilities under acceptances	260	751
Amounts receivable from clients, brokers and financial institutions	3,270	453
Other (Note 9)	4,189	4,179
	<b>11,715</b>	<b>9,507</b>
<b>Total assets</b>	<b>\$ 175,503</b>	<b>\$ 157,203</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Deposits</b>		
Individuals	\$ 77,456	\$ 75,420
Business and government	25,516	22,876
Deposit-taking and other institutions	9,366	7,865
	<b>112,338</b>	<b>106,161</b>
<b>Other liabilities</b>		
Actuarial and related liabilities	14,367	13,453
Borrowings	58	71
Interest payable	979	884
Derivative financial instruments (Note 13)	1,693	1,852
Acceptances	260	751
Commitments related to securities lent or sold under repurchase agreements	12,997	10,080
Commitments related to securities sold short	8,735	5,038
Amounts payable to clients, brokers and financial institutions	4,669	2,355
Other (Note 10)	3,925	3,729
	<b>47,683</b>	<b>38,213</b>
<b>Subordinated debentures</b>	<b>2,115</b>	<b>1,294</b>
<b>Non-controlling interests</b>	<b>325</b>	<b>338</b>
<b>EQUITY</b>		
Capital stock	2,179	1,650
Share capital	71	71
Undistributed surplus earnings	1,025	805
Accumulated other comprehensive income (Note 14)	750	489
Reserves	9,017	8,182
	<b>13,042</b>	<b>11,197</b>
<b>Total liabilities and equity</b>	<b>\$ 175,503</b>	<b>\$ 157,203</b>

The accompanying notes are an integral part of the Quarterly Combined Financial Statements.

On behalf of the Board of Directors of the Fédération des caisses Desjardins du Québec,

**Monique F. Leroux, FCA, FCMA**  
Chair of the Board

**Denis Paré, LL.L., D.D.N.**  
Vice-Chair of the Board

**COMBINED STATEMENT OF INCOME**

(unaudited)

<i>(in millions of \$)</i>	For the three months ended September 30		For the nine months ended September 30	
	2010	2009	2010	2009
<b>Interest income</b>				
Loans	\$ 1,338	\$ 1,316	\$ 3,871	\$ 3,784
Securities	116	114	336	336
	<b>1,454</b>	<b>1,430</b>	<b>4,207</b>	<b>4,120</b>
<b>Interest expense</b>				
Deposits	427	453	1,227	1,496
Subordinated debentures and borrowings	27	19	73	43
	<b>454</b>	<b>472</b>	<b>1,300</b>	<b>1,539</b>
<b>Net interest income</b>	<b>1,000</b>	<b>958</b>	<b>2,907</b>	<b>2,581</b>
<b>Net premiums</b>	<b>1,081</b>	<b>1,102</b>	<b>3,185</b>	<b>3,165</b>
<b>Other income</b>				
Deposit and payment service charges	137	136	401	380
Lending fees and credit card service revenues	117	115	342	326
Brokerage, investment fund and trust services	158	154	483	417
Income from available-for-sale securities	41	23	117	57
Trading income (Note 11)	563	494	1,108	707
Other investment income	71	71	214	204
Other	107	17	259	250
	<b>1,194</b>	<b>1,010</b>	<b>2,924</b>	<b>2,341</b>
<b>Total income</b>	<b>3,275</b>	<b>3,070</b>	<b>9,016</b>	<b>8,087</b>
<b>Provisions for credit losses</b>	<b>56</b>	<b>80</b>	<b>164</b>	<b>185</b>
<b>Claims, benefits, annuities and changes in insurance provisions</b>	<b>1,320</b>	<b>1,216</b>	<b>3,253</b>	<b>2,985</b>
<b>Non-interest expense</b>				
Salaries and fringe benefits	590	562	1,923	1,791
Premises, equipment and furniture, including amortization	97	102	290	307
Outsourcing of processing services	85	105	258	276
Communications	56	52	184	176
Restructuring expenses (Note 12)	21	37	39	65
Other	430	362	1,206	1,101
	<b>1,279</b>	<b>1,220</b>	<b>3,900</b>	<b>3,716</b>
<b>Operating surplus earnings</b>	<b>620</b>	<b>554</b>	<b>1,699</b>	<b>1,201</b>
Income taxes on surplus earnings	153	167	432	351
<b>Surplus earnings before non-controlling interests and member dividends</b>	<b>467</b>	<b>387</b>	<b>1,267</b>	<b>850</b>
Non-controlling interests	3	9	14	17
<b>Surplus earnings before member dividends</b>	<b>464</b>	<b>378</b>	<b>1,253</b>	<b>833</b>
Provision for member dividends	66	133	213	239
Tax recovery on provision for member dividends	(17)	(38)	(60)	(76)
<b>Surplus earnings for the period after member dividends</b>	<b>\$ 415</b>	<b>\$ 283</b>	<b>\$ 1,100</b>	<b>\$ 670</b>

The accompanying notes are an integral part of the Quarterly Combined Financial Statements.

**COMBINED STATEMENT OF CHANGES IN EQUITY**

(unaudited)

<i>(in millions of \$)</i>	For the three months ended September 30		For the nine months ended September 30	
	2010	2009	2010	2009
<b>Capital stock</b>				
Balance at beginning of period	\$ 2,157	\$ 995	\$ 1,650	\$ 955
Net change during the period	22	255	529	295
Balance at end of period	\$ 2,179	\$ 1,250	\$ 2,179	\$ 1,250
<b>Share capital</b>				
Balance at beginning of period	\$ 72	\$ 67	\$ 71	\$ 67
Net change during the period	(1)	2	-	2
Balance at end of period	\$ 71	\$ 69	\$ 71	\$ 69
<b>Undistributed surplus earnings (deficit) <sup>(1)</sup></b>				
Balance at beginning of period	\$ 643	\$ 337	\$ 805	\$ (96)
Surplus earnings for the period after member dividends	415	283	1,100	670
Remuneration on permanent shares, net of income tax recovery	(16)	(11)	(43)	(23)
Dividends on preferred shares	-	(1)	(2)	(2)
Transfer to the stabilization reserve	(4)	-	(136)	(4)
Transfer to the reserve for future member dividends	-	(4)	(14)	(82)
Transfer from (to) general reserve	(13)	(39)	(685)	102
Balance at end of period	\$ 1,025	\$ 565	\$ 1,025	\$ 565
<b>Accumulated other comprehensive income <sup>(1)</sup></b>				
Balance at beginning of period	\$ 523	\$ 532	\$ 489	\$ 685
Other comprehensive income for the period	227	72	261	(81)
Balance at end of period (Note 14)	\$ 750	\$ 604	\$ 750	\$ 604
<b>Reserves</b>				
<b>Stabilization reserve</b>				
Balance at beginning of period	\$ 414	\$ 282	\$ 282	\$ 278
Transfer from undistributed surplus earnings	4	-	136	4
Balance at end of period	\$ 418	\$ 282	\$ 418	\$ 282
<b>Reserve for future member dividends</b>				
Balance at beginning of period	\$ 445	\$ 428	\$ 431	\$ 350
Transfer from undistributed surplus earnings	-	4	14	82
Balance at end of period	\$ 445	\$ 432	\$ 445	\$ 432
<b>General reserve</b>				
Balance at beginning of period	\$ 8,141	\$ 7,493	\$ 7,469	\$ 7,634
Transfer from (to) undistributed surplus earnings	13	39	685	(102)
Balance at end of period	\$ 8,154	\$ 7,532	\$ 8,154	\$ 7,532
<b>Total reserves</b>	\$ 9,017	\$ 8,246	\$ 9,017	\$ 8,246
<b>Total equity</b>	\$ 13,042	\$ 10,734	\$ 13,042	\$ 10,734

The accompanying notes are an integral part of the Quarterly Combined Financial Statements.

