



Desjardins
Caisse centrale

Financial Report

Second Quarter 2011

June 30, 2011

Message from management

Net income of Caisse centrale Desjardins (« CCD ») totalled \$55.9 million for the first half of 2011. Although down \$6.3 million from the same period in 2010, these results were nevertheless higher than expected. In fact, in 2011, CCD incurred certain expenses that will have positive spin-offs in the years ahead, in particular regarding the centralization of lending to medium-sized businesses, which used to be handled by several Desjardins components. CCD also adopted a prudent strategy to maintain high liquidity levels and ensure the development of the Desjardins network, which resulted, however, in reduced margins for the Desjardins Group Treasury segment.

Furthermore, the Business Services segment's income was up by \$6.0 million for the six-month period ended June 30, 2011, compared with the corresponding period a year earlier, because business loan portfolio outstandings have grown nearly 6% since the beginning of the year.

Since December 31, 2010, CCD's assets have grown by \$1.2 billion to stand at \$28.4 billion. As Desjardins Group's treasurer, CCD has had to meet the Desjardins network's liquidity needs since the start of the year, as shown by an increase of more than \$600 million in loans to Desjardins entities, totalling \$11.2 billion as at June 30, 2011. Liquidities amounted to \$7.2 billion as at June 30, 2011, allowing CCD to exceed regulatory requirements by an ample margin and to support the Desjardins network's growth in the months ahead.

During the first half of 2011, CCD made a first issue of covered bonds for US\$1 billion, making Desjardins Group the first Canadian cooperative financial institution to issue covered bonds on the U.S. market. In addition, CCD made three other issues totalling \$1.3 billion on the Canadian market. The way these issues were received on capital markets is an eloquent testimony to the quality of Desjardins Group's financial position and its excellent reputation.

CCD continues to be highly capitalized, as shown, among other things, by its total capital ratio determined under the Basel II regulatory framework and based on risk-weighted assets. It stood at 17.6% as at June 30, 2011, compared with a regulatory standard of 8.0%. The capital/asset ratio, also determined under the Basel II regulatory framework, was 5.87%, versus a regulatory standard of 5.0%.

Since January 1, 2011, CCD has adopted IFRS as its accounting framework for the preparation of Condensed Interim Consolidated Financial Statements. Information systems, processes and internal controls have been updated to reflect the new accounting framework, and CCD continues to deploy its change management plan. Management is of the opinion that the adoption of IFRS has no significant impact on CCD's cash management, risk management and management of commercial operations. Similarly, CCD's Tier I capital and total capital ratios have not been materially affected by this change.

Monique F. Leroux, FCA, FCMA

Chair of the Board and
Chief Executive Officer of Caisse centrale Desjardins

Raymond Laurin, FCA

Chief Financial Officer of Caisse centrale Desjardins
and Senior Vice-President, Finance and Treasury
Executive Division and Office of the CFO

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Management's discussion and analysis

This Management's Discussion and Analysis ("MD&A"), dated August 12, 2011, presents the results of the analysis of the key elements in and changes to the financial position of Caisse centrale Desjardins ("CCD") for the period ended June 30, 2011, in comparison with corresponding periods in 2010.

CCD adopted IFRS commencing on January 1, 2011 and issued its quarterly Consolidated Financial Statements in accordance with IFRS for the period ended June 30, 2011, as well as comparative information, a consolidated opening statement of financial position as at January 1, 2010, and transition reconciliations. The Condensed Interim Consolidated Financial Statements are presented in accordance with IAS 34, "Interim Financial Reports". This MD&A must be read in conjunction with CCD's unaudited Condensed Interim Consolidated Financial Statements (including the accompanying notes) as at June 30, 2011. Certain sections of this MD&A must also be read together with CCD's 2010 Annual Report, which was prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

The financial impacts of IFRS on CCD's financial statements and primary financial measures may be adjusted on the basis of possible changes to IFRS, which will be applied in the financial statements for the year ending December 31, 2011, and could lead to restatements of comparative financial statements, including the transition adjustments recorded at the time of the changeover to IFRS.

This MD&A was prepared in accordance with the National Instruments on continuous disclosure obligations in force issued by the Canadian Securities Administrators. The amounts are unaudited and are stated in Canadian dollars (\$). Some of the financial measures presented in this report do not have a standardized definition under IFRS and, as a result, the amounts disclosed are not comparable to similar measures presented by other financial institutions. These measures are described in the section "Non-IFRS Measures".

It should be noted that as part of the reorganization of Desjardins Group, aimed at enhancing the organization's efficiency, some CCD employees and operations were transferred at the very end of 2010 to the Fédération des caisses Desjardins du Québec ("Fédération") and to its new subsidiary Groupe Technologies Desjardins ("GTD"). These transfers did not have any material impact on CCD's net income, but the analyses contained in this MD&A were adjusted to reflect this change.

Additional information about CCD, including CCD's Annual Information Form, is available on the SEDAR Web site at www.sedar.com. Further information is also available on CCD's Web site at www.desjardins.com/caissecentrale; however, none of the information presented on our site should be considered as incorporated by reference into this report.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

CCD's public communications often include oral or written forward-looking statements. Such forward-looking statements concerning CCD'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 CCD's priorities and objectives for fiscal 2011 and thereafter, as well as strategies to achieve those objectives, forward-looking financial results (including those in the area of risk management), and the outlook for CCD'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 risk 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 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 those discussed under "Risk management", such as credit, liquidity, market, foreign exchange, operational and reputation risk. Additional risk factors include legislative or regulatory developments in Quebec, Canada or globally, such as changes in fiscal and monetary policies; new reporting and liquidity regulatory guidance, or interpretations thereof; and amendments to risk-based capital guidelines. There are also factors related to changes in economic and financial conditions in Quebec, Canada or globally, including the unemployment rate, changes in interest rates and exchange rates; trade between Quebec and the United States; the ability of third parties to comply with their obligations to CCD; 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 to defraud CCD, its members or its clients; legal or regulatory procedures and lawsuits; consumer saving habits; and the effect of possible international conflicts, including terrorism or natural disasters; and new developments.

Lastly, there are certain operational risk factors, such as risk management models with intrinsic limitations; technological changes; the ability to develop and timely market 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 the accounting policies and methods that CCD uses to report its financial position and results of operations, including uncertainties associated with significant accounting assumptions and estimates, including changes in estimates for allowances; 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 CCD 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. CCD cautions readers against placing undue reliance on forward-looking statements when making decisions.

Any forward-looking statements contained in this report represent the views of management only as at the date hereof, and are presented for the purpose of assisting members and analysts to understand CCD'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. CCD does not undertake to update any oral or written forward-looking statements that may be made from time to time by or on behalf of CCD, except as required under applicable securities legislation.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A description of the accounting policies used by CCD is essential to understanding the Interim Consolidated Financial Statements as at June 30, 2011. The significant accounting policies are described in Note 2, "Significant accounting policies", to the Interim Consolidated Financial Statements. Some of these policies are of particular importance in presenting CCD's financial position and operating results since they require management to make assumptions and estimates that may involve uncertainties and since any change to these assumptions and estimates could have a significant impact on CCD's Interim Consolidated Financial Statements, particularly regarding the accounting policies below.

Fair value measurement of financial instruments

The fair value of financial instruments, especially securities, obtained from quoted prices on active markets includes little subjectivity in the determination of fair value.

If there are no quoted prices on active markets, the fair value is determined using models based on observable market data or models that are not based on observable market data. When no quoted prices are available, the fair value is estimated using present value or other valuation methods, which are influenced by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk, including liquidity risk, credit risk, interest rates, exchange rates, and price and rate volatility. Given the role that judgment plays in applying many of the acceptable estimation and valuation techniques for calculating fair values, they are not identical. Fair value reflects market conditions on a given date and for this reason cannot be representative of future fair values. It also cannot be considered as being realizable in the event of immediate settlement of these instruments.

Loans

Changes in interest rates and in the creditworthiness of borrowers are the main causes of changes in the fair value of loans held by CCD, which result in a favourable or unfavourable difference compared to their carrying amount. The fair value of loans is estimated by discounting expected cash flows using market interest rates charged for similar new loans at the reporting date. For impaired loans, the fair value is assumed to be equal to their carrying amount.

Deposits

The fair value of deposits with floating rate features or with no stated maturity is assumed to be equal to their carrying amount. The fair value of fixed rate deposits is determined by discounting expected cash flows using market interest rates currently being offered for deposits with relatively the same term.

Derivative financial instruments

The fair value of derivative financial instruments is determined using pricing models that incorporate the current market prices and the contractual prices of the underlying instruments, the time value of money, yield curves and volatility factors. The fair value of derivative financial instruments is presented without taking into account the impact of legally binding master netting agreements.

Financial instruments whose fair value equals carrying amount

The carrying amount of financial instruments that mature within the next twelve months is a reasonable approximation of their fair value. These financial instruments include the following items: "Cash and deposits with financial institutions", "Clients' liability under acceptances", "Other assets – Other", "Acceptances", "Commitments related to securities sold under repurchase agreements" and "Other liabilities – Other".

Impairment of financial assets

Allowance for credit losses

The impairment of a loan or a group of loans is determined by discounting future expected cash flows at the interest rate inherent in the financial asset. The allowance is equal to the difference between this value and the carrying amount. To determine the estimated recoverable amount of a loan, CCD discounts the estimated future cash flows at the effective interest rate inherent in the loan. When the amounts and timing of future cash flows cannot be estimated with reasonable reliability, the estimated recoverable amount is determined using either the fair value of any security underlying the loan, net of expected costs of realization, or the observable market price for the loan. The security may vary depending on the type of loans.

The allowance resulting from this impairment is established using two components: individual allowances and collective allowances.

For the individual allowance, CCD first reviews its loan portfolios on a loan-by-loan basis to assess credit risk and determine if there is any objective evidence of impairment for which a loss should be recognized in the Consolidated Statements of Income. Loan portfolios for which an individual allowance has not been established are then included in groups of assets having similar credit risk characteristics and are subject to a collective allowance.

For the collective allowance, the calculation method used by CCD factors in the risk parameters of the various loan portfolios, in particular through the integration of elaborate credit risk models. These collective allowance impairment models take into account certain factors such as probabilities of default (loss frequency), loss given default (extent of losses) and gross exposures at default. These parameters, which are based on historical losses, are determined according to the category and the risk rating of each loan. The measurement of the collective allowance also depends on management's assessment of current credit quality trends with respect to business segments, the impact of changes to its credit policies and economic conditions.

Available-for-sale securities

Securities classified in the "Available-for-sale" category are monitored on a regular basis to determine whether there is any objective evidence that they are impaired. In evaluating the decline in value, CCD takes into account many facts specific to each investment and all the factors that could indicate that there has been an impairment. Factors considered include, but are not limited to, a significant or prolonged decline in the fair value, significant financial difficulties of the issuer, a breach of contract, the increasing probability that the issuer will enter bankruptcy or a restructuring and the disappearance of an active market for that financial asset. Management also uses judgment to determine when to recognize an impairment loss.

Debt securities classified in the "Available-for-sale" category are individually assessed by CCD to determine whether there is any objective evidence of impairment. For equity securities classified in the "Available-for-sale" category, the objective evidence would also include a "significant" or "prolonged" decline in the fair value below cost. In general, the terms "significant" and "prolonged" respectively mean a decline of 20% or more and a period of more than twelve months.

Impairment of non-financial assets

CCD assesses at the reporting date whether there is an indication that an asset may be impaired. An impairment loss is recognized when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less the costs to sell and its value in use, which corresponds to the present value of the recoverable future cash flows. Any impairment loss recognized in the Consolidated Statements of Income represents the excess of the carrying amount of the asset over the recoverable amount. Impairment losses on that asset may be subsequently reversed and are recognized in the Consolidated Statements of Income in the year in which they occur.

Estimating the recoverable amount of a non-financial asset to determine if it is impaired requires also that management make estimates and assumptions, and any change in these estimates and assumptions could impact the determination of the recoverable amount of non-financial assets and, therefore, the outcome of the impairment test.

Derivative financial instruments and hedging activities

Derivative financial instruments are financial contracts whose value depends on assets, interest rates, foreign exchange rates, and other financial indices. The vast majority of derivative financial instruments are negotiated by mutual agreement between CCD and the counterparty and include forward exchange contracts, cross-currency and/or interest rate swaps, credit default swaps, total return swaps, forward rate agreements, and currency, interest rate and stock index options. The other transactions are carried out as part of regulated trades and mainly consist of futures.

CCD uses derivative financial instruments for trading purposes or for asset-liability management purposes. These instruments enable it to transfer, modify or reduce actual or expected risks related to market risk.

Derivative financial instruments held for trading are mainly used in intermediation activities conducted to meet the needs of the Desjardins network or its clients. These derivative financial instruments are recognized at fair value in the Consolidated Statements of Financial Position, and changes in their fair value are recognized under "Trading activities" in the Consolidated Statements of Income.

Derivative financial instruments held for asset-liability management purposes are used to manage the risks related to interest rates and the foreign currency exposure of assets and liabilities recorded on the Consolidated Statements of Financial Position, firm commitments and forecasted transactions.

Derivative financial instruments, including embedded derivatives which are required to be recognized separately, are recognized at fair value in the Consolidated Statements of Financial Position. Embedded derivatives that are to be recognized separately are measured at fair value, and changes in their fair value are recognized under "Trading activities" in the Consolidated Statements of Income.

Derivative financial instruments may be designated as part of fair value, cash flow or net investment in a self-sustaining foreign operation hedging relationship. When derivative financial instruments are used to manage assets and liabilities, CCD must determine, for each derivative, whether or not hedge accounting is appropriate. In a fair value hedge transaction, changes in the fair value of the hedging derivative financial instrument are recognized under "Trading activities" in the Consolidated Statements of Income, as well as changes in fair value of the hedged asset or liability attributable to the hedged risk. When these changes in fair value do not entirely offset each other, the resulting amount, which represents the ineffective portion of the relationship, is recognized under "Trading activities" in the Consolidated Statements of Income.

In a cash flow hedge transaction, gains and losses resulting from changes in the fair value of the effective portion of the derivative financial instrument are recognized in other comprehensive income under "Gains (losses) on derivative financial instruments designated as cash flow hedges" until the hedged item is recognized in the Consolidated Statements of Income, at which time such changes are recognized under net interest income in the Consolidated Statements of Income, following the underlying instrument. The ineffective portion of cash flow hedge transactions is immediately recognized in the Consolidated Statements of Income under "Trading activities".

Income taxes

The calculation of income taxes is based on the expected tax treatment of the transactions recorded in the Consolidated Statements of Income, Consolidated Statements of Comprehensive Income and Consolidated Statements of Members' Equity. To determine the current and deferred portions of the income tax expense, assumptions must be made concerning the dates on which deferred income tax assets and liabilities will be reversed. If CCD's interpretation differs from that of the taxation authorities or if the reversal dates do not correspond with the forecasted dates, the provision for income taxes on surplus earnings may increase or decrease in subsequent years.

Employee benefits

CCD and its employees participate in the defined benefit pension plan in which all Desjardins Group employers may participate. This group plan is funded by contributions made both by employees and employers to a managed trust fund, as determined by periodic actuarial calculations. The contributions needed to fund benefits are collected based on the pensionable salaries of CCD as a percentage of total pensionable salaries for Desjardins Group as a whole. In addition, CCD and its employees participate in the supplemental pension plan, which provides pension benefits in excess of statutory limits, offered by Desjardins Group. This plan is not funded.

CCD further offers certain active and retired executive employees a supplemental defined benefit pension plan. This supplemental pension plan provides pension benefits in excess of statutory limits and is not funded. Benefits are calculated on the basis of the number of years of membership in the plan and take into consideration the average of the employee's five most highly-paid years.

Defined benefit pension plans are group plans of Desjardins Group in which CCD participates and for which it has formally committed to a level of benefits and therefore assumes actuarial and investment risks. Benefits are calculated on the basis of the number of years of membership in the pension plans and take into consideration the average of the employee's five most highly-paid years. Since the terms of the plan are such that future changes in salary levels will have an impact on the amount of future benefits, the cost of the benefits and the fair value of the defined benefit plan obligation are in general actuarially determined using the projected unit credit method and management's best estimate assumptions concerning the expected rate of return for the plans' investments, the obligation discount rate, and also, but to a lesser extent, salary increases, the retirement age of employees, the mortality rate and the rate of increase in pension benefits. A complete actuarial valuation is performed each year by a qualified actuary.

Actuarial gains (losses) result from the difference between the actual return on plan assets and the expected return for funded plans, the changes made to the actuarial assumptions used to determine the defined benefit plan obligation and the experience gains or losses on this obligation. Any actuarial gain or loss exceeding 10% of the greater of the value of the defined benefit plan obligation and the fair value of plan assets at the end of the previous year is amortized over the expected average remaining working lives of the employees participating in the plan.

The defined benefit asset or liability corresponds to the present value of the defined benefit obligation minus past service cost not yet recognized, the fair value of pension plan assets out of which the obligations are to be settled directly, and actuarial losses not yet recognized. The value of any asset is limited to the total of any unrecognized actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the pension plans.

CCD's share in service costs and the liability for the defined benefit group pension plans of Desjardins Group is determined based on the pensionable salaries of CCD as a percentage of total pensionable salaries for Desjardins Group as a whole.

CCD also offers life, medical and dental insurance coverage to retiring employees and their dependants through the defined benefit group plans of Desjardins Group. It further offers certain active and retired executive employees a supplemental defined benefit pension plan.

Plan liabilities are recognized under "Defined benefit plan liabilities" in the Consolidated Statements of Financial Position.

FUTURE ACCOUNTING CHANGES

The Interim Consolidated Financial Statements of CCD as at June 30, 2011 and the primary financial measures were prepared in accordance with IFRS. They take into account management's choices as at the date of this MD&A, and may be adjusted on the basis of possible changes to IFRS, which will be applied in the Consolidated Financial Statements for the year ending December 31, 2011, and could lead to restatements of comparative Consolidated Financial Statements, including the transition adjustments recorded at the time of the changeover to IFRS.