(1) The sum of undistributed surplus earnings and accumulated other comprehensive income is \$1,775 million (\$1,169 million in 2009).

**COMBINED STATEMENT OF COMPREHENSIVE INCOME****(unaudited)**

<i>(in millions of \$)</i>	For the three months ended September 30		For the nine months ended September 30	
	2010	2009	2010	2009
<b>Surplus earnings for the period after member dividends</b>	\$ 415	\$ 283	\$ 1,100	\$ 670
<b>Other comprehensive income, net of income taxes</b>				
<b>on surplus earnings</b> (Note 15)				
Net unrealized gains on available-for-sale securities	154	107	172	216
Reclassification to the Combined Statements of Income of net gains on available-for-sale securities	(14)	(7)	(35)	(6)
	140	100	137	210
Net gains (losses) on derivative financial instruments designated as cash flow hedges	110	(14)	186	(243)
Reclassification to the Combined Statements of Income of net gains on derivative financial instruments designated as cash flow hedges	(23)	(14)	(62)	(47)
	87	(28)	124	(290)
Net unrealized exchange losses on translation of financial statements of self-sustaining foreign operations, net of hedging transactions	-	-	-	(1)
<b>Total other comprehensive income</b>	227	72	261	(81)
<b>Comprehensive income</b>	\$ 642	\$ 355	\$ 1,361	\$ 589

The accompanying notes are an integral part of the Quarterly Combined Financial Statements.

**COMBINED STATEMENT OF CASH FLOWS**

(unaudited)

<i>(in millions of \$)</i>	For the three months ended September 30		For the nine months ended September 30	
	2010	2009	2010	2009
<b>Cash flows from (used in) operating activities</b>				
Surplus earnings for the period after member dividends	\$ 415	\$ 283	\$ 1,100	\$ 670
Adjustments for:				
Amortization of buildings and equipment	36	39	110	117
Amortization of intangible assets with finite useful lives	9	9	27	26
Write-down of investment companies' investments	-	(3)	-	(1)
Net change in actuarial and related liabilities	553	428	914	600
Future income taxes	34	45	107	69
Provisions for credit losses	56	80	164	185
Asset impairment	-	30	-	30
Non-controlling interests	3	9	14	17
Net gains realized on available-for-sale securities	(19)	(14)	(48)	(14)
Net change in equity method securities	(4)	2	(5)	2
Change in operating assets and liabilities				
Interest receivable	(141)	(13)	(143)	23
Interest payable	125	1	95	47
Securities required to be classified as held for trading	174	(988)	(3,553)	(1,806)
Securities designated as held for trading under the fair value option	(639)	(766)	(574)	(2,917)
Net change in fair value of derivative financial instruments	(429)	286	208	384
Other	926	538	(476)	1,787
	<b>1,099</b>	<b>(34)</b>	<b>(2,060)</b>	<b>(781)</b>
<b>Cash flows from (used in) financing activities</b>				
Net change in deposits	103	(792)	6,177	4,450
Issuance of debt securities and subordinated debentures	9	68	897	1,063
Sale (purchase) of debt securities and subordinated debentures to (from) third parties	30	-	(72)	-
Repayment of debt securities and subordinated debentures	(1)	(67)	(17)	(781)
Net change in capital stock	22	269	529	294
Net change in non-controlling interests	2	(2)	(35)	(428)
Remuneration on permanent shares, net of income tax recovery	(16)	(11)	(43)	(23)
Issuance of preferred shares	(1)	2	-	2
Dividends on preferred shares	-	-	(2)	(1)
Commitments related to securities lent or sold under repurchase agreements	(149)	1,460	2,917	1,167
Net change in commitments related to securities sold short	(373)	1,199	3,697	3,024
	<b>(374)</b>	<b>2,126</b>	<b>14,048</b>	<b>8,767</b>
<b>Cash flows from (used in) investing activities</b>				
Net change in loans	(2,678)	(2,146)	(6,632)	(4,884)
Change in securities held to maturity	-	(4)	1	-
Proceeds from securitization of mortgage loans	614	84	818	667
Purchase of available-for-sale securities	(5,188)	(3,560)	(19,023)	(15,042)
Proceeds from disposals of available-for-sale securities	5,734	1,846	15,634	10,086
Proceeds from maturities of available-for-sale securities	306	867	761	4,420
Securities borrowed or purchased under reverse repurchase agreements	228	512	(3,360)	(3,597)
Net acquisitions of land, building and equipment	(28)	(29)	(78)	(105)
	<b>(1,012)</b>	<b>(2,430)</b>	<b>(11,879)</b>	<b>(8,455)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(287)</b>	<b>(338)</b>	<b>109</b>	<b>(469)</b>
Cash and cash equivalents at beginning of period	1,482	1,358	1,086	1,489
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,195</b>	<b>\$ 1,020</b>	<b>\$ 1,195</b>	<b>\$ 1,020</b>
<b>Composition of cash and cash equivalents</b>				
Cash	\$ 704	\$ 788	\$ 704	\$ 788
Deposits with financial institutions and Bank of Canada	208	80	208	80
Cheques and other items in transit (net amount)	283	152	283	152
	<b>\$ 1,195</b>	<b>\$ 1,020</b>	<b>\$ 1,195</b>	<b>\$ 1,020</b>
<b>Supplemental cash flow information</b>				
Interest paid during the period	\$ 329	\$ 470	\$ 1,205	\$ 1,492
Income taxes on surplus earnings paid during the period	40	25	281	116

The accompanying notes are an integral part of the Quarterly Combined Financial Statements.

**NOTES TO THE QUARTERLY COMBINED FINANCIAL STATEMENTS****(unaudited)****As at September 30, 2010**

(Dollar amounts presented in the tables of the Notes to the Quarterly Combined Financial Statements are in millions of dollars, unless otherwise stated.)

**1. ACCOUNTING POLICIES**

The Unaudited Quarterly Combined Financial Statements of Desjardins Group have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and the accounting requirements of the Autorité des marchés financiers of Quebec (AMF), which do not differ from GAAP, applied in the same manner as in the most recent audited financial statements, except for the accounting changes described in Note 2. These Unaudited Quarterly Combined Financial Statements should be read in conjunction with the Audited Combined Financial Statements for the year ended December 31, 2009.

The preparation of unaudited quarterly combined financial statements requires management to make certain estimates and assumptions that have an impact on assets and liabilities and the disclosures of contingent assets and liabilities in the unaudited quarterly combined financial statements, as well as income and expenses for the reporting periods. In the opinion of management, the necessary adjustments have been made to these Unaudited Quarterly Combined Financial Statements to ensure that they present fairly the results of the periods presented.

Actual results may differ from those estimates, and the results of the interim periods presented are not necessarily representative of anticipated results for the full year.

Certain comparative figures have been reclassified to conform to the presentation adopted for fiscal 2010.

**2. NEW ACCOUNTING POLICY****EFFECTIVE INTEREST METHOD**

In June 2009, the Canadian Accounting Standards Board (AcSB) issued an amendment to the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, "Financial Instruments – Recognition and Measurement", in order to clarify the interest calculation method for a financial asset not classified as "loans and receivables", after recognition of an impairment loss. Desjardins Group adopted this amendment retroactively for its fiscal year beginning on January 1, 2010. The adoption of this amendment had no impact on its Combined Financial Statements as at September 30, 2010.

**3. FUTURE ACCOUNTING CHANGE****INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The AcSB announced that Canadian GAAP, which apply to publicly accountable enterprises, would be replaced by International Financial Reporting Standards (IFRS) in 2011. Consequently, Desjardins Group initiated its IFRS conversion project in the summer of 2007.

Since Desjardins Group will adopt IFRS on January 1, 2011, new Canadian GAAP standards that will be effective on or after January 1, 2011 are not disclosed as future accounting changes because they will not be applied by Desjardins Group.

#### 4. CARRYING VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying value of all financial assets and liabilities according to their classification in the categories defined in the financial instrument standards.

As at September 30, 2010						
	Held for trading	Designated as held for trading under the fair value option	Available for sale	Held to maturity	Loans and receivables, and financial liabilities other than held for trading	Total
<b>FINANCIAL ASSETS</b>						
Cash and deposits with financial institutions	\$ 1,195	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,195
Securities	12,277	11,199	14,906	17	---	38,399
Securities borrowed or purchased under reverse repurchase agreements	---	---	---	---	8,415	8,415
Loans	---	---	---	---	115,645	115,645
Other financial assets						
Interest receivable	---	---	---	---	612	612
Derivative financial instruments <sup>(1)</sup>	2,408	---	---	---	---	2,408
Clients' liability under acceptances	---	---	---	---	260	260
Amounts receivable from clients, brokers and financial institutions	---	---	---	---	3,270	3,270
Other	---	---	19	---	1,352	1,371
<b>TOTAL FINANCIAL ASSETS</b>	<b>\$ 15,880</b>	<b>\$ 11,199</b>	<b>\$ 14,925</b>	<b>\$ 17</b>	<b>\$ 129,554</b>	<b>\$ 171,575</b>
<b>FINANCIAL LIABILITIES</b>						
Deposits	\$ ---	\$ ---	\$ ---	\$ ---	\$ 112,338	\$ 112,338
Other financial liabilities						
Borrowings	---	---	---	---	58	58
Interest payable	---	---	---	---	979	979
Derivative financial instruments <sup>(1)</sup>	1,693	---	---	---	---	1,693
Acceptances	---	---	---	---	260	260
Commitments related to securities lent or sold under repurchase agreements	---	---	---	---	12,997	12,997
Commitments related to securities sold short	8,735	---	---	---	---	8,735
Amounts payable to clients, brokers and financial institutions	---	---	---	---	4,669	4,669
Other	---	---	---	---	2,169	2,169
Subordinated debentures	---	---	---	---	2,115	2,115
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>\$ 10,428</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ 135,585</b>	<b>\$ 146,013</b>

(1) Include derivative financial instruments related to fair value and cash flow hedging activities amounting to \$1,058 million in assets and \$254 million in liabilities.

**4. CARRYING VALUE OF FINANCIAL INSTRUMENTS (cont'd)**

As at December 31, 2009						
	Held for trading	Designated as held for trading under the fair value option	Available for sale	Held to maturity	Loans and receivables, and financial liabilities other than held for trading	Total
<b>FINANCIAL ASSETS</b>						
Cash and deposits with financial institutions	\$ 1,086	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,086
Securities	8,724	10,625	12,064	18	---	31,431
Securities borrowed or purchased under reverse repurchase agreements	---	---	---	---	5,055	5,055
Loans	---	---	---	---	109,995	109,995
Other financial assets						
Interest receivable	---	---	---	---	469	469
Derivative financial instruments <sup>(1)</sup>	2,647	---	---	---	---	2,647
Clients' liability under acceptances	---	---	---	---	751	751
Amounts receivable from clients, brokers and financial institutions	---	---	---	---	453	453
Other	---	---	18	---	1,212	1,230
<b>TOTAL FINANCIAL ASSETS</b>	<b>\$ 12,457</b>	<b>\$ 10,625</b>	<b>\$ 12,082</b>	<b>\$ 18</b>	<b>\$ 117,935</b>	<b>\$ 153,117</b>
<b>FINANCIAL LIABILITIES</b>						
Deposits	\$ ---	\$ ---	\$ ---	\$ ---	\$ 106,161	\$ 106,161
Other financial liabilities						
Borrowings	---	---	---	---	71	71
Interest payable	---	---	---	---	884	884
Derivative financial instruments <sup>(1)</sup>	1,852	---	---	---	---	1,852
Acceptances	---	---	---	---	751	751
Commitments related to securities lent or sold under repurchase agreements	---	---	---	---	10,080	10,080
Commitments related to securities sold short	5,038	---	---	---	---	5,038
Amounts payable to clients, brokers and financial institutions	---	---	---	---	2,355	2,355
Other	---	---	---	---	2,054	2,054
Subordinated debentures	---	---	---	---	1,294	1,294
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>\$ 6,890</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ 123,650</b>	<b>\$ 130,540</b>

(1) Include derivative financial instruments related to fair value and cash flow hedging activities amounting to \$1,116 million in assets and \$267 million in liabilities.

## 5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the breakdown of fair value measurements of financial instruments recognized at fair value in the Combined Balance Sheets based on the hierarchy described in Note 4 to the Combined Financial Statements for the year ended December 31, 2009.

<b>As at September 30, 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Financial instruments required to be classified as held for trading				
Cash and deposits with financial institutions	\$ 1,195	\$ ---	\$ ---	\$ 1,195
Securities held for trading				
Securities issued or guaranteed by				
Canada	7,807	467	---	8,274
Provinces and municipal corporations in Canada	2,626	249	---	2,875
School or public corporations in Canada	---	15	---	15
Foreign public administrations	---	178	---	178
Other securities				
Financial institutions	494	149	---	643
Other issuers	4	138	46	188
Shares	104	---	---	104
Derivative financial instruments	2	2,406	---	2,408
Financial instruments designated as held for trading under the fair value option				
Securities designated as held for trading under the fair value option				
Securities issued or guaranteed by				
Canada	67	1,383	---	1,450
Provinces and municipal corporations in Canada	5,576	326	---	5,902
School or public corporations in Canada	---	138	---	138
Foreign public administrations	19	---	---	19
Other securities				
Financial institutions	56	532	58	646
Other issuers	---	807	1,701	2,508
Shares	485	35	16	536
<b>Total financial instruments – securities held for trading</b>	<b>18,435</b>	<b>6,823</b>	<b>1,821</b>	<b>27,079</b>
Financial instruments classified as available for sale				
Available-for-sale securities				
Securities issued or guaranteed by				
Canada	2,060	4,244	---	6,304
Provinces and municipal corporations in Canada	4,159	1,003	---	5,162
School or public corporations in Canada	---	52	---	52
Foreign public administrations	3	10	---	13
Other securities				
Financial institutions	---	2,256	---	2,256
Other issuers	---	86	140	226
Shares	686	181	6	873
<b>Total financial instruments – available-for-sale securities</b>	<b>6,908</b>	<b>7,832</b>	<b>146</b>	<b>14,886</b>
<b>Total</b>	<b>\$ 25,343</b>	<b>\$ 14,655</b>	<b>\$ 1,967</b>	<b>\$ 41,965</b>
<b>Liabilities</b>				
Financial instruments required to be classified as held for trading				
Derivative financial instruments	\$ 5	\$ 1,672	\$ 16	\$ 1,693
Commitments related to securities sold short	8,735	---	---	8,735
<b>Total</b>	<b>\$ 8,740</b>	<b>\$ 1,672</b>	<b>\$ 16</b>	<b>\$ 10,428</b>

No significant transfers were made between fair value measurement hierarchy levels during the nine-month period ended September 30, 2010.