Future accounting changes to IFRS, which are known to date, are as follows:

IFRS 7, "Financial Instruments: Disclosures"

On October 7, 2010, the IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures", which expand disclosure requirements with respect to the derecognition of financial asset transfer transactions.

CCD is currently assessing the impact of adopting these new disclosures. It will be required to apply these amendments prospectively for the annual period beginning January 1, 2012.

IFRS 9, Financial Instruments – Phase 1

The IASB issued on November 12, 2009 and amended on October 28, 2010 the first phase of a project that will replace IAS 39, "Financial Instruments: Recognition and Measurement". This standard defines a new way to classify and measure financial assets and liabilities. CCD is currently assessing the impact of adopting IFRS 9. Impairment of financial asset methodology, offsetting of financial assets and liabilities, and hedging activities will be covered in future phases that will complete IFRS 9. The AMF has nevertheless stated that early adoption of IFRS 9 is not permitted. The application of all phases of the standard is expected for annual periods beginning on or after January 1, 2013, and the standard would be applied retrospectively. However, on August 4, 2011, the IASB issued an exposure draft to delay the implementation date of IFRS 9 until 2015.

IFRS 10, "Consolidated Financial Statements"

On May 12, 2011, the IASB issued IFRS 10, "Consolidated Financial Statements", that provides for a single consolidation model based on a qualitative definition of control and replaces the guidance included in IAS 27, "Consolidated and Separate Financial Statements" and SIC-12, "Consolidation – Special Purpose Entities." CCD is currently assessing the impact of adopting this new standard, which is effective for annual periods beginning on or after January 1, 2013. The AMF has nevertheless stated that early adoption of this standard is not permitted.

IFRS 12, "Disclosure of Interests in Other Entities"

On May 12, 2011, the IASB issued IFRS 12, "Disclosure of Interests in Other Entities", which includes all disclosure requirements for all forms of interests in other entities, including associates, joint ventures, special purpose entities and other off-balance sheet entities. Certain disclosures were already required by the current standards, and others are new. CCD is currently assessing the impact of adopting this new standard, which is effective for annual periods beginning on or after January 1, 2013. The AMF has nevertheless stated that early adoption of this standard is not permitted.

IFRS 13, "Fair Value Measurement"

On May 12, 2011, the IASB issued IFRS 13, "Fair Value Measurement", which specifically defines fair value. This standard sets out a single IFRS framework for measuring fair value and applies to all transactions and balances for which IFRS require or permit fair value measurements, thereby eliminating the inconsistencies in the definitions provided in the various existing standards. In addition, it carries forward disclosure requirements concerning the fair value of financial instruments and expands their scope to all items measured at fair value. CCD is currently assessing the impact of adopting this new standard, which is effective for annual periods beginning on or after January 1, 2013. The AMF has nevertheless stated that early adoption of this standard is not permitted.

IAS 1, "Presentation of Financial Statements"

On June 16, 2011, the IASB issued amendments to IAS 1, "Presentation of Financial Statements", that improve the presentation of items of other comprehensive income. The amendments require the presentation by nature of items of other comprehensive income by distinguishing those that will not be reclassified to the statement of income in a subsequent period from those that will. CCD is currently assessing the impact of adopting the new disclosure requirements. Since the effective date of the standard is July 1, 2012, CCD will apply these amendments for the year beginning on January 1, 2013. The AMF has nevertheless stated that early adoption of this standard is not permitted.

IAS 19, “Employee Benefits”

On June 16, 2011, the IASB issued an amended version of IAS 19, “Employee Benefits”, to eliminate the option to defer the recognition of gains and losses, known as the “corridor method”. All actuarial gains and losses will now be recognized in other comprehensive income. The presentation of changes in assets and liabilities arising from defined benefit plans will be streamlined, and the disclosure requirements for defined benefit plans in financial statements will be enhanced. CCD is currently assessing the new disclosures. It will be required to apply the amended version of IAS 19 for the year beginning January 1, 2013.

NON-IFRS MEASURES

Some financial measures presented in the MD&A do not have standardized meanings under IFRS, and consequently, the amounts disclosed are not comparable to similar measures presented by other financial institutions. In its MD&A, CCD reports adjusted amounts to take certain special items into account. Amounts presented on this basis are considered useful because they are more likely to reflect results of operations.

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the interim period ended June 30, 2011, no changes were made to internal control over financial reporting that materially affected or were likely to materially affect our internal control activities over financial reporting.

ECONOMIC ENVIRONMENT

The global economy has been adversely affected by the destruction caused on March 11 by the earthquake and tsunami in Japan. Apart from Japan itself, which slid back into a recession, a number of industrialized countries experienced an economic slowdown in the spring because of interruptions in supply chains. The last few months have also been marked by renewed uncertainty on capital markets given the sovereign debt problems of countries on the outer rim of the euro zone. Portugal has had no choice but to ask for financial aid from its partners, although Greece was the one that once again monopolized attention. Greece is struggling to achieve the objectives set last year to clean up its public finances and needs an improved rescue package to avoid default in the short term. More recently, Spain and Italy have raised concerns over their ability to meet their financial commitments.

The negative impacts resulting from the difficult negotiations on the U.S. debt ceiling have raised uncertainties about the financial and economic environments. Standard and Poor's has lowered the U.S. government's rating to AA+. However, two other major global rating agencies, Fitch Ratings and Moody's, maintained their “AAA” rating, the highest possible, on the United States public debt.

Economic conditions remain difficult in the main developed countries, while austerity plans continue to limit growth. A climate of concern prevails in countries with high public debt, where corrective measures are inadequate, darkening the economic outlook. In addition, global inflation has climbed because of higher commodity prices, and in particular oil prices.

In the United States, real GDP growth may have very well exceeded its pre-recession peak, but growth remains vulnerable to the slightest bump. Japan's woes have affected the U.S. economy. Consumers have been especially hard hit by this instability as they continue to show very low confidence. Retail sales trends and actual consumption have been affected by higher gas prices, difficult weather conditions and uncertainty concerning labour market developments and the economy in general. Growth in household spending therefore remained weak in the second quarter of 2011. Households are currently experiencing high unemployment and have seen their wealth significantly eroded by the drop in the value of their homes, not to mention that the American government is heavily indebted, and Americans will need to further curtail spending.

In Canada, real GDP growth in the second quarter of 2011 will obviously be lower than the annualized gain of 3.9% recorded in the winter because economic activity remained stable in April and dipped slightly in May. Inflation picked up in recent months to exceed the upper limit of 3% in the Bank of Canada's target range. Exporters had to deal with a high Canadian dollar, which traded at more than US\$1.05 at the beginning of May before subsequently slipping somewhat, in particular due to a correction in oil and other commodity prices in June. The labour market, which churned out jobs in the first half of 2011, should help maintain households' confidence level near its historic average. Moreover, the increase in workers' wage levels is still outpacing inflation, which improves Canadians' purchasing power.

In the financial arena, disappointing economic figures in the spring put a damper on investor confidence, setting back leading stock market indices. Stock market activity in Canada was therefore down in the second quarter of the year, as evidenced by the significant 5.8% decline in the S&P/TSX index during this period. Bond rates also trended down in recent months. A temporary rebound was observed in stock markets toward the end of June, and bond rates soared somewhat before slumping again as a result of renewed economic and financial fears. The expiration of the Federal Reserve's second program of securities purchases did not seem to have affected markets significantly, and a possible monetary tightening in the United States is still a far way off. Even if the Canadian economy seems to have fared better, the Bank of Canada has remained on the sidelines, preferring to play it safe in view of the many prevailing downside risks.

In Quebec, real GDP moved up sharply in the first quarter of 2011, with an annualized increase of 3.7%. Economic growth should however be tempered in the second quarter because of an expected reduction in inventories and weaker consumer spending. In April, the particularly bad spring weather helped to dampen retail sales, which recovered slightly in May, while June promises to be scarcely better. We will have to wait for the summer's figures to have perhaps a slightly more favourable picture of consumer spending. Even if regular gas prices dipped after nearing 140 cents a litre in early June, they remain relatively high. For the time being, the morale of households is still higher than the historic average thanks to the healthy job market.

The slowdown in the Quebec residential sector took a break in the second quarter of 2011. Housing starts climbed to 47,800 units on an annualized basis, a slightly higher level than in the previous quarter. During the same period, home resales stabilized, settling below the average for the past five years. The mid-year assessment, however, is still not very rosy because new construction and sales of existing homes dipped by about 10% in the first half of the year compared to the same period in 2010.

Table I

LEADING ECONOMIC INDICATORS

	2011 forecast	2010	2009	2008	2007
United States					
Gross domestic product	2.5%	2.9%	(2.6)%	0.0%	1.9%
Inflation	3.1	1.6	(0.3)	3.8	2.9
Unemployment	8.9	9.6	9.3	5.8	4.6
Canada					
Gross domestic product	2.9%	3.1%	(2.5)%	0.5%	2.2%
Inflation	2.7	1.8	0.3	2.3	2.2
Unemployment	7.6	8.0	8.3	6.1	6.0
Overnight rate	1.1	0.6	0.4	3.1	4.3
Government of Canada bonds - 10 years	3.35	3.2	3.2	3.6	4.3
Canadian dollar (in US\$)	\$ 1.03	\$ 0.97	\$ 0.88	\$ 0.95	\$ 0.93

COMMENTS ON THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2011, CCD's total assets stood at \$28.4 billion, up \$1.2 billion or 4% since December 31, 2010.

Liquidities, comprised of cash, investments with financial institutions and securities, totalled \$7.2 billion as at June 30, 2011, down \$460.0 million or 6% from December 31, 2010. The ratio of liquidities to total assets was 25% as at June 30, 2011, versus 28% as at the end of fiscal 2010. Although down from December 31, 2010, this level amply meets regulatory requirements and will enable CCD to sustain the growth of the Desjardins network over the next few months.

The loan portfolio, including clients' liability under acceptances, stood at \$18.6 billion as at June 30, 2011, up \$1.7 billion from \$16.9 billion as at December 31, 2010, largely as a result of the \$1.4 billion in securities purchased under reverse repurchase agreements resulting from a one-time increase in liquidities from the Desjardins network. The Business Services loan portfolio, for its part, grew \$157.3 million or 6% since the beginning of the year as a result of the development efforts deployed to stimulate growth in this portfolio. Loans to the Fédération and to other Desjardins entities were up \$664.1 million since the beginning of the year and totalled \$11.2 billion as at June 30, 2011, which accounted for close to 40% of CCD's total assets. Lastly, the public and parapublic sector loan portfolio, including clients' liability under acceptances, has shrunk by \$649.5 million since the beginning of the year because the outstandings in this portfolio are subject to a cyclical downturn during the summer period.

Deposits amounted to \$20.8 billion as at June 30, 2011, up \$1.7 billion over December 31, 2010. Since the beginning of the year, CCD has made four deposit issuances totalling almost \$2.3 billion: an issue of \$500 million in deposit notes on the Canadian market, two issues totalling more than \$800 million in Canadian mortgage bonds and, lastly, a covered bond issue for US\$1 billion. This was CCD's first issuance of covered bonds, making Desjardins Group the first Canadian cooperative financial institution to issue such bonds on the U.S. market. The main aim of these issuances was to meet the Desjardins network's liquidity needs.

Note that as at June 30, 2011, CCD transferred \$16.1 million from the general reserve to retained earnings in order to eliminate the accumulated deficit as at that date primarily as a result of the changeover to IFRS.

COMMENTS ON THE CONSOLIDATED STATEMENTS OF INCOME AND THE CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

Comparison of the second quarters of 2011 and 2010

Net income for the three-month period ended June 30, 2011 was \$27.9 million, versus \$39.5 million for the corresponding quarter in 2010. Total income stood at \$72.3 million, down \$1.8 million from the previous year.

Although lower than in the previous year, these results were still higher than expected. In fact, in 2011, CCD incurred certain expenses that will have positive spin-offs in the years ahead, in particular regarding the centralization of lending to medium-sized businesses, which used to be handled by several Desjardins components. CCD also adopted a prudent strategy to maintain high liquidity levels and ensure the development of the Desjardins network, which resulted, however, in reduced margins for the Desjardins Group Treasury segment.

Thereby, income from the Desjardins Group Treasury segment was down \$4.7 million from the corresponding period in 2010. Apart from the impact mentioned above, the adoption of IFRS on January 1, 2011 resulted in change of the method used to assess the effectiveness of some hedging relationships of foreign currency deposit issuances was changed. The new method, which is more likely to increase volatility of results, accounted for a \$10.2 million decline in the segment's income from the previous year. These changes are described in Note 4 "Impact of IFRS adoption" to the Condensed Interim Consolidated Financial Statements. Had it not been for this item, the Desjardins Group Treasury segment's total income would have been up by \$5.5 million from the corresponding quarter in 2010, as a result of the disposal of financial instruments that had generated one-time gains over the period. Income from trading portfolios and foreign exchange activities was down from the previous year, in a context in which capital markets provided with fewer opportunities compared to the same period in 2010. In spite of this, total income generated by the Desjardins Group Treasury segment was higher than anticipated.

Total income for the Business Services segment increased by \$2.9 million or 9% to total \$36.0 million for the second quarter of 2011. This excellent performance was attributable in part to the growth in outstandings for the business loan portfolio, which generated a larger net interest margin than in 2010. Moreover, the increase in foreign exchange and funds transfer income due to higher transaction volumes also contributed to the segment's growth in income.

CCD recognized a recovery of \$2.0 million on the provision for credit losses during the second quarter of 2011, because of the decrease in loan commitments in the corporate sector. In 2010, the recovery of non-performing loans and the improved economic outlook accounted for the recognition of a recovery of \$10.2 million. Overall, the quality of the loan portfolio remained excellent, with gross impaired loans representing only 0.2% of total loans.

Non-interest expense totalled \$27.5 million for the second quarter, up \$6.2 million from the corresponding period in 2010. As part of the reorganization of Desjardins Group, and in order to create new synergies and support the performance of both CCD and Desjardins Group, lending to medium-sized businesses and securities lending activities, previously under the responsibility of several different components, were centralized at CCD. These new activities, which will generate additional recurring income for CCD, have on the other hand increased service agreement and outsourcing expenses by \$1.0 million compared to 2010. CCD's greater share of Desjardins Group costs, the annual indexing of salaries and fringe benefits, higher expenses for incentive compensation and restructuring, as well as the non-recurring fees for the changeover to IFRS essentially accounted for the remaining difference from the corresponding quarter of the previous year.

Also related to the deployment of the new organizational structure, because of the drive to centralize activities common to several Desjardins Group components within a single entity, some CCD employees and operations were transferred to other Desjardins network entities at the beginning of 2011. In return, CCD henceforth assumes its share of the cost of these activities, and records this expense under "Service agreements and outsourcing". In connection with the increases in non-interest expense mentioned earlier, these transfers accounted for the changes noted in "Salaries and fringe benefits", "Premises, equipment and furniture, including depreciation", "Fees", and "Service agreements and outsourcing" compared to the same period in 2010. It should be noted, however, that taken as a whole, these transfers did not have a material impact on CCD's total non-interest expense.

Dividends paid to Desjardins Group amounted to \$10.6 million for the second quarter of 2011, up \$0.4 million over 2010, due to the higher volume of foreign exchange transactions with the Desjardins network.

Under the Act respecting the Mouvement Desjardins (the Constituent Legislation), the Board of Directors of CCD may declare interest on capital shares; it then determines the terms of payment. The Board of Directors of CCD has applied the principle of declaring, as remuneration of capital stock, an amount corresponding to its non-consolidated net income, including recovery of related income taxes. This remuneration is distributed on a pro rata basis according to the number of shares held.

For the second quarter of 2011, \$35.6 million was declared as remuneration of capital stock, versus \$52.7 million for the same period the previous year. This decrease was attributable to net income for the quarter that was less than that of the previous year. Remuneration of capital stock payable of \$257.8 million was recorded in the Consolidated Statements of Financial Position as at June 30, 2011. Overall, the amounts paid to the Desjardins network, including other member payments, totalled \$46.2 million for the second quarter of 2011, compared to \$62.9 million for 2010. CCD's contribution to the Desjardins network, as a percentage of capital stock, therefore represented an annualized return of 11.7% for the three months ended June 30, 2011, whereas it was 19.6% the prior year.

Comparison of the first six months of 2011 and 2010

For the six-month period ended June 30, 2011, net income totalled \$55.9 million, versus \$62.2 million for the corresponding period in 2010. Total income stood at \$139.5 million, down \$6.4 million from the previous year.

Although down from the previous year, as previously mentioned, these results were still higher than expected. In 2011, investments were made with a view to generating positive spin-offs in the years ahead. In addition, a prudent strategy to maintain high liquidity levels and ensure the development of the Desjardins network resulted in reduced margins for the Desjardins Group Treasury segment.

Thereby, income from the Treasury segment was down \$12.4 million from the corresponding period in 2010. As already mentioned, the adoption of IFRS on January 1, 2011 caused the method used to assess the effectiveness of some hedging relationships of foreign currency deposit issuances to be changed. Had it not been for this item, the segment's income would have been substantially the same as in the previous year. The decline in income from trading portfolios and foreign exchange activities, in a context where capital markets provided with fewer opportunities compared to the same period in 2010, was offset by the non-recurring gains on the disposal of financial instruments.

Total income for the Business Services segment increased by \$6.0 million or 9% to total \$69.3 million as at June 30, 2011. This excellent performance was largely attributable to the growth in outstandings for the business and personal loan portfolios, which pushed income up by \$1.8 million over the previous year. Loans to medium-sized businesses contributed in particular to this growth, notably because of the acquisition of a loan portfolio from Promutuel Capital Trust Company Inc. on July 2, 2010. The increase in foreign exchange and funds transfer income due to higher transaction volumes also contributed to the segment's growth in income. Lastly, the \$0.9 million increase in loan fee income from the previous year is noteworthy.

CCD recognized a recovery of \$8.8 million on the provision for credit losses during the first half of 2011, because of the decrease in loan commitments combined with the improved economic outlook. In 2010, the decline in non-performing loans was behind the recognition of a recovery of \$1.2 million.

Non-interest expense amounted to \$54.1 million for the first half of 2011, up \$9.3 million from the corresponding period in 2010. As previously mentioned, the centralization of lending to medium-sized businesses and securities lending activities with CCD resulted in a \$2.5 million increase in service agreement and outsourcing expenses over the previous year. CCD's greater share of Desjardins Group costs, the annual indexing of salaries and fringe benefits, higher incentive compensation and restructuring expenses, as well as the fees associated with new sources of financing accounted for the remaining difference from the previous year.

Within the context of creating a new subsidiary of Desjardins Group (Groupe Technologies Desjardins) and the centralization of activities common to several Desjardins Group components within a single entity, some CCD employees and operations were transferred to other Desjardins network entities at the beginning of 2011. In return, CCD henceforth assumes its share of the cost of these activities, and records this expense under "Service agreements and outsourcing". In connection with the increases in non-interest expense mentioned earlier, these transfers accounted for the changes noted in "Salaries and fringe benefits", "Premises, equipment and furniture, including depreciation", "Fees", and "Service agreements and outsourcing" compared to the same period in 2010. It should be noted, however, that taken as a whole, these transfers did not have a material impact on CCD's total non-interest expense.

Dividends paid to Desjardins Group amounted to \$21.2 million for the first half of 2011, up \$1.5 million over 2010, due to the higher volume of foreign exchange transactions.

For the first six months of the year, \$71.7 million was declared as remuneration of capital stock, versus \$87.4 million a year earlier. This decrease was attributable to net income for the quarter that was lower than in the previous year. Overall, the amounts paid to the Desjardins network, including other member payments, totalled \$92.9 million for the second quarter of 2011, compared to \$107.2 million for 2010. CCD's contribution to the Desjardins network, as a percentage of capital stock, therefore represented an annualized return of 11.8%, versus 16.8%.

COMMENTS ON THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Comparison of the second quarters of 2011 and 2010

For the quarter ended June 30, 2011, CCD's consolidated comprehensive income stood at \$32.5 million versus \$55.0 million for the corresponding period in 2010. Total other comprehensive income for the period represented a gain of \$4.6 million compared to \$15.5 million in 2010. This decrease in comprehensive income compared to the previous year was due to the change in the fair value of available-for-sale securities and to the lower unrealized gains on derivative financial instruments designated as cash flow hedges.

Comparison of the first six months of 2011 and 2010

For the six-month period ended June 30, 2011, CCD's consolidated comprehensive income totalled \$43.9 million versus \$76.5 million for the corresponding period in 2010. Total other comprehensive income for the period represented a loss of \$12.0 million compared to a gain of \$14.3 million in 2010. The lower comprehensive income compared to the previous year was due essentially to unrealized losses on derivative financial instruments designated as cash flow hedges.

LIQUIDITY AND SOURCES OF FINANCING

Treasury

The management framework for CCD's liquidity and sources of financing is discussed on page 42 of CCD's 2010 Annual Report. According to management, the liquidity and sources of financing are still appropriate for CCD's business strategies and liquidity risk tolerance.

Cash and securities as at June 30, 2011 totalled \$7.2 billion, down \$460.0 million from the end of 2010. The ratio of cash and securities to total assets stood at 25% at the end of the second quarter, versus 28% at the end of December 2010, and largely exceeded regulatory requirements. It should be remembered that liquidities represent the aggregate of securities, and cash and deposits with financial institutions. Securities are largely comprised of securities issued by governments and public bodies.

Despite an economic recovery and lower unemployment in Canada during the first six months of 2011, the state of the economy in the United States and several European countries forced the Bank of Canada to maintain the current degree of monetary relaxation, despite current inflationary pressures. As a result of the record level of sovereign debt in the United States and Europe, rating agencies have downgraded the ratings of a number of countries in recent months. Bond rates for Canadian debt have steadily declined over the second quarter, and the consensus regarding a hike in Canada's key interest rate, forecast for the second quarter of 2011 six months ago, is now for an increase at the end of 2011 only.

The CCD's sources of funding are the money market, the Mortgage-Backed Securities Program for the Desjardins network as well as the issue of commercial paper, medium-term deposit notes and covered bonds.

Comparison of the first six months of 2011 and 2010

Because of the nature of CCD's activities, most income and expense components are cash items. Furthermore, certain activities generate considerable cash flows that can have an impact on a number of assets and liabilities, such as securities at fair value through profit or loss, securities sold short or securities sold under repurchase agreements.

For the first half of 2011, "Cash and cash equivalents" decreased by \$51.1 million, compared to an increase of \$288.4 million for the corresponding period in 2010. As at June 30, 2011, cash and cash equivalents stood at \$429.6 million, compared to \$335.6 million as at June 30, 2010.

Operating activities have required liquidity of \$553.6 million since the beginning of the year, which is explained by the \$2.0 billion growth in loans partially offset by the \$1.7 billion deposit issue. In 2010, operating activities generated \$478.9 million in liquidity because of the \$708.4 million change in the fair value of derivative financial instruments. The \$3.6 billion increase in deposits had been offset by equivalent growth in loans and securities at fair value through profit or loss.

Financing activities have not required any liquidity since the beginning of the year. In 2010, CCD issued shares of capital stock and made a payment for remuneration of capital stock, which accounted for the liquidities of \$168.3 million generated by these activities.

Lastly, the cash flows generated by investing activities totalled \$502.5 million because of the decrease in available-for-sale securities, while in 2010, the liquidities required were due to the increase in such securities.

SOURCES OF FINANCING

In order to maintain stable and diversified funding, CCD ensures the diversification of its sources of financing from institutional capital markets. It therefore regularly resorts to the Canadian money market as well as to the US and European money markets when the conditions are favourable, and occasionally makes public and private issues of term notes on the Canadian, US and European money markets.

Since the liquidity requirements of the Desjardins network have decreased from those initially projected in the funding plan, Desjardins Group Treasury has a higher-than-projected liquidity level to meet its financing needs. CCD nevertheless participated in the Canada Mortgage and Housing Corporation's Mortgage-Backed Securities Program for \$313.5 million during the second quarter.

Medium-term debt issues made by CCD totalled close to \$2.3 billion since the beginning of 2011, making it possible to offset the maturities of European deposit notes during the same period.

CAPITALIZATION

CCD's capital ratios are calculated according to the guideline on standards governing the adequacy of base capital 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. Credit and market risk exposures are assessed according to a standardized approach, while operational risk is calculated using the basic indicator approach.

According to these standards, CCD must at all times maintain capital in accordance with the following ratios:

- a) Its total capital must be greater than or equal to 5% of its total assets adjusted on the basis of the standards;
- b) Its total capital must be greater than or equal to 8% of its risk-weighted assets, of which at least one half is Tier I capital.

Furthermore, the member federations formally undertook to maintain, in proportion to their respective holdings, CCD's total capital at a minimum level of (i) 5.5% of its total assets, or if higher, at (ii) 8.5% of its risk-weighted assets, as determined in accordance with the established standards.

The goal of capital management at CCD 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.

The capital/asset ratio as at June 30, 2011, determined under the Basel II regulatory framework, was 5.87% compared to 6.30% as at December 31, 2010. Tier I capital and total capital ratios determined under the Basel II regulatory framework and based on risk-weighted assets stood at 16.9% and 17.6%, respectively, compared to 17.6% and 18.4% at the end of last year. The regulatory capital ratios for 2011 are calculated in accordance with the IFRS in effect. The regulatory capital ratios for 2010 were calculated in accordance with GAAP.

The issued and outstanding capital stock of CCD is composed of 1,587,203 Class A capital shares and 600 qualifying shares .

Rating agencies

CCD enjoys premium credit ratings from rating agencies. Its ratings are among the best of the major banking institutions in Canada. The reports of the rating agencies primarily deal with Desjardins Group, on a combined basis, since the credit ratings of the CCD are backed by the financial strength of the caisses.

During the second quarter, rating agencies have maintained CCD's credit ratings, thus recognizing the very strong capitalization of the Desjardins Group, the stability of its operating surplus earnings, its leading role in local markets and the quality of its assets. On June 20, 2011, the DBRS agency confirmed CCD's credit ratings. This confirmation arrives at the moment where the financial markets are experiencing certain difficulties. It is to be noted that on April 7, 2011, Moody's raised its outlook on CCD's rating from negative to stable. The agency explained this change by the actions taken by Desjardins Group to implement a risk management better integrated for new financial instruments or structures.

The high credit ratings reflect the financial strength of Desjardins Group and its network of caisses and ensure the Group's credibility and recognition among institutional investors.

CCD's credit ratings

Rating agencies	Short-term rating	Medium and long-term rating
Standard & Poor's	A-1+	AA-
Fitch	F1+	AA-
Moody's Investors Service	P-1	Aa1
Dominion Bond Rating Service	R-1 (high)	AA

Additional credit risk data

Table II

COMPOSITION OF REGULATORY CAPITAL

As at June 30, 2011

(in thousands of dollars)

Tier I capital

Capital stock	\$ 1,587,206
General reserve	4,695
Retained earnings	-
Deferral attributable to the coming into force of IFRS	15,069

Total Tier I capital	\$ 1,606,970
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Tier II capital

Eligible general allowance	\$ 64,723
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Total Tier II capital	\$ 64,723
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Total capital	\$ 1,671,693
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Table III

RISK-WEIGHTED ASSETS

As at June 30, 2011

(in thousands of dollars)

	Exposures ¹	Risk-weighted assets	Average risk-weighting rate (%)
Credit risk			
Sovereign borrowers	\$ 6,074,435	\$ -	-
Financial institutions	17,568,677	3,509,595	20
Business	4,784,246	3,898,378	81
Mortgages	268,811	36,434	14
Other retail client exposure	17,490	13,118	75
Securitization	21,690	75,917	350
Equities	15,341	15,341	100
Trading portfolio	378,823	101,477	27
Other assets	3,142,297	528,452	17
Total credit risk	\$ 32,271,810	\$ 8,178,712	25%
Market risk		767,074	
Operational risk²		544,584	
Total risk-weighted assets		\$ 9,490,370	

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 Guideline).

² The basic indicator approach was used to assess operational risk.

Table IV

RISK EXPOSURE BY ASSET CLASS

As at June 30, 2011 <i>(in thousands of dollars)</i>	Exposure used	Unused exposure	Off-balance sheet exposure¹	Total	Net exposure²
Standardized approach					
Sovereign borrowers	\$ 5,222,392	\$ 491,937	\$ 1,051,890	\$ 6,766,219	\$ 6,074,435
Financial institutions	13,834,701	2,657,242	4,467,290	20,959,233	17,568,677
Business	2,760,922	1,925,119	138,550	4,824,591	4,784,246
Mortgages	268,811	-	-	268,811	268,811
Other retail client exposure	831,784	100	-	831,884	17,490
Securitization	21,690	-	-	21,690	21,690
Equities	15,341	-	-	15,341	15,341
Trading portfolio	-	-	595,847	595,847	378,823
TOTAL	\$ 22,955,641	\$ 5,074,398	\$ 6,253,577	\$ 34,283,616	\$ 29,129,513

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 techniques.

Table V

GROSS EXPOSURE BY ASSET CLASS AND BY RISK TRANCHE¹

As at June 30, 2011 <i>(in thousands of dollars)</i>	0%	20%	35%	50%	75%	100%	Other	Total
Sovereign borrowers	\$ 6,766,219	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,766,219
Financial institutions	-	21,083,093	-	-	-	-	-	21,083,093
Business	-	128,192	-	-	-	4,677,948	29,827	4,835,967
Mortgages	-	-	259,082	-	-	9,729	-	268,811
Other retail client exposure	-	-	-	-	831,884	-	-	831,884
Securitization	-	-	-	-	-	-	21,690	21,690
Equities	-	-	-	-	-	15,341	-	15,341
Trading portfolio	25,869	529,481	-	3,108	-	37,305	84	595,847
Total	\$ 6,792,088	\$ 21,740,766	\$ 259,082	\$ 3,108	\$ 831,884	\$ 4,740,323	\$ 51,601	\$ 34,418,852

¹ Exposures before specific allowances for losses and before CRM.

RISK MANAGEMENT

Counterparty and issuer risk

A large proportion of the securities in all the securities portfolios held by CCD are issued or guaranteed by public or parapublic entities. The portfolios are concentrated with Canadian issuers and counterparties of extremely 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. The amounts are then allocated to various components based on their needs.

Market risk management

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, credit spreads and their volatility.

CCD is exposed to market risk primarily through positions taken in the course of its traditional financing and trading activities. CCD has adopted policies that set out the principles, limits and procedures to use in managing market risk.

Interest rate risk management

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

Sound and prudent management is applied to optimize net interest income while minimizing the negative impact of interest rate movements. The policies established describe the principles, limits and procedures that apply to interest rate risk management. Simulations are used to measure the impact of different variables on changes in net interest income and the economic value of equity. The Desjardins Group Asset/Liability Committee ("Asset/Liability Committee") is responsible for analyzing and approving the global matching strategy on a monthly basis while respecting the parameters defined in interest rate risk management policies.

The table below 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.

Table VI

INTEREST RATE SENSITIVITY (BEFORE INCOME TAXES)

(in thousands of dollars)

	June 30, 2011	March 31, 2011
Impact on the economic value of equity of a 100-basis-point increase in interest rates	\$ (1,811)	\$ 295
Impact on the economic value of equity of a 100-basis-point decrease in interest rates	1,369	(519)

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

Some Consolidated Statements of Financial Position items are considered non rate-sensitive instruments, as for instance: non-performing loans, non-interest-bearing deposits, non-maturity deposits with an interest rate not referenced to a specific rate such as the prime rate, and equity. Conservative assumptions are used regarding the maturity profile in our models in order to determine their interest rate sensitivity.

Foreign exchange risk management

Foreign exchange risk arises when the actual or expected value of assets denominated in a foreign currency is higher or lower than that of liabilities denominated in the same currency. CCD has established a specific policy to manage foreign exchange risk. However, its exposure to this risk is limited.

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

The market risk of trading portfolios is managed daily within the framework of a specific policy for that purpose.

The main tool used to measure the market risk of trading portfolios is “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 table below presents the aggregate VaR of CCD 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. Interest rate and foreign exchange risks are the two risk categories to which CCD is exposed. The definition of trading portfolio meets the various criteria defined in the Basel II Capital Accord.

Table VII

VaR BY RISK CATEGORY (trading portfolio)

	As at	For the quarter ended			As at	For the quarter ended		
	June 30, 2011	June 30, 2011			March 31, 2011	March 31, 2011		
(in thousands of dollars)		Average	High	Low		Average	High	Low
Foreign exchange	\$ 24	\$ 84	\$ 526	\$ 2	\$ 297	\$ 168	\$ 490	\$ 8
Interest rate	273	459	989	213	495	439	670	294
Diversification effect ¹	(15)	(68)	N/A ²	N/A ²	(262)	(144)	N/A ²	N/A ²
Aggregate VaR	\$ 282	\$ 475	\$ 1,040	\$ 216	\$ 530	\$ 463	\$ 701	\$ 322

¹ Risk reduction related to diversification, i.e., 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 June 30, 2011, aggregate VaR was \$282,000 with the interest rate VaR being the largest component. This aggregate VaR was lower than its quarterly average of \$475,000. The risk mitigation related to diversification was \$15,000 as at June 30, 2011.

Back testing

Back testing is conducted to validate the VaR model used by comparing the VaR daily with profits or losses (“P&L”) on CCD’s portfolios.

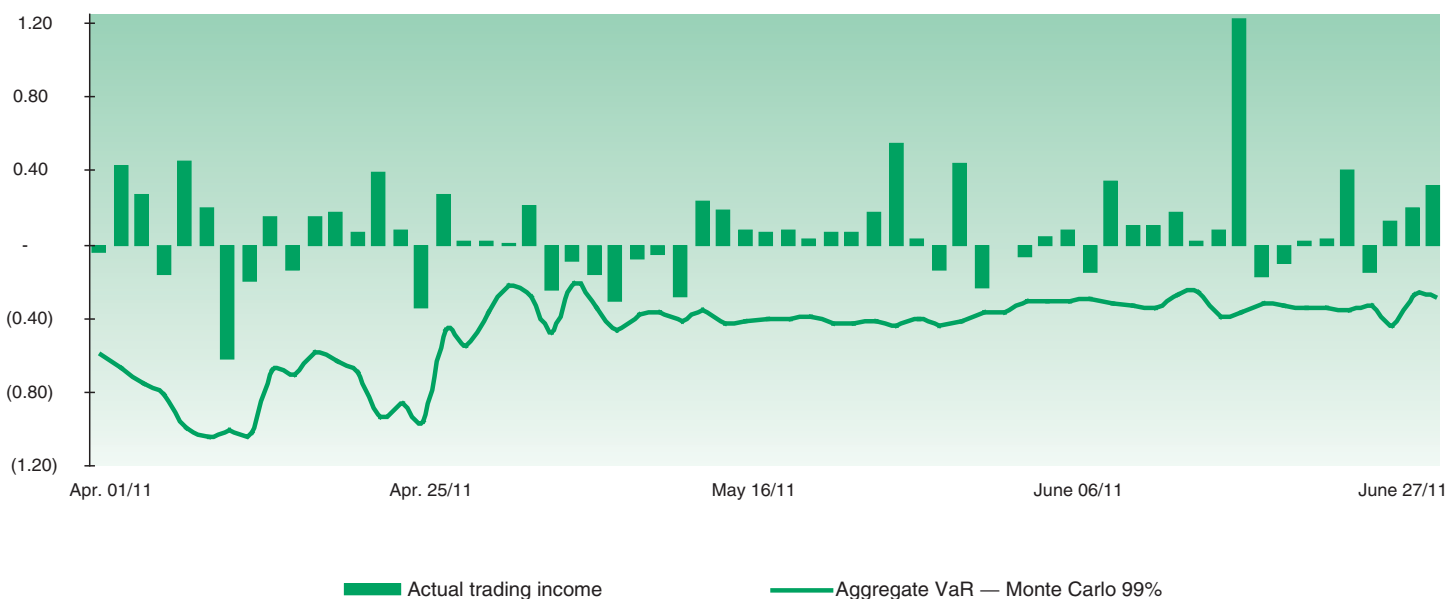
CCD carries out back testing daily, applying a hypothetical P&L to its trading portfolios. The hypothetical P&L is calculated by determining the difference in value resulting from changes in market conditions between two consecutive days. The portfolio mix between these two days remains static.