**5. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)**

As at December 31, 2009

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial instruments required to be classified as held for trading				
Cash and deposits with financial institutions	\$ 1,086	\$ ---	\$ ---	\$ 1,086
Securities held for trading				
Securities issued or guaranteed by				
Canada	4,661	408	---	5,069
Provinces and municipal corporations in Canada	2,177	595	---	2,772
School or public corporations in Canada	---	56	---	56
Foreign public administrations	---	48	---	48
Other securities				
Financial institutions	387	54	---	441
Other issuers	---	101	99	200
Shares	138	---	---	138
Derivative financial instruments	1	2,646	---	2,647
Financial instruments designated as held for trading under the fair value option				
Securities designated as held for trading under the fair value option				
Securities issued or guaranteed by				
Canada	53	1,500	---	1,553
Provinces and municipal corporations in Canada	5,245	263	---	5,508
School or public corporations in Canada	---	133	---	133
Foreign public administrations	23	3	---	26
Other securities				
Financial institutions	43	450	12	505
Other issuers	---	725	1,749	2,474
Shares	404	---	22	426
<b>Total financial instruments – securities held for trading</b>	<b>14,218</b>	<b>6,982</b>	<b>1,882</b>	<b>23,082</b>
Financial instruments classified as available for sale				
Available-for-sale securities				
Securities issued or guaranteed by				
Canada	1,521	2,348	---	3,869
Provinces and municipal corporations in Canada	3,606	825	---	4,431
School or public corporations in Canada	---	75	---	75
Foreign public administrations	4	11	---	15
Other securities				
Financial institutions	5	2,565	---	2,570
Other issuers	---	24	262	286
Shares	775	8	5	788
<b>Total financial instruments – available-for-sale securities</b>	<b>5,911</b>	<b>5,856</b>	<b>267</b>	<b>12,034</b>
<b>Total</b>	<b>\$ 20,129</b>	<b>\$ 12,838</b>	<b>\$ 2,149</b>	<b>\$ 35,116</b>
<b>Liabilities</b>				
Financial instruments required to be classified as held for trading				
Derivative financial instruments	\$ 3	\$ 1,837	\$ 12	\$ 1,852
Commitments related to securities sold short	4,965	73	---	5,038
<b>Total</b>	<b>\$ 4,968</b>	<b>\$ 1,910</b>	<b>\$ 12</b>	<b>\$ 6,890</b>

No significant transfers were made between fair value measurement hierarchy levels during fiscal 2009.

## 6. SECURITIES

## UNREALIZED GAINS AND LOSSES ON AVAILABLE-FOR-SALE SECURITIES

As at September 30, 2010

	Amortized cost <sup>(1)</sup>	Unrealized gross gains	Unrealized gross losses	Carrying value <sup>(1)</sup>
<b>SECURITIES ISSUED OR GUARANTEED BY</b>				
Canada	\$ 6,200	\$ 104	\$ ---	\$ 6,304
Provinces and municipal corporations in Canada	4,983	182	1	5,164
School or public corporations in Canada	52	---	---	52
Foreign public administrations	13	---	---	13
<b>OTHER SECURITIES IN CANADA</b>				
Financial institutions	2,196	62	---	2,258
Other issuers <sup>(2)</sup>	227	1	1	227
Shares	529	36	23	542
<b>SECURITIES FROM FOREIGN ISSUERS</b>				
Shares	353	14	21	346
	\$ 14,553	\$ 399	\$ 46	\$ 14,906

As at December 31, 2009

	Amortized cost (1)	Unrealized gross gains	Unrealized gross losses	Carrying value (1)
<b>SECURITIES ISSUED OR GUARANTEED BY</b>				
Canada	\$ 3,829	\$ 49	\$ 9	\$ 3,869
Provinces and municipal corporations in Canada	4,371	76	13	4,434
School or public corporations in Canada	75	---	---	75
Foreign public administrations	15	---	---	15
<b>OTHER SECURITIES IN CANADA</b>				
Financial institutions	2,511	60	1	2,570
Other issuers <sup>(2)</sup>	306	---	19	287
Shares	490	24	27	487
<b>SECURITIES FROM FOREIGN ISSUERS</b>				
Shares	344	13	30	327
	\$ 11,941	\$ 222	\$ 99	\$ 12,064

(1) Desjardins Group holds available-for-sale securities accounted for at cost since they are not quoted on an active market. Available-for-sale securities recorded at cost on the Combined Balance Sheets total \$20 million (\$30 million as at December 31, 2009), and that cost is presented in the "Carrying value" column in the above table. The fair value of some of these securities can be estimated and represents an immaterial gain (immaterial loss as at December 31, 2009).

(2) During fiscal 2009, ABTNs were classified in securities held for trading. It is not necessary to recognize declines in value that are other than temporary and write-downs in 2010. As at December 31, 2009, there were no declines in value that were other than temporary, and a write-down of \$30 million had been recognized.

As at September 30, 2010, the gross unrealized losses on available-for-sale securities amounted to \$46 million (\$99 million in 2009) and resulted from fluctuations in market prices as well as changes in interest and exchange rates. Declines in value of available-for-sale securities are monitored regularly by management. Desjardins Group has the ability and intent to hold these securities for a period of time sufficient to allow for recovery in fair value. It has concluded that the unrealized gross losses were temporary in nature.

## 6. SECURITIES (cont'd)

### SECURITIES – ASSET-BACKED TERM NOTES

Desjardins Group held investments on the non-bank asset-backed commercial paper (ABCP) market, although it never issued this type of financial product to its clients. It should be noted that, to safeguard its members and clients, Desjardins Group repurchased in September 2007 and, to a lesser extent in 2008, ABCP assets in the money market mutual funds managed by it and in the securities lending operations of Desjardins Trust clients for which it had not originally assumed the risk.

Upon the restructuring on January 21, 2009, Desjardins Group derecognized the carrying value of its ABCP holdings and recognized the asset-backed term notes (ABTN) at fair value. These ABTNs were classified as “designated as held for trading under the fair value option”. In addition, the participants in MAV 1 had agreed to establish an 18-month moratorium period during which no additional collateral calls could be made for the vast majority of underlying credit default swaps. This moratorium period ended on July 16, 2010. Since the restructuring, deferred income related to the margin funding facility (MFF) has been recognized under “Other liabilities”. As at September 30, 2010, this deferred income amounted to \$61 million (\$68 million as at December 31, 2009). Before the restructuring, the negative value of the commitment related to the MFF was included in the calculation of the fair value of ABCP.

In connection with the restructuring plan, Desjardins Group participated, for an amount of \$1,193 million, in the MFF intended to cover any potential collateral calls from the counterparties to Master Asset Vehicle (MAV) 1's swaps. Desjardins Group's share of this credit commitment ranks equal to that of the other participants in the MFF and matures in July 2017 or earlier if all credit default swap transactions have been settled. As at September 30, 2010, no amount had been drawn on the MFF. Desjardins Group purchased a \$400 million protection for its MFF commitments from one of the participants in MAV 1 in exchange for an annual commitment fee of 1.2%, which is the same rate as the third-party institutions that have contributed to the equivalent MFF of MAV 2. This protection will automatically end upon the maturity of MAV 1's MFF.