The chart below presents changes in VaR for trading activities as well as income related to these activities. During the second quarter of 2011, losses never exceeded VaR.

Chart I

VALUE-AT-RISK AND TRADING INCOME

(in millions of dollars)



ADDITIONAL INFORMATION RELATED TO EXPOSURE TO CERTAIN RISKS

Exposure to subprime residential and Alt-A mortgages

As part of its operations, CCD 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, CCD's exposure to subprime residential mortgage loans was less than \$1 million (less than \$2 million as at December 31, 2010). Only one of these loans is currently in default. Its exposure to Alt-A mortgage loans was \$43.9 million (\$48.5 million as at December 31, 2010). Subprime residential and Alt-A mortgage loans are recorded on the Consolidated Statements of Financial Position as loans measured at amortized cost. As at June 30, 2011, total subprime residential mortgage loans and Alt-A mortgage loans represented less than 0.2% of CCD's total assets, unchanged from December 31, 2010.

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 level of debt is very high compared to other companies in the same industry) was \$66.5 million as at June 30, 2011 versus \$78.7 million as at December 31, 2010. This exposure is in the form of disbursed and undisbursed commitments. Leveraged finance loans are generally used to achieve a specific objective, such as making an acquisition, or effecting a takeover or share buy-back. Leveraged finance loans are presented on the Consolidated Statements of Financial Position as loans and receivables and totalled less than 0.3% (also less than 0.3% as at December 31, 2010) of CCD's total assets.

Securitization

CCD participates in the National Housing Act Mortgage-Backed Securities Program. These transactions involve the use of off-balance sheet arrangements with special purpose entities. The special purpose entity used by CCD is Canada Housing Trust, set up by CMHC under the Canada Mortgage Bonds Program. These arrangements are described under "Off-Balance Sheet Arrangements" on page 44 of the 2010 Annual Report.

Special purpose entities

Table VIII presents information concerning unconsolidated special purpose entities. The securities held by CCD, as mentioned in the table, are amounts invested in hedge funds under certain Desjardins Group guaranteed-capital savings programs. Desjardins Group is continuing to implement its plan for the complete withdrawal of the amounts invested in these hedge funds.

Table VIII

UNCONSOLIDATED SPECIAL PURPOSE ENTITIES

As at June 30, 2011 <i>(in thousands of dollars)</i>	CCD exposure	Total assets of special purpose entities
Loans by CCD to entities included in the scope of consolidation of Desjardins Group ¹	\$ 1,267,527	\$ 22,576,147
Securities held by CCD, including \$6,735 in entities included in the scope of consolidation of Desjardins Group	7,366	22,259

¹ CCD benefits from a guarantee from the Fédération amounting to \$1,092,527.

QUARTERLY FINANCIAL INFORMATION

The table below summarizes information from the statement of income for CCD's most recent eight quarters.

Table IX

	2011		2010				2009	
			In accordance with IFRS				In accordance with GAAP	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<i>(In thousands of dollars)</i>								
(for the quarter)								
CONSOLIDATED STATEMENTS OF INCOME								
Net interest income	\$ 62,940	\$ 63,288	\$ 58,643	\$ 60,780	\$ 62,077	\$ 62,252	\$ 57,991	\$ 65,440
Other income	9,382	3,883	6,335	(1,897)	12,060	9,530	4,468	8,286
Provision for credit losses (recovery)	(2,049)	(6,789)	(13,719)	(14,614)	(10,203)	8,955	8,749	(1,143)
Non-interest expense	27,535	26,591	17,241	23,217	21,300	23,574	30,522	21,960
Operating income before other payments to the Desjardins network	46,836	47,369	61,456	50,280	63,040	39,253	23,188	52,909
Other payments to the Desjardins network	10,634	10,598	10,510	9,113	10,175	9,565	9,175	9,459
Operating income	36,202	36,771	50,946	41,167	52,865	29,688	14,013	43,450
Income tax expense	8,350	8,695	12,197	9,266	13,414	6,947	3,172	10,193
Net income	\$ 27,852	\$ 28,076	\$ 38,749	\$ 31,901	\$ 39,451	\$ 22,741	\$ 10,841	\$ 33,257

CORRESPONDENCE TABLE FOR GAAP AND IFRS TERMINOLOGY

Table X

Generally Accepted Accounting Principles (GAAP)	International Financial Reporting Standards (IFRS)
Accrued benefit obligations	Defined benefit liabilities
Accrued benefit obligations	Defined benefit plan liabilities
Commitments related to securities lent or sold under repurchase agreements	Commitments related to securities sold under repurchase agreements
Consolidated Balance Sheets	Consolidated Statements of Financial Position
Future tax assets	Deferred tax assets
Gross income	Total income
Interim Consolidated Financial Statements	Condensed Interim Consolidated Financial Statements
Net income	Net income, profit or loss
Net income before income taxes	Operating income
Provision for credit losses	Provision for credit losses (recovery)
Securities held for trading	Securities at fair value through profit or loss

Condensed Interim Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited)

<i>(in thousands of Canadian dollars)</i>	June 30, 2011	December 31, 2010	January 1, 2010 (Note 4)
ASSETS			
Cash and deposits with financial institutions	\$ 543,949	\$ 585,275	\$ 196,321
Securities	Note 7		
Securities at fair value through profit or loss	2,438,907	2,360,718	2,311,342
Available-for-sale securities	4,177,629	4,674,513	2,788,804
	6,616,536	7,035,231	5,100,146
Loans	Note 8		
	18,311,285	16,282,556	13,210,480
Allowances for credit losses	(56,131)	(66,049)	(105,883)
	18,255,154	16,216,507	13,104,597
Other assets			
Clients' liability under acceptances	310,800	672,200	750,500
Derivative financial instruments	Note 11	2,085,255	2,819,219
Deferred tax assets	20,911	23,591	30,413
Other	745,115	638,607	623,023
	3,031,029	3,419,653	4,223,155
TOTAL ASSETS	\$ 28,446,668	\$ 27,256,666	\$ 22,624,219
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Deposits			
Payable on demand	3,600,157	3,490,458	2,714,943
Payable on a fixed date	17,183,288	15,591,995	12,110,971
	20,783,445	19,082,453	14,825,914
Other liabilities			
Acceptances	310,800	672,200	750,500
Commitments related to securities sold short	342,392	156,641	167,060
Commitments related to securities sold under repurchase agreements	929,944	1,408,676	986,595
Derivative financial instruments	Note 11	2,675,700	2,724,607
Defined benefit plan liabilities	24,803	31,482	33,145
Other	2,099,565	1,598,061	1,817,531
	6,038,160	6,542,760	6,479,438
TOTAL LIABILITIES	26,821,605	25,625,213	21,305,352
MEMBERS' EQUITY			
Capital stock	1,587,206	1,587,206	1,287,206
Retained earnings	-	(21,777)	(10,923)
Accumulated other comprehensive income	Note 12	33,163	45,179
General reserve	Note 15	4,694	20,845
TOTAL MEMBERS' EQUITY	1,625,063	1,631,453	1,318,867
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 28,446,668	\$ 27,256,666	\$ 22,624,219

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

On behalf of the Board of Directors of Caisse centrale Desjardins,

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

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

CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2011	2010	2011	2010
<i>(in thousands of Canadian dollars)</i>				
INTEREST INCOME				
Loans	\$ 103,698	\$ 53,367	\$ 199,006	\$ 106,414
Securities	44,683	54,806	92,734	98,379
	148,381	108,173	291,740	204,793
INTEREST EXPENSE				
Deposits	85,441	46,096	165,512	80,464
	85,441	46,096	165,512	80,464
NET INTEREST INCOME	62,940	62,077	126,228	124,329
OTHER INCOME				
Service charges on chequing and deposit accounts	5,231	5,369	9,789	9,447
Net foreign exchange income	10,749	14,089	21,724	24,233
Trading activities	(1,590)	(9,679)	(18,543)	(17,939)
Net (losses) gains on available-for-sale securities	(8,236)	59	(4,842)	1,259
Credit fees	1,283	1,220	2,717	2,352
Management fees	1,065	525	2,063	1,050
Other	880	477	357	1,188
	9,382	12,060	13,265	21,590
TOTAL INCOME	72,322	74,137	139,493	145,919
PROVISION FOR CREDIT LOSSES (RECOVERY)	(2,049)	(10,203)	(8,838)	(1,248)
	74,371	84,340	148,331	147,167
NON-INTEREST EXPENSE				
Salaries and fringe benefits	7,958	8,795	16,133	17,986
Premises, equipment and furniture, including depreciation	2,812	4,047	5,610	7,761
Service agreements and outsourcing	9,087	2,711	18,222	5,151
Fees	2,378	1,896	4,328	4,195
Other	5,300	3,851	9,833	9,781
	27,535	21,300	54,126	44,874
OPERATING INCOME BEFORE PAYMENTS TO THE DESJARDINS NETWORK	46,836	63,040	94,205	102,293
Other payments to the Desjardins network	10,634	10,175	21,232	19,740
OPERATING INCOME	36,202	52,865	72,973	82,553
Income taxes	8,350	13,414	17,045	20,361
NET INCOME FOR THE PERIOD	\$ 27,852	\$ 39,451	\$ 55,928	\$ 62,192

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2011	2010	2011	2010
<i>(in thousands of Canadian dollars)</i>				
Net income for the period	\$ 27,852	\$ 39,451	\$ 55,928	\$ 62,192
Other comprehensive income, net of income taxes				
		Note 14		
Net unrealized (losses) gains on available-for-sale securities	(4,169)	6,451	(4,505)	3,768
Reclassification to the Consolidated Statements of Income of losses (gains) on available-for-sale securities	6,361	(57)	3,740	(984)
	2,192	6,394	(765)	2,784
Net gains (losses) on derivative financial instruments designated as cash flow hedges	1,348	6,785	(12,750)	9,642
Reclassification to the Consolidated Statements of Income of losses on derivative financial instruments designated as cash flow hedges	1,077	2,239	1,577	1,838
	2,425	9,024	(11,173)	11,480
Net unrealized exchange (losses) gains on the translation of the financial statements of a self-sustaining foreign operation, net of a gain of \$0.6 million and a loss of \$0.2 million on hedging transactions for the six-month periods ended June 30, 2011 and 2010, respectively (gain of \$0.1 million and loss of \$0.7 million for the three-month periods)	(13)	119	(78)	4
Total other comprehensive income	4,604	15,537	(12,016)	14,268
Comprehensive income for the period	\$ 32,456	\$ 54,988	\$ 43,912	\$ 76,460

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
(unaudited)

For the six-month periods ended June 30 <i>(in thousands of Canadian dollars)</i>		Capital stock	Deficit	General reserve	Accumulated other comprehensive income	Total members' equity
Balance at December 31, 2010	Note 4	\$ 1,587,206	\$ (21,777)	\$ 20,845	\$ 45,179	\$ 1,631,453
Net income for the period		-	55,928	-	-	55,928
Remuneration of capital stock		-	(71,718)	-	-	(71,718)
Recovery of income taxes related to remuneration of capital stock		-	16,325	-	-	16,325
Other comprehensive income for the period		-	-	-	(12,016)	(12,016)
Related party transactions	Note 17	-	5,091	-	-	5,091
Transfer from the general reserve - appropriation to retained earnings of amounts required to eliminate the deficit	Note 15	-	16,151	(16,151)	-	-
Balance at June 30, 2011		\$ 1,587,206	\$ -	\$ 4,694	\$ 33,163	\$ 1,625,063
Balance at January 1, 2010	Note 4	1,287,206	(10,923)	20,845	21,739	1,318,867
Issuance of Class A capital shares		300,000	-	-	-	300,000
Net income for the period		-	62,192	-	-	62,192
Remuneration of capital stock		-	(87,420)	-	-	(87,420)
Recovery of income taxes related to remuneration of capital stock		-	19,906	-	-	19,906
Other comprehensive income for the period		-	-	-	14,268	14,268
Balance at June 30, 2010	Note 4	\$ 1,587,206	\$ (16,245)	\$ 20,845	\$ 36,007	\$ 1,627,813

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

For the six-month periods ended June 30

(in thousands of Canadian dollars)

	2011	2010
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Operating income	\$ 72,973	\$ 82,553
Adjustments for:		
Depreciation of premises and equipment and amortization of intangible assets	3,664	4,010
Provision for credit losses (recovery)	(8,838)	(6,094)
Net losses (gains) on available-for-sale securities	4,842	(1,259)
Change in operating assets and liabilities:		
Securities at fair value through profit or loss	(78,189)	(987,680)
Loans	(2,029,707)	(2,704,058)
Derivative financial instruments, net amount	(213,992)	708,429
Deposits	1,700,992	3,601,236
Commitments related to securities sold short	185,751	(105,197)
Commitments related to securities sold under repurchase agreements	(478,732)	621,659
Other	288,885	(714,786)
Income taxes paid	(1,266)	(19,917)
	(553,617)	478,896
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Issuance of capital shares	-	300,000
Remuneration of capital stock paid	-	(131,673)
	-	168,327
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of available-for-sale securities	(3,737,600)	(1,852,042)
Proceeds from disposals of available-for-sale securities	4,008,783	1,191,313
Proceeds from maturities of available-for-sale securities	233,700	302,757
Disposals (acquisitions) of premises and equipment and intangible assets	(2,341)	(901)
	502,542	(358,873)
Net (decrease) increase in cash and cash equivalents	(51,075)	288,350
Cash and cash equivalents at beginning of period	480,698	47,235
Cash and cash equivalents at end of period	429,623	335,585
Composition of cash and cash equivalents		
Cash	293,964	975
Deposits with financial institutions	249,985	451,882
Cheques and other items in transit (net amount)	(114,326)	(117,272)
	\$ 429,623	\$ 335,585
Supplemental information of cash flows from operating activities		
Interest paid	216,901	131,950
Interest received	317,432	218,997

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

Notes to the Condensed Interim Consolidated Financial Statements

(unaudited)
AS AT JUNE 30, 2011

(Dollar amounts presented in the tables of the Notes to the Interim Consolidated Financial Statements are in thousands of Canadian dollars, unless otherwise stated.)

NOTE 1 – INFORMATION ON CAISSE CENTRALE DESJARDINS

Nature of operations

Caisse centrale Desjardins du Québec (CCD), created on June 22, 1979, is a cooperative institution that offers financial services to Desjardins Group, governments, public and parapublic sector institutions, individuals, medium-sized businesses and large corporations. It serves the needs of its parent company, the Fédération des caisses Desjardins du Québec (the Fédération), the Desjardins caisses (the member caisses) and other Desjardins Group components. CCD's mandate is to provide institutional funding for the Desjardins network and to act as financial agent, notably by supplying interbank exchange services, including clearing house settlements. CCD's activities on the Canadian and international markets complement those of other Desjardins Group entities. The Desjardins network comprises the entities included in the scope of consolidation of Desjardins Group. The various business segments in which CCD operates are described in Note 16 "Segmented information".

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

A) GENERAL INFORMATION

Adoption of International Financial Reporting Standards (IFRS)

These Interim Consolidated Financial Statements have been prepared by CCD's management in accordance with International Financial Reporting Standards (IFRS) and the accounting requirements of the Autorité des marchés financiers (AMF), which do not differ from IFRS.

These Interim Consolidated Financial Statements are prepared under IFRS, in accordance with the decision of the Canadian Accounting Standards Board to require that publicly accountable enterprises apply this new framework to the years that have begun since January 1, 2011. Previously, CCD applied Canadian generally accepted accounting principles (GAAP), which have been carried forward in Part V of the CICA Handbook – Accounting. IFRS were applied retrospectively, with the exception of certain optional exemptions and mandatory exceptions under IFRS 1, "First-Time Adoption of International Financial Reporting Standards". The effects of this change of accounting framework on CCD's consolidated income and financial position, and the methods used to calculate them, are presented in Note 4, "Impact of IFRS adoption". The 2010 comparative figures presented in these Interim Consolidated Financial Statements have been restated to take into account these new standards.

These Interim Consolidated Financial Statements should be read in conjunction with the audited Annual Consolidated Financial Statements for the year ended December 31, 2010 prepared in accordance with GAAP.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Statement of compliance

The Interim Consolidated Financial Statements of CCD have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (IASB), and more specifically in accordance with IAS 34, "Interim Financial Reporting", and IFRS 1, "First application of International financial reporting Standards", as they are included in the period covered by CCD's first financial statements for the year ending December 31, 2011. They have been prepared using the IFRS accounting policies that, in CCD's opinion, are expected to be adopted for the annual financial statements for the year ending December 31, 2011. These Interim Consolidated Financial Statements were approved by the Board of Directors of CCD on August 12, 2011.

The significant measurement and presentation rules applied to prepare these Interim Consolidated Financial Statements are described below.

Scope of the group

The scope of these Interim Consolidated Financial Statements of CCD consists of the operations of CCD and its wholly-owned U.S. subsidiary, Desjardins FSB Holdings Inc.

The financial statements of the two group entities have been prepared for the same reference period using similar accounting policies. All intercompany balances, income and expenses as well as gains and losses on internal transactions have been eliminated.

CCD consolidates the distinct legal structures specifically created to manage a transaction or a group of similar transactions (special purpose entities), even if it has no equity interest in these entities, provided that it exercises, in substance, control based on the following criteria:

- the activities of the entity are being conducted exclusively on behalf of CCD, so that CCD obtains benefits for the entity's operations;
- CCD has the decision-making and management powers to obtain the majority of the benefits of the ongoing activities of the entity. These powers are characterized, in particular, by the ability to dissolve the entity, to modify its statutes or to formally veto any modification thereto;
- CCD has the ability to obtain the majority of the benefits of the entity and therefore may be exposed to risks incident to the activities of the entity. These benefits may take the form of rights to receive some or all of the profit or loss of the entity, measured on an annual basis, a share of its net assets, to sell one or more assets or receive the majority of the residual assets in the event of liquidation;
- CCD retains the majority of the risks taken by the entity in order to obtain benefits from its activities; this would be the case if CCD remains exposed to the initial losses on the asset portfolio held by the entity.