On September 21, 2010, the DBRS rating agency issued a press release announcing it had upgraded the credit rating of MAV 1 A-1 notes from A to A (high) and removed MAV 1 A-1 notes from Under Review with Positive Implications, where it had been placed since June 22, 2010. In addition, DBRS reconfirmed the credit rating of MAV 1 A-2 notes at A.

As at September 30, 2010 and December 31, 2009, Desjardins Group held ABTNs of which the face value is allocated among the various following vehicles:

	As at September 30, 2010		As at December 31, 2009	
	Face value	Fair value	Face value	Fair value
MAV 1				
Class A-1	\$ 903	\$ 658	\$ 905	\$ 637
Class A-2	820	518	820	496
Class B	140	19	140	16
Class C	57	---	57	---
Class IA – Ineligible (subprime) assets	112	---	146	---
Class IA – Ineligible (other) assets	18	15	18	14
<b>Total MAV 1</b>	<b>2,050</b>	<b>1,210</b>	<b>2,086</b>	<b>1,163</b>
MAV 3				
Class IA – Ineligible (subprime) assets	44	---	49	---
Class TA – Traditional assets	72	66	101	89
<b>Total MAV 3</b>	<b>116</b>	<b>66</b>	<b>150</b>	<b>89</b>
<b>Total MAV 1 and MAV 3</b>	<b>\$ 2,166</b>	<b>\$ 1,276</b>	<b>\$ 2,236</b>	<b>\$ 1,252</b>

The valuation of ABTNs requires the use of estimates, and, accordingly, a level of uncertainty is associated with their fair value. As there are several possible assumptions regarding the valuation of the notes, Desjardins Group determined a range of reasonably possible fair values for ABTNs. The carrying value used as at September 30, 2010 is within that range.

#### ABTN valuation methodology

Since there is no active market for these securities, Desjardins Group's management estimated the fair value of its holdings and the resulting changes in value by using a valuation technique. At the time these financial statements were prepared, no active market existed yet for the various restructured notes. In addition, the trading of MAV 1 notes is subject to significant restrictions, since MAV 1 A-1, A-2, B and C ABTNs holders may only transfer the notes to a third party if such transfer is made on a pro rata basis of each of the classes held by the seller and if the buyer assumes an equivalent share of the commitments related to the MFF, either directly or through another entity, as long as the party assuming the share of the MFF has a sufficiently high credit rating.

## 6. SECURITIES (cont'd)

### SECURITIES – ASSET-BACKED TERM NOTES (cont'd)

The fair value of ABTNs taking the form of MAV 1 A-1, A-2, B and C notes, i.e. synthetic assets and hybrid assets, is based on a financial model incorporating uncertainties regarding return, credit spreads, the nature and credit risk of underlying assets, the amounts and timing of cash inflows, the maturity dates and the liquidity restrictions of the new notes reflecting market conditions as at September 30, 2010. The expected cash flows from the A-1, A-2 and B notes were discounted using the bankers' acceptance rate plus premiums over periods ending on the expected due date for the payment of the notes. As a result of the significant uncertainty surrounding the cash flows to be received from the C notes, the fair value of these notes was considered to be nil.

The fair value of tracking notes backed by traditional and ineligible (other) assets was determined using benchmark indices selected based on the assets underlying each tracking note since the cash flows generated by these notes stem directly from the cash flows generated by the underlying assets. As for tracking notes comprised exclusively of ineligible (subprime) assets, given the nature of the underlying assets and their marked deterioration in the current economic environment, their fair value was determined to be nil as at September 30, 2010.

Assumptions used are based as much as possible on observable market data such as interest rates, credit spreads and benchmark indices for similar assets. They also reflect, if necessary, any specific features of the restructuring, and are partially based on assumptions not supported by observable market prices or rates for similar assets. Discount rates used take into account the maturity, the credit rating and the market and liquidity risks of each note.

#### Impact on income

A gain of \$19 million related to ABTNs was recognized in Desjardins Group's combined income for the three-month period ended September 30, 2010 (\$59 million for the nine-month period ended September 30, 2010). In addition, the phased recognition of income related to the MFF during the three-month period ended September 30, 2010 amounted to \$3 million (\$7 million for the nine-month period ended September 30, 2010).

The positive impact on Desjardins Group's combined income before taxes for the three months ended September 30, 2009 amounted to \$14 million. This impact was comprised of unrealized gains of \$7 million, attributable to the net improvement during the quarter in credit spreads, exchange rates and other benchmark indices, a realized gain of \$4 million related to ineligible assets for which principal repayments were collected, and income of \$3 million from the phased recognition of deferred income related to the credit facility. The net negative impact of \$50 million for the nine months ended September 30, 2009 on Desjardins Group's combined income before income taxes resulted from unrealized losses of \$31 million caused by the previously mentioned factors and the restructuring of ABCP holdings, from realized gains of \$12 million on ineligible assets, from the \$34 million write-off of a security excluded from the moratorium period under the Montréal Accord, and from income of \$3 million arising from the phased recognition of deferred income related to the credit facility. The MFF, which had been previously recognized in securities, has been recorded as deferred income under "Other liabilities – Other" since the restructuring on January 21, 2009. This reclassification had no impact on combined income.

During 2009, an amount of \$90 million, net of Desjardins Group's estimated share in the restructuring fees of \$19 million assumed by the Pan-Canadian Committee, was paid to Desjardins Group as accrued interest on ABCP holdings for the period from August 20, 2007 to January 21, 2009. Desjardins Group had recognized as at December 31, 2008 net interest income on ABCP holdings in the fair value of the securities.

The above estimated fair value may not be indicative of the ultimate net realizable value or the future fair value. While management is of the opinion that its valuation technique is appropriate in the circumstances, changes in significant assumptions, especially those relating to the determination of the return, the credit spreads for the underlying assets, and the quality of assets given as collateral by the trusts, which are incorporated in the discount rate, could significantly affect the value ascribed to the MAV 1 A-1, A-2, B and C notes in the future. The sensitivity of the estimated fair value of the MAV 1 A-1, A-2, B and C note portfolio and Tier 1 capital to changes in the key assumptions is as follows:

As at September 30, 2010	Fair value of MAV 1 A-1, A-2, B and C notes	Tier 1 capital	
Discount rate			
1% increase	\$ (79)	\$ (55)	(0.46)%
1% decrease	84	59	0.50
Rating <sup>(1)</sup>			
Increase in credit rating by one notch	23	11	0.09
Decrease in credit rating by one notch	(31)	(16)	(0.13)

(1) Only the MAV 1 A-1 and A-2 notes are rated by DBRS.

## 6. SECURITIES (cont'd)

The discount rate could change as a result of changes to the assumptions used by management regarding the non-marketability premium or the relevant credit spreads. For more details on capital, refer to Note 29, "Capital management", to the most recent Annual Combined Financial Statements of Desjardins Group.

Some uncertainties remain regarding the value of underlying assets, the amount and timing of cash flows, the development of a secondary market for the replacement notes and the liquidity of such market, which could further change the value of Desjardins Group's investment in replacement notes. Economic conditions resulted in a decrease in the floating interest rates of the underlying assets. Therefore, the mismatch between the floating interest rates and payment dates of the underlying assets and the cost of the senior funding facility and the interest payment period of MAV 1 leads to measurement uncertainties.