Significant judgments, estimates and assumptions

The preparation of Interim Consolidated Financial Statements in accordance with IFRS requires management to make judgments, estimates and assumptions, that are described in the following significant accounting policies with respect to fair value measurement of financial instruments, allowance for credit losses, objective evidence of impairment of available-for-sale securities, impairment of non-financial assets, income taxes and employee benefits.

B) FINANCIAL ASSETS AND LIABILITIES

Financial assets mainly consist of securities, loans and derivative financial instruments, whereas financial liabilities mainly include deposits and derivative financial instruments.

Financial assets and liabilities are recognized on the date CCD becomes a party to their contractual provisions, namely the date of acquisition of the financial instrument.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Classification and measurement

Financial assets and liabilities are classified based on their characteristics and the intention of management upon their acquisition.

The classification of financial assets can be summarized as follows:

Categories		Classes	Recognition	
			Initial	Subsequent
Financial assets	Financial assets at fair value through profit or loss (i)	Financial assets held for trading (ii)	Fair value	Fair value
		Financial assets designated as at fair value through profit or loss (iii)	Fair value	Fair value
	Loans and receivables (iv)		Fair value	Amortized cost
	Available-for-sale financial assets (v)		Fair value	Fair value
	Held to maturity (vi)		Fair value	Amortized cost

(i) Financial assets classified in the “At fair value through profit or loss” category include financial assets “Held for trading” and financial assets “Designated as at fair value through profit or loss”.

- changes in fair value of assets classified in this category are recorded in profit or loss under “Trading activities”.
- interest income from the financial assets classified in the “At fair value through profit or loss” category is recognized under “Interest income – Securities”.

(ii) Financial assets classified as “Held for trading” include:

- cash and deposits with financial institutions;
- securities acquired for resale purposes in the near term and securities that are part of a portfolio of securities that are managed together and for which there is evidence of an actual pattern of short-term profit-taking;
- derivative financial instruments; and
- derivative financial instruments designated as fair value or cash flow hedging elements cannot be classified in this category.

(iii) Financial assets classified as “Designated as at fair value through profit or loss” are essentially securities designated as such by management upon initial recognition, on an instrument by instrument basis. Management may designate a financial instrument as at fair value through profit or loss upon initial recognition when one of the following conditions is met:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency;
- the assets are part of a group of financial assets or financial assets and liabilities that is managed and whose performance is evaluated on a fair value basis;
- the financial instrument contains one or more embedded derivatives that significantly modify the cash flows and that would otherwise be separated from their host contract.

(iv) Securities classified in the “Loans and receivables” category are non-derivative financial assets with fixed or determinable income that are not quoted in an active market and that are not held for sale upon their acquisition or their granting. Securities in this category include “Loans”, “Clients’ liability under acceptances” and “Other assets”.

Outstanding securities classified in the “Loans and receivables” category are initially recognized at fair value in the Consolidated Statements of Financial Position and, at subsequent reporting dates, they are measured at amortized cost using the effective interest method. Income recognized on securities in the “Loans and receivables” category is presented under “Interest income – Loans” in the Consolidated Statements of Income.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- (v) Securities classified in the “Available-for-sale securities” category are non-derivative financial assets that are initially designated as available for sale or that are not classified in the “At fair value through profit or loss”, “Held to maturity” or “Loans and receivables” categories. Available-for-sale securities can be sold further to or in view of fluctuations in interest rates, exchange rates, prices of equity instruments or changes in financing sources or terms, or to meet the liquidity needs of CCD.

Gains and losses resulting from changes in fair value, except for impairment losses and foreign exchange gains and losses, are recognized in the Consolidated Statements of Comprehensive Income under “Net unrealized (losses) gains on available-for-sale securities” until the financial asset is derecognized. Premiums and discounts on the purchase of available-for-sale securities are amortized over the life of the security using the effective interest method and recognized in consolidated profit or loss.

- (vi) Securities classified in the “Held to maturity” category are non-derivative financial assets with fixed or determinable payments and fixed maturity that management has the intention and ability to hold to maturity. These securities are recognized at amortized cost using the effective interest method.

CCD held no instrument in this category at the reporting dates.

The classification of financial liabilities can be summarized as follows:

Categories		Classes	Recognition	
			Initial	Subsequent
Financial liabilities	Financial liabilities at fair value through profit or loss (i)	Financial liabilities held for trading (ii)	Fair value	Fair value
		Financial liabilities designated as at fair value through profit or loss (iii)	Fair value	Fair value
	Financial liabilities at amortized cost (iv)		Fair value	Amortized cost

- (i) Financial liabilities classified in the “At fair value through profit or loss” category include financial liabilities “Held for trading” and financial liabilities “Designated as at fair value through profit or loss”:

- changes in fair value of liabilities classified in this category are recorded in profit or loss under “Trading activities”.
- interest expense related to financial liabilities classified in the “At fair value through profit or loss” category is recognized under “Trading activities” using the effective interest method.

- (ii) Financial liabilities classified as “Held for trading”, are debt securities issued with the intention to repurchase them in the near term and securities that are part of a portfolio of securities that are managed together and for which there is evidence of an actual pattern of short-term profit-taking, such as “Commitments related to securities sold short”. Derivative financial instruments are also classified as “Held for trading”. Derivative financial instruments designated as fair value or cash flow hedging elements cannot be classified in this category.

- (iii) Financial liabilities classified as “Designated as at fair value through profit or loss” have been designated as such by management upon initial recognition, on an instrument by instrument basis. Management may designate a financial instrument as at fair value through profit or loss upon initial recognition when one of the following conditions is met:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency;
- the liabilities are part of a group of financial liabilities or financial assets and liabilities that is managed and whose performance is evaluated on a fair value basis;
- the financial instrument contains one or more embedded derivatives that significantly modify the cash flows and that would otherwise be separated from their host contract.

CCD held no instrument in this category at the reporting dates.

- (iv) Financial liabilities that are not classified in the “At fair value through profit or loss” category are classified in the “At amortized cost” category. Financial liabilities measured at amortized cost include “Deposits”, “Acceptances”, “Commitments related to securities sold under repurchase agreements” or “Other liabilities”.

Financial liabilities included in the “At amortized cost” category are initially recognized at fair value in the Consolidated Statements of Financial Position and, subsequently, they are measured at amortized cost using the effective interest method. Interest expense on securities classified in the “At amortized cost” category is recognized under “Interest expense” in profit or loss.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fair value measurement of financial instruments

The fair value of financial instruments, especially securities, obtained from quoted prices on active markets includes little subjectivity in the determination of fair value.

If there are no quoted prices on active markets, the fair value is determined using models based on observable market data or models that are not based on observable market data. When no quoted prices are available, the fair value is estimated using present value or other valuation methods, which are influenced by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk, including liquidity risk, credit risk, interest rates, exchange rates, and price and rate volatility. Given the role that judgment plays in applying many of the acceptable estimation and valuation techniques for calculating fair values, they are not identical. Fair value reflects market conditions on a given date and for this reason cannot be representative of future fair values. It also cannot be considered as being realizable in the event of immediate settlement of these instruments.

Loans

Changes in interest rates and in the creditworthiness of borrowers are the main causes of changes in the fair value of loans held by the CCD, which result in a favourable or unfavourable difference compared to their carrying amount. The fair value of loans is estimated by discounting expected cash flows using market interest rates charged for similar new loans at the reporting date. The fair value of impaired loans is assumed to be equal to their carrying amount.

Deposits

The fair value of deposits with floating rate features or with no stated maturity is assumed to be equal to their carrying amount. The fair value of fixed rate deposits is determined by discounting expected cash flows using market interest rates currently being offered for deposits with relatively the same term.

Derivative financial instruments

The fair value of derivative financial instruments is determined using pricing models that incorporate the current market prices and the contractual prices of the underlying instruments, the time value of money, yield curves and volatility factors. The fair value of derivative financial instruments is presented without taking into account the impact of legally binding master netting agreements. Note 11, "Derivative financial instruments and hedging activities", specifies the nature of derivative financial instruments held by CCD.

Financial instruments whose fair value equals carrying amount

The carrying amount of financial instruments that mature within the next twelve months is a reasonable approximation of their fair value. These financial instruments include the following items: "Cash and deposits with financial institutions", "Clients' liability under acceptances", "Other assets – Other", "Acceptances", "Commitments related to securities sold under repurchase agreements", and "Other liabilities - Other".

Transaction costs

Transaction costs for financial instruments are capitalized and then amortized over the life of the instrument using the effective interest method, except if such instruments are classified or designated as part of the "At fair value through profit or loss", in which case these costs are expensed as incurred.

Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when there is a legally enforceable right to set off the recognized amounts and CCD intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial assets and liabilities

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or when the contractual rights to the cash flows from the financial asset and substantially all risks and rewards of ownership of the asset are transferred to a third party.

When the cash flows from a financial asset have been transferred but CCD has retained substantially all the risks and rewards of ownership of the financial asset, it recognizes a separate asset and a separate liability presented in the Consolidated Statements of Financial Position under “Other assets – Other” and “Other liabilities – Other”, respectively, representing the rights and obligations created or retained in the asset transfer. If control of the financial asset is retained, CCD continues to recognize the asset in the Consolidated Statements of Financial Position to the extent of its continuing involvement in this asset.

When a financial asset is derecognized in full, a gain or a loss is recognized in the Consolidated Statements of Income for an amount equal to the difference between the carrying amount of the asset and the value of the consideration received.

A financial liability is derecognized when the related obligation is discharged, cancelled or expires.

C) CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

“Cash and deposits with financial institutions” includes cash and cash equivalents. Cash equivalents consist of deposits with the Bank of Canada, deposits with financial institutions – including net amounts receivable related to cheques and other items in the clearing process – as well as the net amount of cheques and other items in transit. These financial instruments mature in the short term, within three months of acquisition date, are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. They are classified as “At fair value through profit or loss – held for trading”.

D) SECURITIES

Securities are instruments classified based on their characteristics and management's intention in the various categories presented in section b), “Financial assets and liabilities”, above.

Securities purchased under reverse repurchase agreements

Securities purchased under reverse repurchase agreements (to be sold at a subsequent date) are not recognized in the Consolidated Statements of Financial Position, except if they can subsequently be sold or pledged as collateral to third parties (in such case, the obligation to return these securities is accounted for as a short sale transaction). In such cases, reverse repurchase agreements are accounted for as collateralized lending transactions. The consideration paid for the securities acquired, including accrued interest, is recognized under “Loans”.

Securities sold under repurchase agreements

Securities sold under repurchase agreements (to be repurchased at a subsequent date) are not derecognized in the Consolidated Statements of Financial Position, as substantially all the risks and rewards of ownership of these securities have not been transferred. Repurchase agreements are accounted for as collateralized borrowing transactions. The consideration received for the securities sold, including accrued interest, is therefore recognized in the Consolidated Statements of Financial Position, and a liability representing the obligation to return the securities is recognized under “Commitments related to securities sold under repurchase agreements”. The difference between the price received and the repurchase price is recognized as interest expense.

Securities sold short

Securities sold short as part of trading activities, which represent CCD's obligation to deliver securities that it did not possess at the time of sale, are recognized as liabilities at their fair value. Realized and unrealized gains and losses on these securities are recognized in the Consolidated Statements of Income under “Trading activities”. Securities sold short are classified in the “Securities at fair value through profit or loss – held for trading” category.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E) LOANS

Loans are recorded at amortized cost using the effective interest method, net of the allowance for credit losses.

The fees collected and the direct costs related to the origination, restructuring, and renegotiation of loans are treated as being integral to the yield of the loan, unless the terms and conditions were changed in such a way that the transaction is treated as the granting of a new loan, in which case fees and direct costs are recorded in profit or loss for the period. Collateral is obtained if deemed necessary, based on an assessment of the borrower's creditworthiness. Collateral normally takes the form of an asset such as cash, government securities, shares, receivables, inventory or capital assets.

F) IMPAIRMENT OF FINANCIAL ASSETS

At the reporting date, CCD assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Allowance for credit losses

Evidence of depreciation results from a loss event that occurred after the loan was granted but before the reporting date and that has an impact on the estimated future cash flows of loans.

The impairment of a loan or a group of loans is determined by discounting future expected cash flows at the interest rate inherent in the financial asset. The allowance is equal to the difference between this value and the carrying amount. This allowance is presented in deduction of assets under "Allowance for credit losses". To determine the estimated recoverable amount of a loan, CCD discounts the estimated future cash flows at the effective interest rate inherent in the loan. When the amounts and timing of future cash flows cannot be estimated with reasonable reliability, the estimated recoverable amount is determined using either the fair value of any security underlying the loan, net of expected costs of realization, or the observable market price for the loan. The security may vary depending on the type of loans.

The allowance resulting from this impairment is established using two components: individual allowances and collective allowances.

Individual allowances

CCD first reviews its loan portfolios on a loan-by-loan basis to assess credit risk and determine if there is any objective evidence of impairment for which a loss should be recognized in the Consolidated Statements of Income. Loan portfolios for which an individual allowance has not been established are then included in groups of assets having similar credit risk characteristics and are subject to a collective allowance.

There is an objective evidence of impairment when one of the following conditions is met:

- there is reason to believe that a portion of the principal or interest cannot be collected; or
- the interest or principal repayment is contractually 90 days or more past due, unless the loan is fully secured or in the process of collection; or
- the interest or principal is more than 180 days in arrears.

When a loan is impaired, the interest previously accrued but not collected is capitalized to the loan. Thereafter, no interest on this loan under the original terms and conditions of the contract are recognized. Payments received subsequently are recorded as a deduction of the principal. A loan ceases to be considered impaired, and interest is once again recorded when principal and interest payments are up to date and there is no doubt as to the collection of the loan. However, when an impaired loan is restructured, it is treated as a new loan and interest is recorded again using the accrual method when there is no reasonable doubt as to the collection of principal and interest and payments have not been in arrears for 90 days or more.

Assets foreclosed to settle impaired loans and held for sale are recognized on the date of the foreclosure at their fair value less costs to sell. Any difference between the carrying amount and the fair value recorded for the acquired assets is recognized under "Provision for credit losses".

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

A loan classified as “Loans and receivables” is written off when all attempts at restructuring or collection have been made and the likelihood of future recovery is remote. When a loan is written off completely, any subsequent payments are recorded under “Provision for credit losses” in the Consolidated Statements of Income.

Changes in the individual allowance for credit losses due to the passage of time are recognized under “Interest income – Loans”, while those that are due to a revision of expected receipts are recognized under “Provision for credit losses” in the Consolidated Statements of Income.

Collective allowance

Loan portfolios for which an individual allowance has not been established are included in groups of assets having similar credit characteristics and are subject to a collective allowance.

The method used by CCD to determine the collective allowance takes into account the risk parameters of the various loan portfolios, in particular through the integration of developed credit risk models. These collective allowance impairment models take into account certain factors such as probabilities of default (loss frequency), loss given default (extent of losses) and gross exposures at default. These parameters, which are based on historical losses, are determined according to the category and the risk rating of each loan. The measurement of the collective allowance also depends on management’s assessment of current credit quality trends with respect to business sectors, the impact of changes to its credit policies and economic conditions.

The allowance related to off-balance sheet exposures, such as letters of guarantee and certain unrecognized credit commitments, is recognized under “Other liabilities – Other” in the Consolidated Statements of Financial Position and under “Provision for credit losses” in the Consolidated Statements of Income.

Available-for-sale securities

Securities classified in the “Available-for-sale” category are monitored on a regular basis to determine whether there is any objective evidence that they are impaired. In evaluating the decline in value, CCD takes into account many facts specific to each investment and all the factors that could indicate that there has been an impairment. Factors considered include, but are not limited to, a significant or prolonged decline in the fair value, significant financial difficulties of the issuer, a breach of contract, the increasing probability that the issuer will enter bankruptcy or a restructuring and the disappearance of an active market for that financial asset. Management also uses judgment to determine when to recognize an impairment loss.

Debt securities classified in the “Available-for-sale” category are individually assessed by CCD to determine whether there is any objective evidence of impairment. However, the impairment loss represents the cumulative loss measured as the difference between amortized cost and current fair value, less any impairment loss previously recognized. Future interest income is calculated on the reduced carrying amount using the same interest rate as the one used to discount future cash flows in order to measure the impairment loss. When, during a subsequent period, the fair value of a debt security increases and that increase can be objectively related to an event occurring after the impairment loss had been recognized in profit or loss, the impairment loss has reversed through profit or loss.

For equity securities classified in the “Available-for-sale” category, the objective evidence would also include a “significant” or “prolonged” decline in the fair value below cost. In general, the terms “significant” and “prolonged” respectively mean a decline of 20% or more and a period of more than twelve months. When evidence of impairment exists, the cumulative loss (measured as the difference between acquisition cost and current fair value, less any impairment loss previously recognized) is transferred out of other comprehensive income, in the Consolidated Statements of Comprehensive Income, and recognized in the Consolidated Statements of Income. Impairment losses on equity securities are not reversed through profit or loss, and increases in fair value occurring subsequent to impairment are recorded directly in other comprehensive income, in the Consolidated Statements of Comprehensive Income. Any impairment loss on securities previously impaired is directly recognized in profit or loss.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

G) SECURITIZATION OF MORTGAGE LOANS

As part of Desjardins Group's liquidity and capital management strategy, CCD participates in the National Housing Act Mortgage-Backed Securities Program. Under this program, CCD bundles mortgage loans guaranteed by the Canada Mortgage and Housing Corporation (CMHC) previously acquired from Desjardins Group member caisses into NHA mortgage-backed securities (NHA MBSs) and then transfers them to the Canada Housing Trust. In addition, pursuant to this program, CCD acquires interests in securitized loans from Desjardins Group member caisses. The loans and interests acquired through these transactions do not meet the recognition criteria as members caisses retain substantially all the risks and rewards related to these loans and interests. In addition, CCD recognizes a liability equal to the consideration received from the CMHC with respect to the interests in securitized loans that do not meet the derecognition criteria. This liability is presented under "Deposits – Payable on a fixed date" in the Consolidated Statements of Financial Position, while income related to securitization transactions is recognized under "Trading activities", "Interest income – Securities" and "Interest income – Loans".

H) PREMISES AND EQUIPMENT

Premises and equipment consist of land, buildings, computer hardware, furniture, fixtures and other and leasehold improvements. These assets are recognized at cost less any accumulated depreciation and any accumulated impairment losses, and are depreciated over their useful life using the straight-line method.

The depreciable amount of an item of premises and equipment is determined after deducting its residual value less costs to sell. The useful life of premises and equipment is generally equal to their expected useful life.

The depreciation expense for premises and equipment is recognized under "Non-interest expense – Premises, equipment and furniture, including depreciation" in the Consolidated Statements of Income.

Depreciation

Premises and equipment are depreciated using the following depreciation rates and terms:

	Rate and terms
Land	Non-depreciable
Buildings	15 to 60 years
Computer equipment	5 years
Furniture, fixtures and other	5 years
Leasehold improvements	Expected term of the lease

When an item of premises and equipment is made up of several significant parts having different expected useful lives or providing economic benefits according to different patterns, it is recognized separately and each part is depreciated using its own depreciation rate.

Derecognition

Premises and equipment are derecognized on disposal or when they are permanently withdrawn from use and no future economic benefits are expected.

Impairment

Premises and equipment are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Assessing whether such events or circumstances exist is subject to management's judgment.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intangible assets

Intangible assets include acquired and internally generated intangible assets and are initially recognized at cost. The cost of an intangible asset acquired as part of a business combination corresponds to its fair value at the date of acquisition. Subsequent to initial recognition, intangible assets are measured at cost less any accumulated amortization and any impairment losses. Expenditures related to internally generated intangible assets, except for development costs, are recognized in profit or loss as incurred.

CCD assesses whether the useful life of an intangible asset is finite or indefinite. Intangible assets with finite useful lives include software and are amortized using the straight-line method over their estimate useful lives, which do not exceed five years. CCD does not own any intangible asset with an indefinite useful life.

Gains or losses resulting from the derecognition of an intangible asset are determined as the difference between the net proceeds of disposal and the net carrying amount of the asset. They are recognized in profit or loss under "Non-interest expense - Other" upon derecognition of the asset.

I) IMPAIRMENT OF NON-FINANCIAL ASSETS

CCD assesses at the reporting date whether there is an indication that an asset may be impaired. An impairment loss is recognized when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use, which corresponds to the present value of the recoverable future cash flows. Any impairment loss recognized in the Consolidated Statements of Income represents the excess of the carrying amount of the asset over the recoverable amount. Impairment losses on that asset may be subsequently reversed and are recognized in the Consolidated Statements of Income in the year in which they occur.

Estimating the recoverable amount of a non-financial asset to determine if it is impaired requires also that management make estimates and assumptions, and any change in these estimates and assumptions could impact the determination of the recoverable amount of non-financial assets and, therefore, the outcome of the impairment test.

J) ACCEPTANCES AND CLIENTS' LIABILITY UNDER ACCEPTANCES

The potential liability of CCD under acceptances is recognized as a liability in the Consolidated Statements of Financial Position. Recourse against the client, in the event of a call on any of these commitments, is recorded as an equivalent offsetting asset. This financial instrument is classified in the "Loans and receivables" category.

K) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivative financial instruments

Derivative financial instruments are financial contracts whose value depends on assets, interest rates, foreign exchange rates, and other financial indexes. The vast majority of derivative financial instruments are negotiated by mutual agreement between CCD and the counterparty and include forward exchange contracts, cross-currency interest rate swaps, interest rate swaps, currency swaps, credit default swaps, total return swaps, forward rate agreements, and currency, interest rate and stock index options. The other transactions are carried out as part of regulated trades and mainly consist of futures.

CCD uses derivative financial instruments for trading purposes or for asset-liability management purposes. These instruments enable it to transfer, modify or reduce actual or expected risks related to market risk.

Derivative financial instruments held for trading are mainly used in intermediation activities conducted to meet the needs of the Desjardins network or its clients. These derivative financial instruments are recognized at fair value in the Consolidated Statements of Financial Position, and changes in their fair value are recognized under "Trading activities" in the Consolidated Statements of Income.

Derivative financial instruments held for asset-liability management purposes are used to manage the risks related to interest rates and the foreign currency exposure of assets and liabilities recorded on the Consolidated Statements of Financial Position, firm commitments and forecasted transactions.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Interest rate contracts

Interest rate contracts include swaps, forward rate agreements and futures. Interest rate swaps are transactions in which two parties exchange interest flows on a specified notional amount for a predetermined period based on agreed-upon fixed and floating rates. Principal amounts are not exchanged. Forward rate agreements are forward transactions on interest rates, based on a notional amount, which call for cash settlement at a future date for the difference between the contractual interest rate and the market rate. Futures represent a future commitment to purchase or deliver financial instruments on a future specified date at a specified price. Futures are traded in predetermined amounts on organized exchanges and are subject to daily cash margining.

Foreign exchange contracts

Foreign exchange contracts include forward contracts, spot transactions and currency swaps. Forward exchange contracts are commitments to exchange, at a future date, two currencies based on a rate agreed by both parties at the inception of the contract. Spot transactions are similar to forward exchange contracts, except that delivery must be made within two business days following the contract date. Currency swaps and interest rate swaps are transactions in which the parties exchange interest payments on notional amounts in different currencies. Principal notional amounts are exchanged at the transaction's inception and maturity dates. CCD uses currency swaps and cross-currency interest rate swaps to manage its foreign-currency denominated asset and liability exposures.

Options

Options are contractual agreements under which the seller grants the purchaser the right but not the obligation to buy (call option) or sell (put option) a specified amount of a financial instrument at a predetermined price, on or before a specified date. The seller receives a premium from the purchaser in exchange for this right. CCD enters into various options, such as interest rate, currency, stock index and commodity options. CCD enters into these contracts primarily to meet its clients' needs and to manage its own asset-liability exposures.

Credit default swaps

Credit default swaps are transactions in which one of the parties agrees to pay interest to the other party who, in turn, undertakes to make a payment should a predetermined credit incident occur. CCD uses credit default swaps to manage the credit risk associated to its assets and liabilities.

Other financial derivative contracts

The other financial derivative contracts used by CCD are related to financial index transactions and include mainly total return swaps. Total return swaps are transactions in which one party agrees to pay to or receive from the other party the rate of return on an underlying asset, group of assets or index.

Derivative financial instruments, including embedded derivatives which are required to be recognized separately, are recognized at fair value in the Consolidated Statements of Financial Position.

Embedded derivative financial instruments are separated from their host contract and accounted for as derivatives if: (a) the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract; (b) the embedded derivative has the same terms as a separate instrument; (c) the hybrid instrument or contract is not measured at fair value with changes in fair value recognized in consolidated profit or loss. Embedded derivatives that are to be recognized separately are measured at fair value, and changes in their fair value are recognized under "Trading activities" in the Consolidated Statements of Income.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Hedging activities

Derivative financial instruments may be designated as part of a fair value, cash flow or net investment in a self-sustaining foreign operation hedging relationship.

When derivative financial instruments are used to manage assets and liabilities, CCD must determine, for each derivative, whether or not hedge accounting is appropriate. To qualify for hedge accounting, a hedge relationship must be designated and documented at its inception. Such documentation must address the specific strategy for managing risk, the asset, liability or cash flows that are being hedged as well as the measure of hedge effectiveness. Consequently, the effectiveness of each hedging relationship must be assessed, regularly and on an individual basis, to determine with reasonable assurance whether the relationship is effective and will continue to be effective. The derivative financial instrument must prove highly effective to offset changes in the fair value or the cash flows of the hedged item attributable to the risk being hedged.

CCD may also use derivative financial instruments as an economic hedge for certain transactions in situations where the hedging relationship does not qualify for hedge accounting or where it elects not to apply hedge accounting. In such circumstances, derivative financial instruments are classified as "Held for trading", and realized and unrealized gains and losses are recognized in the Consolidated Statements of Income under "Trading activities".

The designation of a derivative financial instrument as hedging item is discontinued in the following cases: the hedged item is sold or matures, the derivative financial instrument is repurchased or matures, the hedge is no longer effective, or CCD terminates the designation of the hedge or no longer expects that the forecasted transaction will occur.

Hedging instruments that meet the strict hedge accounting conditions are recognized as follows:

Fair value hedges

Fair value hedge transactions involve mostly the use of interest rate swaps to hedge the changes in fair value of a fixed-rate financial instrument caused by a change in interest rates on the market. The change in fair value of hedging derivative financial instruments offsets the change in fair value of hedged items. CCD uses fair value hedge strategies for its securities, loan and deposit portfolios.

In a fair value hedge transaction, changes in the fair value of the hedging derivative financial instrument are recognized under "Trading activities" in the Consolidated Statements of Income, as well as changes in fair value of the hedged asset or liability attributable to the hedged risk. When these changes in fair value do not entirely offset each other, the resulting amount, which represents the ineffective portion of the relationship, is recognized under "Trading activities" in the Consolidated Statements of Income.

When a fair value hedging relationship is discontinued, hedge accounting is discontinued prospectively. The hedged item is no longer adjusted to reflect the fair value impact of the designated risk. Adjustments previously recorded in the hedged item are amortized using the effective interest method and are recognized in the Consolidated Statements of Income over the remaining life of the hedged item, unless the hedged item ceased to exist, in which case the adjustments for the impact of the designated risk are immediately recognized in the Consolidated Statements of Income.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash flow hedges

Cash flow hedge transactions involve mostly the use of interest rate swaps to hedge the changes in future cash flows from a floating-rate financial instrument. Hedging derivative financial instruments reduce the variability of future cash flows from the hedged item. CCD uses cash flow hedge strategies for its loan, deposit and securities portfolios.

In a cash flow hedge transaction, gains and losses resulting for changes in the fair value of the effective portion of the derivative financial instrument are recognized in other comprehensive income under "Net gains (losses) on derivative financial instruments designated as cash flow hedges" until the hedged item is recognized in the Consolidated Statements of Income, at which time such changes are recognized under net interest income in the Consolidated Statements of Income, following the underlying instrument. The ineffective portion of cash flow hedge transactions is immediately recognized in the Consolidated Statements of Income under "Trading activities".

When a cash flow hedging relationship no longer qualifies for hedge accounting, CCD discontinues hedge accounting prospectively. Gains or losses recognized in other comprehensive income are amortized to net interest income, in the Consolidated Statements of Income, following the underlying instrument, over the expected remaining life of the hedging relationship that was discontinued. If a designated hedged item is sold or matures before the related derivative financial instrument ceases to exist, all gains or losses are immediately recognized under net interest income, in the Consolidated Statements of Income, following the underlying instrument.

Hedges of a net investment in a self-sustaining foreign operation

Non-derivative financial instruments are used to hedge the foreign exchange risk of hedging transactions of the net investment in a self-sustaining foreign operation. Exchange gains and losses are presented under "Net unrealized exchange (losses) gains on the translation of the financial statements of a self-sustaining foreign operation" in accumulated other comprehensive income. The ineffective portion is immediately recognized in the Consolidated Statements of Income under "Trading activities".

L) FINANCIAL GUARANTEES

A guarantee is a contract or an indemnification agreement that contingently requires CCD to make payments to the guaranteed party following a loss resulting from the default by a specified third party to make a payment upon maturity in accordance with the original or modified provisions of the borrowing instrument.

Financial guarantees are initially recognized in the Consolidated Financial Statements at the fair value at the date the guarantee is issued. After initial recognition, the guarantee is measured at the higher of the following amounts:

- i) the amount initially recorded less, when appropriate, cumulative amortization of costs recognized in profit or loss; and
- ii) the best estimate of the expenditure required to settle the financial obligation resulting from the guarantee.

The obligations related to guarantees issued by CCD are presented under "Other liabilities – Derivative financial instruments". The carrying amount of guarantees does not reflect the maximum potential amount of future payments under guarantees. Therefore, CCD continues to consider these guarantees as off-balance sheet credit instruments.

M) RESERVE

The general reserve presented in members' equity represents amounts appropriated by CCD; it also comprises a portion of its surplus earnings since its inception. This reserve can only be used to eliminate a deficit and cannot be divided amongst members nor used to pay a member dividend.

N) REMUNERATION OF CAPITAL STOCK

Remuneration of capital stock represents interest declared by the Board of Directors on capital shares.

O) REVENUE RECOGNITION

Revenues are recognized to the extent that it is probable that the economic benefits will flow to CCD and that they can be measured reliably. In addition to the items mentioned in section b), "Financial assets and liabilities", the specific recognition criteria that follow must also be met before revenues can be recognized.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Interest income and expense

Interest income and expense are recognized using the effective interest method for all financial instruments measured at amortized cost, for interest-bearing financial assets classified in the "Available-for-sale" category and for financial instruments classified in the "Designated as at fair value through profit or loss" category.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, over a shorter period, in order to obtain the net carrying amount of the financial asset and the financial liability.

When calculating the effective interest rate, CCD estimates cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. The calculation includes transaction costs and income between parties to the contract as well as premiums or discounts. Transaction costs and income that form an integral part of the effective rate of the contract, such as file setup fees and business getter commissions, are assimilated to supplemental interest.

Service charges, fees and management fees

CCD earns income from service charges and fees as a result of the broad range of services it provides to its members and clients.

Service charges and fees are recognized once the service is provided. Income from service charges is recognized under "Service charges on chequing and deposit accounts" in the Consolidated Statements of Income.

Loan syndication fees are recognized as revenues when the syndication agreement is signed unless the yield on the loan retained by CCD is less than the yield of other comparable lending institutions that participate in the financing. In such instances, an appropriate portion of the fees is deferred using the effective interest method.

Fee income is recognized under "Credit fees" and "Other income – Other" in the Consolidated Statements of Income.

Management fees for portfolios under management are recognized based on the applicable service contracts pro rata over the period during which the service is provided. Portfolio management income is recognized under "Management fees" in the Consolidated Statements of Income.

Other payments to the Desjardins network

The other payments to the Desjardins network represent a redistribution to the Desjardins network components of net income attributable to financial services offered as an intermediate in transactions carried out on behalf of these components. These redistributions are recognized when the service is provided.

P) ASSETS UNDER MANAGEMENT

CCD performs liquidity management on behalf of third parties. These assets under management are held for the benefit of clients and are therefore excluded from the Consolidated Statements of Financial Position of CCD. Income from these management services is recognized under "Other income – Other" in the Consolidated Statements of Income when the service is provided.

Q) FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities measured at historical cost are translated at the exchange rate prevailing at the transaction date, while those that are measured at fair value are translated at the exchange rate prevailing at the date fair value was determined. Income and expenses are translated at the average exchange rate for the period. Realized and unrealized gains and losses resulting from the translation are recognized in the Consolidated Statements of Income under "Other income – Other". However, unrealized gains and losses on non-monetary financial instruments classified as "Available-for-sale", and gains and losses on derivatives designated as cash flow hedges are presented in other comprehensive income. All assets and liabilities of the self-sustaining foreign subsidiary denominated in foreign currencies are translated at rates prevailing on the reporting date, while income and expenses of this foreign operation are translated at the average rate for the period. Exchange gains and losses resulting from the translation of the financial statements of this subsidiary, including the related effects of hedging and taxes, are recorded in other comprehensive income.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

R) LEASES

Operating leases

In a finance lease, the lessor transfers to the lessee substantially all the risks and rewards inherent to the asset. It is analyzed as financing granted to the lessee to purchase the asset. CCD did not enter into any finance leases. On the other hand, in an operating lease, the lessor retains substantially all the risks and rewards inherent to the leased asset. The recognition of operating leases depends on the position of CCD, namely as a lessor or as a lessee.

CCD is a lessee under operating leases. The asset is not recognized as an asset by the lessee. Lease payments made under operating leases are recognized in profit or loss on a straight-line basis over the lease period under "Premises, equipment and furniture, including depreciation".

S) INCOME TAXES

The calculation of income taxes is based on the expected tax treatment of the transactions recorded in the Consolidated Statements of Income, Consolidated Statements of Comprehensive Income and Consolidated Statements of Members' Equity. To determine the current and deferred portions of income taxes, assumptions must be made concerning the dates on which deferred income tax assets and liabilities will be reversed. If CCD's interpretation differs from that of the taxation authorities or if the reversal dates do not correspond with the forecasted dates, the provision for income taxes on surplus earnings may increase or decrease in subsequent years.

Current income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Tax rates and tax laws applied to determine these amounts are those that have been enacted or substantively enacted at the reporting date.

Deferred income taxes

Deferred taxes are recognized, using the liability method, for all temporary differences existing at the reporting date between the tax basis of assets and liabilities and their carrying amount in the Consolidated Statements of Financial Position.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (i) when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, affects neither accounting profit nor taxable profit (or tax loss); and*
- (ii) for taxable temporary differences associated with investments in subsidiaries, when the date at which the temporary difference reverses can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.*

Deferred tax assets are recognized for all deductible temporary differences, tax loss carryforwards and unused tax credits, to the extent that it is probable that a taxable profit will be available against which these deductible temporary differences, tax loss carryforwards and unused tax credits can be utilized, except:

- i) when the deferred tax asset associated to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, affects neither accounting profit nor taxable profit (or tax loss); and*
- ii) for deductible temporary differences associated to investments in subsidiaries. Deferred tax assets are recognized only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that a taxable profit will be available against which the temporary difference can be utilized.*

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it becomes probable that a future taxable profit will be available to recover them.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes related to items recognized directly in members' equity are recognized in members' equity and not in profit or loss.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and if these deferred taxes relate to the same taxable entity and the same taxation authority.

T) EMPLOYEE BENEFITS

Short-term benefits

Short-term benefits are benefits payable within twelve months after the reporting date, other than termination benefits, such as salaries and commissions, social security contributions and certain bonuses. An expense is recorded for these short-term benefits in the period during which the services giving right to them were rendered.