Desjardins Group holds or has access to the necessary funds to meet all of its financial, operating or regulatory obligations, and it does not expect that any liquidity risks related to the ABTNs would have a material adverse impact on its financial soundness, its credit rating and its capital ratios.

## 7. LOANS AND ALLOWANCE FOR CREDIT LOSSES

### LOANS AND IMPAIRED LOANS

	As at September 30, 2010						As at December 31, 2009
	Gross loans neither past due nor impaired	Gross loans past due but not impaired	Gross impaired loans	Specific allowances	General allowance	Net impaired loans	Net impaired loans
Residential mortgages	\$ 71,508	\$ 251	\$ 144	\$ 9	\$ ---	\$ 135	\$ 124
Consumer, credit card and other personal loans	15,500	1,738	80	34	---	46	50
Business and government	26,368	599	305	112	---	193	192
General allowance	---	---	---	---	693	(693)	(703)
	\$ 113,376	\$ 2,588	\$ 529	\$ 155	\$ 693	\$ (319)	\$ (337)

The carrying value of loans that would be past due or impaired, but whose terms have been renegotiated as at September 30, 2010, amounted to \$147 million (\$153 million as at December 31, 2009).

### GROSS LOANS PAST DUE BUT NOT IMPAIRED

A loan is considered past due when the borrower has failed to make a payment when contractually due. The following tables present the ageing of loans past due that are not classified as impaired loans as at September 30, 2010 and December 31, 2009.

#### As at September 30, 2010

	1 to 29 days	30 to 59 days	60 to 89 days	90 days or more	Total
Residential mortgages	\$ 211	\$ 21	\$ 11	\$ 8	\$ 251
Consumer, credit card and other personal loans	1,370	179	86	103	1,738
Business and government	288	37	43	231	599
	\$ 1,869	\$ 237	\$ 140	\$ 342	\$ 2,588

**7. LOANS AND ALLOWANCE FOR CREDIT LOSSES (cont'd)****GROSS LOANS PAST DUE BUT NOT IMPAIRED (cont'd)**

As at December 31, 2009

	1 to 29 days	30 to 59 days	60 to 89 days	90 days or more	Total
Residential mortgages	\$ 213	\$ 24	\$ 10	\$ 19	\$ 266
Consumer, credit card and other personal loans	1,413	239	83	117	1,852
Business and government	254	72	45	95	466
	\$ 1,880	\$ 335	\$ 138	\$ 231	\$ 2,584

**ALLOWANCE FOR CREDIT LOSSES**

	As at September 30, 2010				As at December 31, 2009
	Balance at beginning of period	Provision for credit losses	Write-offs and recoveries	Balance at end of period	Balance at end of period
Residential mortgages	\$ 13	\$ 3	\$ (7)	\$ 9	\$ 13
Consumer, credit card and other personal loans	33	22	(21)	34	33
Business and government	97	35	(20)	112	97
General allowance	703	104	(114)	693	703
	\$ 846	\$ 164	\$ (162)	\$ 848	\$ 846

**8. SECURITIZATION OF MORTGAGE LOANS**

Under the *National Housing Act* Mortgage-Backed Securities Program of Canada, Desjardins Group securitized residential mortgage loans guaranteed by the Canada Mortgage and Housing Corporation through the creation of NHA-MBSs.

The following table summarizes the impact of these new mortgage loan securitization activities during the three-month and nine-month periods ended September 30.

	For the three months ended September 30		For the nine months ended September 30	
	2010	2009	2010	2009
Mortgage loans securitized	\$ 588	\$ 213	\$ 798	\$ 837
Net cash proceeds received	614	84	818	667
Retained interests	22	2	26	27
Assumed servicing liabilities	4	1	6	5
Gain on sale, net of transaction expenses	33	2	37	36

As at September 30, 2010, Desjardins Group had recorded retained interests of \$106 million (\$123 million as at December 31, 2009), and assumed servicing liabilities of \$19 million (\$23 million as at December 31, 2009) on its Combined Balance Sheets. An amount of \$722 million (\$823 million as at December 31, 2009) representing mortgage-backed securities created and retained was recorded in securities held for trading as at September 30, 2010.

Total mortgage loans securitized outstanding amounts to \$4,313 million as at September 30, 2010 (\$4,521 million as at December 31, 2009).

**8. SECURITIZATION OF MORTGAGE LOANS (cont'd)**

The following table shows certain other cash flows from securitization activities.

	For the three months ended September 30		For the nine months ended September 30	
	2010	2009	2010	2009
Cash flows from retained interests	\$ 15	\$ 16	\$ 47	\$ 51

In addition, amortization of the servicing liabilities amounted to \$3 million for the three-month period ended September 30, 2010 and \$10 million for the nine-month period ended September 30, 2010 (\$4 million and \$13 million in 2009).

The key assumptions used in determining the initial fair value of the retained interests as at the date of sale are as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2010	2009	2010	2009
Discount rate	1.95%	2.78%	2.04%	2.45%
Prepayment rate for fixed rate and floating rate mortgage loans, respectively	23% and 33%	15% and 25%	23% and 33%	15% and 25%
Weighted average life of loans	24 months	33 months	25 months	30 months

No credit losses are expected because the mortgage loans transferred are guaranteed.

**9. OTHER ASSETS – OTHER**

The following table presents the breakdown of "Other assets – Other".

	September 30, 2010	December 31, 2009
Real estate investments	\$ 1,000	\$ 972
Goodwill	109	109
Intangible assets	112	112
Premiums receivable	810	730
Future income tax assets	444	665
Accrued benefit asset	133	90
Accounts receivable	256	468
Prepaid expenses	387	372
Other	938	661
<b>Total</b>	<b>\$ 4,189</b>	<b>\$ 4,179</b>

**10. OTHER LIABILITIES – OTHER**

The following table presents the breakdown of "Other liabilities – Other".

	September 30, 2010	December 31, 2009
Cooperative shares and preferred shares	\$ 27	\$ 28
Deferred net gains realized on disposal of investments	39	40
Future income tax liabilities	261	303
Accrued benefit liability	794	782
Accounts payable	1,312	1,401
Member dividends payable	224	285
Other	1,268	890
<b>Total</b>	<b>\$ 3,925</b>	<b>\$ 3,729</b>

**11. NET INCOME FROM FINANCIAL INSTRUMENTS HELD FOR TRADING****Financial instruments required to be classified as held for trading**

The following table presents the impact of net income from financial instruments required to be classified as held for trading on the Combined Statements of Income.

	For the three months ended September 30		For the nine months ended September 30	
	2010	2009	2010	2009
<b>Income</b>				
Net interest income	\$ 2	\$ 15	\$ 18	\$ 58
Trading income	82	125	195	313

**Financial instruments designated as held for trading under the fair value option**

Financial instruments designated as held for trading under the fair value option are composed of: (i) certain investments in derivative instruments not designated in hedging relationships, thereby significantly reducing accounting disparities; (ii) securities whose underlying security is composed of hedge funds that are managed using a supported investment strategy aimed at taking advantage of short-term market volatility; (iii) securities backing actuarial liabilities in life and health insurance for life insurance and other contracts, as well as provisions for general insurance claims for which the option is used to significantly reduce a recording disparity that would otherwise occur, because assets or liabilities would be recorded differently; (iv) securities including embedded derivatives for which Desjardins Group is unable to measure the fair value of the embedded derivative separately, either at acquisition or at a subsequent date; (v) securities that do not include embedded securities and managed under the fair value option using a supported investment strategy that is communicated to the key officers, and whose portfolio performance is measured based on the fair value to more adequately reflect its substance.