Post-employment benefits

Pension plans

CCD and its employees participate in the defined benefit pension plan in which all employers of Desjardins Group may participate. This group plan is funded by contributions made both by employees and employers to a managed trust fund, as determined by periodic actuarial calculations. The contributions needed to fund benefits are collected based on the pensionable salaries of CCD as a percentage of total pensionable salaries for Desjardins Group as a whole. In addition, CCD and its employees participate in the supplemental pension plan, which provides pension benefits in excess of statutory limits, offered by Desjardins Group. This plan is not funded.

CCD also offers to certain active and retired executives a defined benefit supplemental pension plan. This supplemental pension plan provides pension benefits in excess of statutory limits and is not funded. Benefits are calculated on the basis of the number of years of membership in the plan and take into consideration the average of the employee's five most highly-paid years.

Defined benefit pension plans are group plans of Desjardins Group in which CCD participates and for which it has formally committed to a level of benefits and therefore assumes actuarial and investment risks. Benefits are calculated on the basis of the number of years of membership in the pension plans and take into consideration the average salary of the employee's five most highly-paid years. Since the terms of the plan are such that future changes in salary levels will have an impact on the amount of future benefits, the cost of the benefits and the fair value of the defined benefit plan obligation are actuarially determined using the projected unit credit method and management's best estimate assumptions concerning the expected rate of return of the plans' investments, the obligation discount rate, and also, but to a lesser extent, salary increases, the retirement age of employees, the mortality rate and the rate of increase in pension benefits. A complete actuarial valuation is performed each year by a qualified actuary.

Actuarial gains (losses) result from the difference between the actual return on plan assets and the expected return for funded plans, the changes made to the actuarial assumptions used to determine the defined benefit plan obligation and the experience gains or losses on this obligation. Any actuarial gain or loss exceeding 10% of the greater of the value of the defined benefit plan obligation and the fair value of plan assets at the end of the previous year is amortized over the expected average remaining working lives of the employees participating in the plan.

Past service cost is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, vested past service cost is recognized in profit or loss immediately.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The defined benefit asset or liability corresponds to the present value of the defined benefit obligation minus past service cost not yet recognized, the fair value of pension plan assets out of which the obligations are to be settled directly and actuarial losses not yet recognized. The value of any asset is limited to the total of any unrecognized actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the pension plans.

The liability of the defined benefit pension plans is recognized under “Defined benefit plan liabilities” in the Consolidated Statements of Financial Position.

CCD’s share in the service cost and the liability for the defined benefit group pension plans of Desjardins Group is determined based on the pensionable salaries of CCD as a percentage of total pensionable salaries for Desjardins Group as a whole.

Other plans

CCD also offers medical, dental and life insurance coverage to retiring employees and their dependents through the defined benefit group plans of Desjardins Group. The terms of these plans are such that future changes in salary levels or health costs will have an impact on the amount of future benefits. The cost of these benefits is accrued over the service life of employees according to accounting policies similar to those used for defined benefit pension plans, and the increase in costs will have an impact on future benefits. CCD’s share in the costs of these group plans of Desjardins Group is determined based on the number of employees of CCD as a percentage of total number of employees for Desjardins Group as a whole.

Liabilities related to these other plans are recognized under “Defined benefit plan liabilities” in the Consolidated Statements of Financial Position.

NOTE 3 – FUTURE ACCOUNTING CHANGES

IFRS 7, “Financial Instruments: Disclosures”

On October 7, 2010, the IASB issued amendments to IFRS 7, “Financial Instruments: Disclosures”, which expand disclosure requirements with respect to the derecognition of financial asset transfer transactions.

CCD is currently assessing the new disclosure requirements, which must be applied prospectively for the year beginning January 1, 2012.

IFRS 9, Financial instruments – Phase 1

The IASB issued on November 12, 2009 and amended on October 28, 2010 the first phase of a project that will replace IAS 39, “Financial Instruments: Recognition and Measurement”. This standard defines a new way to classify and measure financial assets and liabilities. Financial assets will be classified in three categories (amortized cost, fair value through profit or loss and fair value through equity) based on the entity’s business model to manage its financial assets and the contractual cash flow characteristics of the financial assets.

Financial liabilities will be classified in the same categories as those defined in IAS 39, but measurement of financial liabilities under the fair value option has been modified.

CCD is currently assessing the impact of the adoption of IFRS 9. Since the impact of the adoption depends on the financial instruments held by CCD on the date of adoption, we cannot quantify it.

Impairment of financial asset methodology, offsetting of financial assets and liabilities, and hedging activities will be covered in future phases that will complete IFRS 9. The AMF has nevertheless stated that early adoption of IFRS 9 is not permitted.

The application of all phases of the standard is expected for the annual periods beginning on or after January 1, 2013, and the standard would be applied retrospectively. However, on August 4, 2011, the IASB issued an exposure draft to delay the implementation date of IFRS 9 until 2015.

NOTE 3 – FUTURE ACCOUNTING CHANGES (cont'd)

IFRS 10, “Consolidated Financial Statements”

On May 12, 2011, the IASB issued IFRS 10, “Consolidated Financial Statements”, that provides for a single consolidation model based on a qualitative definition of control and replaces the guidance included in IAS 27, “Consolidated and Separate Financial Statements”, and SIC 12, “Consolidation – Special Purpose Entities”.

CCD is currently assessing the impact of the adoption of this new standard, which is effective for annual periods beginning on or after January 1, 2013. The AMF has nevertheless stated that early adoption of this standard is not permitted.

IFRS 12, “Disclosure of Interests in Other Entities”

On May 12, 2011, the IASB issued IFRS 12, “Disclosure of Interests in Other Entities”, which includes all disclosure requirements for all forms of interests in other entities, including associates, joint ventures, special purpose entities and other off-balance sheet entities. Some of the disclosures were already required by the current standards, and others are new.

CCD is currently assessing the impact of the adoption of this new standard, which is effective for annual periods beginning on or after January 1, 2013. The AMF has nevertheless stated that early adoption of this standard is not permitted.

IFRS 13, “Fair Value Measurement”

On May 12, 2011, the IASB issued IFRS 13, “Fair Value Measurement”, which specifically defines fair value. This standard sets out in a single IFRS a framework for measuring fair value and applies to all transactions and balances for which IFRS require or permit fair value measurement. It aims to eliminate inconsistencies between the definitions appearing in the various existing standards. In addition, it carries forward disclosure requirements concerning the fair value of financial instruments and expands their scope to all items measured at fair value.

CCD is currently assessing the impact of the adoption of this new standard, which is effective for annual periods beginning on or after January 1, 2013. The AMF has nevertheless stated that early adoption of this standard is not permitted.

IAS 1, “Presentation of Financial Statements”

On June 16, 2011, the IASB issued amendments to IAS 1, “Presentation of Financial Statements”, which improve the presentation of items of other comprehensive income. The amendments require the presentation by nature of items of other comprehensive income by distinguishing those that will not be reclassified to the statement of income in a subsequent period from those that will.

CCD is currently assessing the new disclosure requirements. The effective date of this standard is July 1, 2012; CCD will therefore apply these amendments to the year beginning January 1, 2013. The AMF has nevertheless stated that early adoption of this standard is not permitted.

IAS 19, “Employee Benefits”

On June 16, 2011, the IASB issued an amended version of IAS 19, “Employee Benefits”, to eliminate the option to defer the recognition of gains and losses, known as the “corridor method”. All actuarial gains and losses will now be recognized in other comprehensive income. The presentation of changes in assets and liabilities arising from defined benefit plans will be streamlined, and disclosure requirements for defined benefit plans will be enhanced.

CCD is currently assessing the new disclosure requirements. It will have to apply the amended version of IAS 19 to the year beginning January 1, 2013.

NOTE 4 – IMPACT OF IFRS ADOPTION

Since January 1, 2011, the Interim Consolidated Financial Statements of CCD have been prepared in accordance with IFRS, as described in Note 2, "Significant accounting policies". Previously, CCD issued financial statements prepared in accordance with Canadian generally accepted accounting principles, which have been carried forward in Part V of the CICA Handbook – Accounting.

When preparing these financial statements, CCD prepared a Consolidated Statement of Financial Position as at January 1, 2010, its date of transition to IFRS. This note presents the primary adjustments made by CCD to restate its Consolidated Statements of Financial Position as at January 1, 2010, June 30, 2010 and December 31, 2010, and its Consolidated Statements of Income and Consolidated Statements of Comprehensive Income for the three- and six-month periods ended June 30, 2010 and the year ended December 31, 2010.

IFRS were applied retrospectively, with the exception of certain optional exemptions and exceptions under IFRS 1. The effects of this change of accounting framework and the methods used to calculate them are presented on the following pages.

NOTE 4 – IMPACT OF IFRS ADOPTION (cont'd)
IFRS IMPACT ON THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at January 1, 2010
(in thousands of dollars)

Items according to Canadian GAAP	Balance according to Canadian GAAP	Reclassifications and presentation	Restatements				Balance according to IFRS	Consolidated Statement of Financial Position Items according to IFRS
			Foreign currency translation	Employee benefits	Allowance for credit losses	Financial instruments		
ASSETS								
Cash and deposits with financial institutions	\$ 196,321	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 196,321	ASSETS Cash and deposits with financial institutions
Securities								Securities
Held for trading	2,311,342	-	-	-	-	-	2,311,342	Securities at fair value through profit or loss
Available-for-sale	2,788,804	-	-	-	-	-	2,788,804	Available-for-sale securities
	5,100,146	-	-	-	-	-	5,100,146	
Loans	13,079,747	128,587	-	-	-	2,146	13,210,480	Loans
	-	(128,587)	-	-	22,704	-	(105,883)	Allowances for credit losses
	13,079,747	-	-	-	22,704	2,146	13,104,597	
Other								Other assets
Customers' liability under acceptances	750,500	-	-	-	-	-	750,500	Clients' liability under acceptances
Derivative financial instruments	2,819,219	-	-	-	-	-	2,819,219	Derivative financial instruments
	-	27,745	-	6,362	(813)	(2,881)	30,413	Deferred tax assets
Other assets	650,768	(27,745)	-	-	-	-	623,023	Other
	4,220,487	-	-	6,362	(813)	(2,881)	4,223,155	
	\$ 22,596,701	\$ -	\$ -	\$ 6,362	\$ 21,891	\$ (735)	\$ 22,624,219	TOTAL ASSETS
LIABILITIES AND MEMBERS' EQUITY								
LIABILITIES AND MEMBERS' EQUITY								
LIABILITIES								
Deposits								Deposits
Payable on demand	\$ 2,714,943	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,714,943	Payable on demand
Payable on a fixed date	12,121,239	-	-	-	-	(10,268)	12,110,971	Payable on a fixed date
	14,836,182	-	-	-	-	(10,268)	14,825,914	
Other								Other liabilities
Acceptances	750,500	-	-	-	-	-	750,500	Acceptances
Obligations related to securities sold short	167,060	-	-	-	-	-	167,060	Commitments related to securities sold short
Commitments under repurchase agreements	986,595	-	-	-	-	-	986,595	Commitments related to securities sold under repurchase agreements
Derivative financial instruments	2,724,607	-	-	-	-	-	2,724,607	Derivative financial instruments
	-	5,070	-	28,075	-	-	33,145	Defined benefit plan liabilities
Other liabilities	1,803,484	(5,070)	-	-	19,117	-	1,817,531	Other
	6,432,246	-	-	28,075	19,117	-	6,479,438	TOTAL LIABILITIES
Members' equity	1,328,273	(1,328,273)	-	-	-	-	-	Members' equity
	-	1,287,206	-	-	-	-	1,287,206	Capital stock
	-	(21)	(1,797)	(21,713)	2,774	9,834	(10,923)	Deficit
	-	20,243	1,797	-	-	(301)	21,739	Accumulated other comprehensive income
	-	20,845	-	-	-	-	20,845	General reserve
	1,328,273	-	-	(21,713)	2,774	9,533	1,318,867	TOTAL MEMBERS' EQUITY
	\$ 22,596,701	\$ -	\$ -	\$ 6,362	\$ 21,891	\$ (735)	\$ 22,624,219	TOTAL LIABILITIES AND MEMBERS' EQUITY

NOTE 4 – IMPACT OF IFRS ADOPTION (cont'd)
IFRS IMPACT ON THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2010 (in thousands of dollars)	Balance according to Canadian GAAP	Reclassifications and presentation	Restatements				Balance according to IFRS	Consolidated Statement of Financial Position Items according to IFRS	
			Foreign currency translation	Premises and equipment	Employee benefits	Allowance for credit losses			Financial instruments
ASSETS									
Cash and deposits with financial institutions	\$ 452,857	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 452,857	Cash and deposits with financial institutions
Securities									Securities
Held for trading	3,262,098	-	-	-	-	-	36,924	3,299,022	Securities at fair value through profit or loss
Available-for-sale	3,134,679	-	-	-	-	-	-	3,134,679	Available-for-sale securities
	6,396,777	-	-	-	-	-	36,924	6,433,701	
Loans	15,576,433	121,826	-	-	-	-	211,996	15,910,255	Loans
	-	(121,826)	-	-	-	-	26,320	(95,506)	Allowances for credit losses
	15,576,433	-	-	-	-	26,320	211,996	15,814,749	
Other									Other assets
Customers' liability under acceptances	339,000	-	-	-	-	-	-	339,000	Clients' liability under acceptances
Derivative financial instruments	2,200,161	-	-	-	-	-	-	2,200,161	Derivative financial instruments
	-	27,007	-	48	6,320	(533)	(3,037)	29,805	Deferred tax assets
Other assets	1,351,131	(27,007)	-	(209)	-	-	(13,319)	1,310,596	Other
	3,890,292	-	-	(161)	6,320	(533)	(16,356)	3,879,562	
	\$ 26,316,359	\$ -	\$ -	\$ (161)	\$ 6,320	\$ 25,787	\$ 232,564	\$ 26,580,869	TOTAL ASSETS
LIABILITIES AND MEMBERS' EQUITY									
Deposits									LIABILITIES AND MEMBERS' EQUITY
LIABILITIES									LIABILITIES
Deposits									Deposits
Payable on demand	\$ 2,814,874	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,814,874	Payable on demand
Payable on a fixed date	15,388,897	-	-	-	-	-	223,380	15,612,277	Payable on a fixed date
	18,203,771	-	-	-	-	-	223,380	18,427,151	
Other									Other liabilities
Acceptances	339,000	-	-	-	-	-	-	339,000	Acceptances
Obligations related to securities sold short	61,863	-	-	-	-	-	-	61,863	Commitments related to securities sold short
Commitments under repurchase agreements	1,608,254	-	-	-	-	-	-	1,608,254	Commitments related to securities sold under repurchase agreements
Derivative financial instruments	2,813,977	-	-	-	-	-	-	2,813,977	Derivative financial instruments
	-	5,501	-	-	27,890	-	-	33,391	Defined benefit plan liabilities
Other liabilities	1,652,081	(5,501)	-	-	-	23,963	(1,123)	1,669,420	Other
	6,475,175	-	-	-	27,890	23,963	(1,123)	6,525,905	TOTAL LIABILITIES
Members' equity	1,637,413	(1,637,413)	-	-	-	-	-	-	Members' equity
	-	1,587,206	-	-	-	-	-	1,587,206	Capital stock
	-	(2,182)	(1,797)	(161)	(21,570)	1,824	7,641	(16,245)	Retained earnings
	-	31,544	1,797	-	-	-	2,666	36,007	Accumulated other comprehensive income
	-	20,845	-	-	-	-	-	20,845	General reserve
	1,637,413	-	-	(161)	(21,570)	1,824	10,307	1,627,813	TOTAL MEMBERS' EQUITY
	\$ 26,316,359	\$ -	\$ -	\$ (161)	\$ 6,320	\$ 25,787	\$ 232,564	\$ 26,580,869	TOTAL LIABILITIES AND MEMBERS' EQUITY

NOTE 4 – IMPACT OF IFRS ADOPTION (cont'd)
IFRS IMPACT ON THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2010
(in thousands of dollars)

Items according to Canadian GAAP	Balance according to Canadian GAAP	Reclassifications and presentation	Restatements				Balance according to IFRS	Consolidated Statements of Financial Position Items according to IFRS	
			Foreign currency translation	Premises and equipment	Employee benefits	Allowance for credit losses			Financial instruments
ASSETS									
Cash and deposits with financial institutions	\$ 585,275	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 585,275	Cash and deposits with financial institutions
Securities									
Held for trading	2,256,231	-	-	-	-	-	104,487	2,360,718	Securities at fair value through profit or loss
Available-for-sale	4,674,513	-	-	-	-	-	-	4,674,513	Available-for-sale securities
	6,930,744	-	-	-	-	-	104,487	7,035,231	
Loans	15,946,369	86,332	-	-	-	-	249,855	16,282,556	Loans
	-	(86,332)	-	-	-	20,283	-	(66,049)	Allowances for credit losses
	15,946,369	-	-	-	-	20,283	249,855	16,216,507	
Other									
Customers' liability under acceptances	672,200	-	-	-	-	-	-	672,200	Clients' liability under acceptances
Derivative financial instruments	2,085,255	-	-	-	-	-	-	2,085,255	Derivative financial instruments
	-	18,968	-	49	5,768	(83)	(1,111)	23,591	Deferred tax assets
Other assets	680,243	(18,968)	-	(215)	-	-	(22,453)	638,607	Other
	3,437,698	-	-	(166)	5,768	(83)	(23,564)	3,419,653	
	\$ 26,900,086	\$ -	\$ -	\$(166)	\$ 5,768	\$ 20,200	\$ 330,778	\$ 27,256,666	TOTAL ASSETS
LIABILITIES AND MEMBERS' EQUITY									
LIABILITIES									
Deposits									
Payable on demand	\$ 3,490,458	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,490,458	Payable on demand
Payable on a fixed date	15,263,268	-	-	-	-	-	328,727	15,591,995	Payable on a fixed date
	18,753,726	-	-	-	-	-	328,727	19,082,453	
Other liabilities									
Acceptances	672,200	-	-	-	-	-	-	672,200	Acceptances
Obligations related to securities sold short	156,641	-	-	-	-	-	-	156,641	Commitments related to securities sold short
Commitments under repurchase agreements	1,408,676	-	-	-	-	-	-	1,408,676	Commitments related to securities sold under repurchase agreements
Derivative financial instruments	2,675,700	-	-	-	-	-	-	2,675,700	Derivative financial instruments
	-	6,017	-	-	25,465	-	-	31,482	Defined benefit plan liabilities
Other liabilities	1,585,893	(6,017)	-	-	-	19,903	(1,718)	1,598,061	Other
	6,499,110	-	-	-	25,465	19,903	(1,718)	6,542,760	TOTAL LIABILITIES
Members' equity									
	1,647,250	(1,647,250)	-	-	-	-	-	-	Members' equity
	-	1,587,206	-	-	-	-	-	1,587,206	Capital stock
	-	(1,519)	(1,797)	(166)	(19,697)	297	1,105	(21,777)	Deficit
	-	40,718	1,797	-	-	-	2,664	45,179	Accumulated other comprehensive income
	-	20,845	-	-	-	-	-	20,845	General reserve
	1,647,250	-	-	(166)	(19,697)	297	3,769	1,631,453	TOTAL MEMBERS' EQUITY
	\$ 26,900,086	\$ -	\$ -	\$(166)	\$ 5,768	\$ 20,200	\$ 330,778	\$ 27,256,666	TOTAL LIABILITIES AND MEMBERS' EQUITY

NOTE 4 – IMPACT OF IFRS ADOPTION (cont'd)

		For the three-month period ended June 30, 2010	For the six-month period ended June 30, 2010	For the year ended December 31, 2010
Comprehensive income - Canadian GAAP		\$ 51,070	\$ 76,654	\$ 162,673
Increase (decrease) in net income				
Premises and equipment	(A)	(36)	(161)	(166)
Employee benefits	(B)	143	143	2,016
Allowance for credit losses	(C)	(537)	(950)	(2,477)
Financial instruments	(D)	671	(2,193)	(8,729)
Sub-total		\$ 241	\$ (3,161)	\$ (9,356)
Increase (decrease) in other comprehensive income				
Financial instruments	(D)	3,677	2,967	2,965
Comprehensive income - IFRS		\$ 54,988	\$ 76,460	\$ 156,282

Nature of primary reclassifications

The changes made to the presentation of certain accounts had no impact on total members' equity, but resulted in the reclassification of items from one account to another. As at January 1, 2010, June 30, 2010 and December 31, 2010, the nature of the primary reclassifications in the Consolidated Statements of Financial Position as a result of the IFRS changeover and the related amounts were as follows:

According to IAS 1, "Presentation of Financial Statements", certain items should be presented on a separate line in the Consolidated Statements of Financial Position.