The following table presents the impact of net income from financial instruments designated as held for trading under the fair value option on the Combined Statements of Income.

	For the three months ended September 30		For the nine months ended September 30	
	2010	2009	2010	2009
<b>Income</b>				
Net interest income	\$ 12	\$ 12	\$ 37	\$ 22
Trading income	481	369	913	394

**12. RESTRUCTURING EXPENSES**

In the second quarter of fiscal 2009, the Board of Directors of the Fédération des caisses Desjardins du Québec (FCDQ) approved the implementation of a new organizational structure for Desjardins Group. This restructuring is part of the Desjardins Group Development Plan proposed in the fall of 2008. This restructuring continued in 2010.

As part of this restructuring, Desjardins Group recognized in combined income \$21 million for the three months ended September 30, 2010 and \$39 million for the nine months ended September 30, 2010 for severance benefits, professional fees and other expenses (\$37 million and \$65 million, respectively, for the three months and nine months ended September 30, 2009).

These charges are presented under "Restructuring expenses" in the Combined Statements of Income.

The following table summarizes the amounts payable and the effect on combined income. The amounts payable are recorded under "Other liabilities – Other".

	As at September 30, 2010				As at December 31, 2009
	Severance benefits	Professional fees	Other	Total amounts payable	Total amounts payable
Balance at beginning of period	\$ 40	\$ ---	\$ 2	\$ 42	\$ ---
Restructuring expenses <sup>(1)</sup>	2	15	22	39	71
Payments	(18)	(15)	(15)	(48)	(29)
Balance at end of period	\$ 24	\$ ---	\$ 9	\$ 33	\$ 42

(1) Other than asset impairments.

**13. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES**

	As at September 30, 2010			As at December 31, 2009		
	Notional amount	Carrying value		Notional amount	Carrying value	
		Positive	Negative		Positive	Negative
Fair value hedges	\$ 20,258	\$ 498	\$ 144	\$ 12,857	\$ 504	\$ 91
Cash flow hedges	20,328	560	110	20,993	612	176

A gain of \$12 million (\$3 million in 2009) related to the ineffectiveness of fair value hedging activities and a gain of \$20 million (loss of \$2 million in 2009) related to the ineffectiveness of cash flow hedging activities were recorded under "Trading income" in the Combined Statement of Income for the nine months ended September 30, 2010.

With respect to cash flow hedge relationships, a net gain of \$94 million (\$60 million in 2009) from the Combined Statement of Comprehensive Income as at September 30, 2010 will be reclassified to the Combined Statement of Income in the next twelve months. The remaining balance of accumulated other comprehensive income related to cash flow hedges will be reclassified to the Combined Statement of Income over the next nine years.

**14. ACCUMULATED OTHER COMPREHENSIVE INCOME**

The following table presents the main components of accumulated other comprehensive income (net of taxes).

	September 30, 2010	December 31, 2009
Unrealized net gains on available-for-sale securities	\$ 224	\$ 87
Net gains on derivative financial instruments designated as cash flow hedges	526	402
Accumulated other comprehensive income	\$ 750	\$ 489

**15. INCOME TAXES ON SURPLUS EARNINGS RELATED TO OTHER COMPREHENSIVE INCOME**

The following table details income taxes on surplus earnings related to other comprehensive income.

	For the three months ended September 30		For the nine months ended September 30	
	2010	2009	2010	2009
	Unrealized net gains on available-for-sale securities	\$ 43	\$ 28	\$ 54
Reclassification to the Combined Statements of Income of unrealized net gains on available-for-sale securities	(3)	(3)	(10)	(2)
Net gains (losses) on derivative financial instruments designated as cash flow hedges	33	(42)	60	(110)
Reclassification to the Combined Statements of Income of net gains on derivative financial instruments designated as cash flow hedges	(4)	(1)	(17)	(11)
Total income tax expense (benefit)	\$ 69	\$ (18)	\$ 87	\$ (67)

**16. EMPLOYEE FUTURE BENEFIT PLANS**

	For the three months ended September 30		For the nine months ended September 30	
	2010	2009	2010	2009
	Costs recognized for defined benefit pension plans	\$ 61	\$ 29	\$ 171
Costs recognized for other defined benefit plans	6	5	17	15

The main commitments related to employee benefit plans are described in Note 25 to the Audited Combined Financial Statements for the year ended December 31, 2009.

## 17. COMMITMENT

During the second quarter of 2010, Desjardins Group entered into two agreements for various computer processing services. Under the terms of these agreements, Desjardins Group is committed to disburse approximately \$311 million over the next six years, including \$46 million over the next twelve months.

## 18. CAPITAL MANAGEMENT

Desjardins Group's capital ratios are calculated according to the guideline on adequacy of capital base standards applicable to financial services cooperatives, issued by the AMF. This regulatory framework is largely based on the revised framework for international convergence of capital measurement and capital standards (Basel II) issued by the Bank for International Settlements (BIS). In this regard, the AMF allowed Desjardins Group to use the Advanced Internal Ratings Based approach for credit risk related to retail loan portfolios (Personal). Other credit exposures and market risk are assessed according to a standardized approach, while operational risk is calculated based on the basic indicator approach. The AMF's minimum requirement has been set at a total capital ratio of 11.5%. The new methods have mainly affected the calculation of risk-weighted assets. The calculation of capital, however, has not been significantly changed.

The goal of capital management at Desjardins Group is to ensure that a sufficient level of high-quality capital is maintained for the following reasons: to have flexibility for its development, to maintain a favourable credit rating and to maintain the confidence of depositors and financial markets.

In the context of developing the 2010-2012 Strategic Plan, the financial objective for Desjardins Group's Tier 1 capital ratio was raised to a minimum of 15%, thereby taking prevailing global economic conditions into account as well as the implementation of the AMF's new guideline on adequacy of capital base standards. The previous target was set at 13%.

During the year, Desjardins Group issued \$897 million of series G subordinated debentures bearing interest at 5.187% and maturing in 2020.

## 19. SEGMENTED INFORMATION

Since the implementation of the new organizational structure, Desjardins Group has been comprised of the following business segments: "Personal Services and Business and Institutional Services", "Wealth Management and Life and Health Insurance", "Property and Casualty Insurance" and "Other". These business segments have been structured according to the needs of members and clients as well as the markets in which Desjardins operates. Segmented information for the corresponding period in 2009 has been reclassified to conform to this new basis of presentation.

The "Personal Services and Business and Institutional Services" segment is responsible for developing, marketing and distributing the service offer to individuals and businesses and provides support to the caisse network. In addition, it is responsible for distributing financial products and services, including the caisse network financing and savings, payment cards, securities, venture capital and specialized and advisory services.

The "Wealth Management and Life and Health Insurance" segment is responsible for designing and distributing specialized savings products and life insurance. It provides support for the integrated distribution of wealth management products and services through the caisse network, and it distributes specific products through complementary channels. In addition, this segment is responsible for portfolio management and treasury activities related to securities operations and activities associated with the management of movable and immovable assets. It is also responsible for Desjardins' growth across Canada in wealth management and life and health insurance.

The "Property and Casualty Insurance" segment is responsible for designing and distributing Property and Casualty (P&C) insurance products as well as for providing the related customer service. It works in conjunction with the caisse network, supports product distribution throughout the network and is responsible for the growth of Desjardins Group's P&C insurance operations across Canada.

Finally, the "Other" segment primarily includes treasury activities related to Caisse centrale Desjardins' operations. All ABTN securities held by Desjardins Group and consolidation adjustments attributable to all Desjardins Group components are also included in this segment.

Intersegment transactions are carried out in the normal course of business and are valued at the exchange amount, which corresponds to the amount of consideration established and agreed to by the various legal entities and business units. The results of the main segments reflect internal financial reporting systems and are consistent with the policies used in preparing the Combined Financial Statements of Desjardins Group.

**19. SEGMENTED INFORMATION (cont'd)**

The following table provides a summary of Desjardins Group's financial results by business segments for the three months ended September 30.

For the three months ended September 30	Personal Services and Business and Institutional Services		Wealth Management and Life and Health Insurance		Property and Casualty Insurance		Other		Eliminations		Combined	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Net interest income	\$ 1,008	\$ 884	\$ 2	\$ 1	\$ ---	\$ ---	\$ 149	\$ 197	\$ (159)	\$ (124)	\$ 1,000	\$ 958
Net premiums	---	---	739	780	387	365	---	---	(45)	(43)	1,081	1,102
Other income	433	466	743	618	32	26	18	(85)	(32)	(15)	1,194	1,010
<b>Total income</b>	<b>1,441</b>	<b>1,350</b>	<b>1,484</b>	<b>1,399</b>	<b>419</b>	<b>391</b>	<b>167</b>	<b>112</b>	<b>(236)</b>	<b>(182)</b>	<b>3,275</b>	<b>3,070</b>
Provisions for credit losses	55	80	1	---	---	---	---	---	---	---	56	80
Claims, benefits, annuities and changes in insurance provisions	---	---	1,022	961	298	254	---	---	---	1	1,320	1,216
Non-interest expense	1,003	933	362	323	93	84	57	63	(236)	(183)	1,279	1,220
<b>Operating surplus earnings</b>	<b>383</b>	<b>337</b>	<b>99</b>	<b>115</b>	<b>28</b>	<b>53</b>	<b>110</b>	<b>49</b>	<b>---</b>	<b>---</b>	<b>620</b>	<b>554</b>
Income taxes on surplus earnings	96	86	23	28	11	18	23	35	---	---	153	167
Non-controlling interests	---	1	---	3	2	3	1	2	---	---	3	9
<b>Surplus earnings before member dividends</b>	<b>287</b>	<b>250</b>	<b>76</b>	<b>84</b>	<b>15</b>	<b>32</b>	<b>86</b>	<b>12</b>	<b>---</b>	<b>---</b>	<b>464</b>	<b>378</b>
Provision for member dividends, net of income tax recovery	49	95	---	---	---	---	---	---	---	---	49	95
<b>Surplus earnings for the period after member dividends</b>	<b>\$ 238</b>	<b>\$ 155</b>	<b>\$ 76</b>	<b>\$ 84</b>	<b>\$ 15</b>	<b>\$ 32</b>	<b>\$ 86</b>	<b>\$ 12</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ 415</b>	<b>\$ 283</b>
<b>Segment assets</b>	<b>\$ 149,031</b>	<b>\$ 139,667</b>	<b>\$ 18,362</b>	<b>\$ 16,219</b>	<b>\$ 3,389</b>	<b>\$ 3,134</b>	<b>\$ 33,532</b>	<b>\$ 28,553</b>	<b>\$ (28,811)</b>	<b>\$ (24,360)</b>	<b>\$ 175,503</b>	<b>\$ 163,213</b>

## 19. SEGMENTED INFORMATION (cont'd)

The following table provides a summary of Desjardins Group's financial results by business segments for the nine months ended September 30.

For the nine months ended September 30	Personal Services and Business and Institutional Services		Wealth Management and Life and Health Insurance		Property and Casualty Insurance		Other		Eliminations		Combined	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Net interest income	\$ 2,761	\$ 2,364	\$ 3	\$ 2	\$ ---	\$ ---	\$ 507	\$ 481	\$ (364)	\$ (266)	\$ 2,907	\$ 2,581
Net premiums	---	---	2,199	2,215	1,120	1,077	---	---	(134)	(127)	3,185	3,165
Other income	1,350	1,335	1,730	1,242	64	65	(46)	(149)	(174)	(152)	2,924	2,341
<b>Total income</b>	<b>4,111</b>	<b>3,699</b>	<b>3,932</b>	<b>3,459</b>	<b>1,184</b>	<b>1,142</b>	<b>461</b>	<b>332</b>	<b>(672)</b>	<b>(545)</b>	<b>9,016</b>	<b>8,087</b>
Provisions for credit losses	164	184	---	1	---	---	---	---	---	---	164	185
Claims, benefits, annuities and changes in insurance provisions	---	---	2,494	2,216	759	769	---	---	---	---	3,253	2,985
Non-interest expense	2,979	2,793	1,118	991	276	269	199	208	(672)	(545)	3,900	3,716
<b>Operating surplus earnings</b>	<b>968</b>	<b>722</b>	<b>320</b>	<b>251</b>	<b>149</b>	<b>104</b>	<b>262</b>	<b>124</b>	<b>---</b>	<b>---</b>	<b>1,699</b>	<b>1,201</b>
Income taxes on surplus earnings	244	195	85	69	45	30	58	57	---	---	432	351
Non-controlling interests	1	1	(1)	5	11	7	3	4	---	---	14	17
<b>Surplus earnings before member dividends</b>	<b>723</b>	<b>526</b>	<b>236</b>	<b>177</b>	<b>93</b>	<b>67</b>	<b>201</b>	<b>63</b>	<b>---</b>	<b>---</b>	<b>1,253</b>	<b>833</b>
Provision for member dividends, net of income tax recovery	153	163	---	---	---	---	---	---	---	---	153	163
<b>Surplus earnings for the period after member dividends</b>	<b>\$ 570</b>	<b>\$ 363</b>	<b>\$ 236</b>	<b>\$ 177</b>	<b>\$ 93</b>	<b>\$ 67</b>	<b>\$ 201</b>	<b>\$ 63</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ 1,100</b>	<b>\$ 670</b>
<b>Segment assets</b>	<b>\$ 149,031</b>	<b>\$ 139,667</b>	<b>\$ 18,362</b>	<b>\$ 16,219</b>	<b>\$ 3,389</b>	<b>\$ 3,134</b>	<b>\$ 33,532</b>	<b>\$ 28,553</b>	<b>\$ (28,811)</b>	<b>\$ (24,360)</b>	<b>\$ 175,503</b>	<b>\$ 163,213</b>

**Head Office****Fédération des caisses Desjardins du Québec**

100, rue des Commandeurs

Lévis, Québec, Canada

G6V 7N5

Tel.: 418-835-8444

[www.desjardins.com](http://www.desjardins.com)**Montréal Office**

1, Complexe Desjardins

P.O. Box 7, Desjardins Station

Montréal, Québec, Canada

H5B 1B2

Tel.: 514-281-7000

Report issued by

**Financial Executive Division of Desjardins Group**

Tel.: 418-835-8444 and 1-866-835-8444

**Vous pouvez obtenir la version  
française de ce rapport sur demande.**