Consequently, the following items increased (decreased) as at January 1, 2010, June 30, 2010 and December 31, 2010, respectively:

- Loans: \$128.6 million, \$121.8 million and \$86.3 million
- Allowances for credit losses: \$128.6 million, \$121.8 million and \$86.3 million
- Deferred tax assets: \$27.7 million, \$27.0 million and \$19.0 million
- Other: (\$27.7 million), (\$27.0 million) and (\$19.0 million)
- Defined benefit plan liabilities: \$5.1 million, \$5.5 million and \$6.0 million
- Other: (\$5.1 million), (\$5.5 million) and (\$6.0 million)
- The following items, which comprise members' equity, are presented separately in the Consolidated Statements of Financial Position: Capital stock, Retained earnings, Accumulated other comprehensive income and General reserve.

Nature of primary restatements

As at January 1, 2010, June 30, 2010 (for the three- and six-month periods) and December 31, 2010, the nature of the primary restatements in the Consolidated Statements of Financial Position, the Consolidated Statements of Income and the Consolidated Statements of Comprehensive Income as a result of the IFRS changeover and the related amounts were as follows:

A) PREMISES AND EQUIPMENT

Primary changes from GAAP

According to GAAP, premises and equipment were recorded at cost and amortized using the declining-balance and straight-line methods. IFRS require that entities that are part of the same group apply consistent accounting policies. Consequently, CCD harmonized its depreciation methods with those of Desjardins Group by solely using the straight-line method. In addition, according to IFRS, an election can be made to measure property, plant and equipment at amortized cost or at their fair value on the reporting date. CCD has elected to recognize, after the date of transition, all these premises and equipment at their amortized cost.

NOTE 4 – IMPACT OF IFRS ADOPTION (cont'd)

Options at first-time adoption

According to IFRS 1, an election can be made to measure property, plant and equipment at their fair values on the date of transition, which would be the deemed cost according to IFRS, or to restate the historical cost under GAAP according to the guidance provided in IAS 16, "Property, Plant and Equipment", and to use this new value as deemed cost. CCD has decided, for the purposes of IFRS, to adopt restated historical cost as deemed cost on the date of transition for its premises and equipment.

Consequently, CCD reduced the carrying amount of its premises and equipment by \$0.2 million and increased "Deferred tax assets" by \$0.1 million as at June 30, 2010 and December 31, 2010. The net effect of this first-time adoption election was to decrease in "Retained earnings" of \$0.2 million as at June 30, 2010 and as at December 31, 2010. These restatements had no impact on the Consolidated Statement of Financial Position as at January 1, 2010.

Net income was reduced by \$0.2 million as at June 30, 2010 (\$0.1 million for the three-month period ended June 30, 2010) and by \$0.2 million for the year ended December 31, 2010.

B) EMPLOYEE BENEFITS

Primary changes from GAAP

According to GAAP, no assets or liabilities were recognized by CCD for the defined benefit employee plans offered to most Desjardins Group employees because these plans were accounted for by participating employers as defined contribution plans. According to IFRS, defined benefit plans in which the majority of Desjardins Group employers participate correspond to defined benefit group plans and must be accounted for according to the recommendations of IAS 19, "Employee Benefits". Consequently, CCD must account for its share of the defined benefit plan obligation. This share is calculated based on the pensionable salaries as a percentage of total pensionable salaries for Desjardins Group as a whole, which is consistent with the Desjardins Practice regarding the funding needs of its defined benefit plans.

In addition, according to GAAP, the accrued benefit obligation was measured as at September 30, three months before the reporting date for the Consolidated Financial Statements. According to IFRS, the defined benefit obligation is measured as at the reporting date for the Consolidated Financial Statements.

Options at first-time adoption

According to the provisions of IFRS 1, CCD has elected to use the optional exemption offered, which allows an enterprise adopting IFRS for the first time to depart from the retrospective application principle of IAS 19, "Employee Benefits".

As a result, on the date of transition CCD charged all unamortized cumulative net actuarial losses to "Retained earnings". Consequently, "Defined benefit plan liabilities" and "Deferred tax assets" increased respectively by \$28.1 million and \$6.4 million as at January 1, 2010, \$27.9 million and \$6.3 million as at June 30, 2010 and \$25.5 million and \$5.8 million as at December 31, 2010. The net effect of this first-time adoption election was a decrease in "Retained earnings" of \$21.7 million as at January 1, 2010, \$21.6 million as at June 30, 2010 and \$19.7 million as at December 31, 2010.

These adjustments had an impact of \$0.1 million on net income as at June 30, 2010 (\$0.1 million for the three-month period ended June 30, 2010), and net income for the year ended December 31, 2010 was increased by \$2.0 million.

C) ALLOWANCE FOR CREDIT LOSSES

COLLECTIVE ALLOWANCES FOR CREDIT LOSSES

Primary changes from GAAP

According to GAAP, general allowances are recognized to reflect management's best estimate of probable losses related to the portion of the loan portfolio not yet subject to a specific allowance. Collective allowances are first determined by using a statistical model based on changes in losses by loan category. Moreover, an additional amount is taken into account in order to reflect the impact of economic and other factors.

According to IFRS, collective allowances include cumulative allowances for losses that are deemed to have occurred but that cannot be determined on an individual basis or cannot be detected yet. Collective allowances depend on an assessment of economic conditions, loss statistics and forecasts, the composition of the loan portfolio and other relevant indicators. Collective allowances must be classified in two categories in the Consolidated Statements of Financial Position depending on the accounting consideration for the credit facilities. Thus, the allowance generated by the outstanding amount of loans and credit margins must be presented in assets, while the allowance generated by off-balance sheet commitments must be presented separately in liabilities.

NOTE 4 – IMPACT OF IFRS ADOPTION (cont'd)

INDIVIDUAL ALLOWANCES FOR CREDIT LOSSES

Primary changes from GAAP

According to its current accounting policy and to IFRS, CCD establishes specific allowances separately for each of the loans considered as impaired. Individually material loans are reviewed at the end of each period in order to determine whether there is any objective evidence of impairment for which a loss should be recognized in profit or loss.

Because of the adjustments made to the models underlying the measurement of the collective allowances and to the calculation of individual allowances, "Allowance for credit losses" increased and "Deferred tax assets" decreased respectively by \$22.7 million and \$0.8 million as at January 1, 2010, \$26.3 million and \$0.5 million as at June 30, 2010 and \$20.3 million and \$0.1 million as at December 31, 2010. On the other hand, "Other liabilities – Other" and "Retained earnings" increased respectively by \$19.1 million and \$2.8 million as at January 1, 2010, \$24.0 million and \$1.8 million as at June 30, 2010 and \$19.9 million and \$0.3 million as at December 31, 2010.

Net income was decreased by \$1.0 million as at June 30, 2010 (\$0.5 million for the three-month period ended June 30, 2010) and by \$2.5 million for the year ended December 31, 2010.

D) FINANCIAL INSTRUMENTS

SECURITIZATION OF MORTGAGE LOANS

Primary changes from GAAP

CCD bundles mortgage loans into mortgage-backed securities and transfers them to the Canada Housing Trust. Even though, according to GAAP, these securitization transactions are recognized as transfers of receivables, they do not meet IFRS derecognition criteria. According to GAAP, the derecognition criteria for a financial asset were based on control or, more specifically, on the surrender of control. According to IFRS, an assessment must be made of a set of criteria based mainly on the transfer of risks and rewards as well as control of the financial asset.

Options at first-time adoption

According to IFRS 1, which was amended in December 2010, at the date of transition to IFRS an enterprise must apply the transitional provisions in IAS 39, "Financial Instruments: Recognition and Measurement", which provide for prospective treatment of its provisions to financial asset transfer transactions occurring on or after the date of transition. This standard applies to years beginning on or after July 1, 2011, and early adoption is allowed. Following approval from the AMF, CCD elected for early adoption of this amendment and applied it when preparing its Consolidated Statement of Financial Position as at January 1, 2010.

As a result, no restatement was recognized in the Consolidated Statement of Financial Position as at January 1, 2010. However, all transfers of receivables carried out after January 1, 2010, and for which the IFRS derecognition criteria are not met will need to be maintained in assets with a corresponding debt to the acquirer. Any difference between the amount of the asset maintained and the liability recognized was recognized in profit or loss.

The Consolidated Statements of Financial Position as at June 30, 2010 and December 31, 2010 were restated. Accordingly, "Securities", "Loans", "Deferred tax assets" and "Other assets – Other" increased (decreased) respectively by \$36.9 million, \$207.5 million, \$0.8 million and (\$13.3 million) as at June 30, 2010 and by \$104.5 million, \$243.3 million, \$1.3 million and (\$22.5 million) as at December 31, 2010. On the other hand, "Deposits", "Other liabilities – Other" and "Retained earnings" increased (decreased) respectively by \$235.9 million, (\$1.1 million) and (\$2.8 million) as at June 30, 2010 and by \$332.9 million, (\$1.7 million) and (\$4.5 million) as at December 31, 2010. Finally, net income was reduced by \$2.8 million as at June 30, 2010 (\$1.7 million for the three-month period ended June 30, 2010) and by \$4.5 million for the year ended December 31, 2010.

HEDGING RELATIONSHIPS

Primary changes from GAAP

In accordance with GAAP and in certain circumstances, CCD has used the change in variable cash flow method and the shortcut method to measure the effectiveness of hedging relationships. IFRS does not permit the use of either of these methods. In order to comply with the new requirements, CCD has developed substitute methods that may nevertheless increase the volatility of results in the Consolidated Statements of Income. However, certain hedging relationships were already using methods that are acceptable under IFRS; they have not been modified and did not require any adjustments on the transition date.

NOTE 4 – IMPACT OF IFRS ADOPTION (cont'd)

The cumulative impact of using new methods to test the effectiveness of CCD's hedging relationships has been recognized by increasing (decreasing) "Retained earnings" and "Accumulated other comprehensive income" by \$8.9 million and (\$0.3 million) as at January 1, 2010, \$10.3 million and \$2.7 million as at June 30, 2010 and \$3.9 million and \$2.7 million as at December 31, 2010. On the other hand, "Deferred tax assets" and "Deposits" have respectively been increased (reduced) by (\$2.6 million) and (\$10.3 million) as at January 1, 2010, (\$3.8 million) and (\$12.5 million) as at June 30, 2010, and (\$1.9 million) and (\$4.1 million) as at December 31, 2010, while "Loans" have been increased by \$0.9 million as at January 1, 2010, \$4.3 million as at June 30, 2010, and \$4.4 million as at December 31, 2010.

Net income was increased by \$1.4 million as at June 30, 2010 (\$4.3 million for the three-month period ended June 30, 2010) and reduced by \$5.0 million for the year ended December 31, 2010.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

Primary changes from GAAP

As part of its securitization activities, CCD purchases mortgage loans from the Desjardins caisse network, and these loans are classified as "Held for trading" until they are sold. According to IFRS, however, securitization transactions no longer meet derecognition criteria. Consequently, loans acquired from the caisse network have been reclassified in the "Loans and receivables" category under IFRS.

The cumulative impact of this change was an increase in "Loans" and a decrease in "Deferred tax assets", respectively, of \$1.2 million and \$0.3 million as at January 1, 2010, \$0.2 million and \$0.1 million as at June 30, 2010 and \$2.2 million and \$0.5 million as at December 31, 2010. On the other hand, "Retained earnings" increased by \$1.0 million as at January 1, 2010, \$0.1 million as at June 30, 2010 and \$1.7 million as at December 31, 2010.

Net income was reduced by \$0.8 million as at June 30, 2010 (\$1.9 million for the three-month period ended June 30, 2010) and increased by \$0.7 million for the year ended December 31, 2010.

(E) IMPACT OF TRANSLATION OF FOREIGN CURRENCIES

Primary changes from GAAP

No material difference has been identified in that area between IFRS and GAAP. Even though the conceptual framework differs between these two reporting frameworks, the treatment for translating foreign currencies remains the same.

Options at first-time adoption

CCD elected to use the optional exemption under IFRS 1 which allows cumulative translation differences to be reversed for all foreign operations at the date of transition to IFRS. Therefore, the profit or loss on a subsequent disposal of any foreign operation will need to exclude the translation differences arising before the date of transition to IFRS and include the translation difference subsequently recognized. As a result of this exemption, CCD recognized in "Retained earnings" the cumulative loss of \$1.8 million that was in "Accumulated other comprehensive income" as at January 1, 2010.

ADJUSTMENTS TO THE STATEMENTS OF CASH FLOWS

For the year ended December 31, 2010

The statements of cash flows have the same objectives and are based on similar principles under IFRS and under GAAP. Consequently, following the adoption of the standards, no significant adjustment had to be made to the presentation of the statement of cash flows prepared in accordance with IFRS for the year ended December 31, 2010, except for the following:

- Cash flows from net changes in "Loans", "Deposits" and "Commitments related to securities sold under repurchase agreements" are classified in operating activities in accordance with IAS 7, "Statement of Cash Flows", whereas previously, they were classified in financing or investing activities.
- Certain items have been aggregated to conform with the items presented in the Consolidated Statements of Financial Position.

NOTE 5 – CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

Classification and carrying amount of financial instruments

The following tables present the carrying amount of all financial assets and liabilities according to their classification in the categories defined in the financial instrument standards, as well as those designated in hedging relationships.

June 30, 2011	At fair value through profit or loss			Loans and receivables, and financial liabilities at amortized cost	Derivatives designated as cash flow hedging items	Derivatives designated as fair value hedging items
	Held for trading	Designated as at fair value through profit or loss	Available-for-sale			
FINANCIAL ASSETS						
Cash and deposits with financial institutions	\$ 543,949	\$ -	\$ -	\$ -	\$ -	\$ -
Securities						
Securities at fair value through profit or loss	1,311,993	1,126,914	-	-	-	-
Available-for-sale securities	-	-	4,177,629	-	-	-
Loans	-	-	-	18,255,154	-	-
Other financial assets						
Clients' liability under acceptances	-	-	-	310,800	-	-
Derivative financial instruments	1,919,322	-	-	-	95	34,786
Other	-	-	-	724,554	-	-
TOTAL FINANCIAL ASSETS	\$ 3,775,264	\$ 1,126,914	\$ 4,177,629	\$ 19,290,508	\$ 95	\$ 34,786
FINANCIAL LIABILITIES						
Deposits	\$ -	\$ -	\$ -	\$ 20,783,445	\$ -	\$ -
Other financial liabilities						
Acceptances	-	-	-	310,800	-	-
Commitments related to securities sold short	342,392	-	-	-	-	-
Commitments related to securities sold under repurchase agreements	-	-	-	929,944	-	-
Derivative financial instruments	1,999,948	-	-	-	99,479	231,229
Other	-	-	-	2,099,565	-	-
TOTAL FINANCIAL LIABILITIES	\$ 2,342,340	\$ -	\$ -	\$ 24,123,754	\$ 99,479	\$ 231,229

NOTE 5 – CARRYING AMOUNT OF FINANCIAL INSTRUMENTS (cont'd)

	At fair value through profit or loss			Loans and receivables, and financial liabilities at amortized cost	Derivatives designated as cash flow hedging items	Derivatives designated as fair value hedging items
	Held for trading	Designated as at fair value through profit or loss	Available-for-sale			
December 31, 2010						
Financial assets						
Cash and deposits with financial institutions	\$ 585,275	\$ -	\$ -	\$ -	\$ -	\$ -
Securities						
Securities at fair value through profit or loss	1,130,979	1,229,739	-	-	-	-
Available-for-sale securities	-	-	4,674,513	-	-	-
Loans	-	-	-	16,216,507	-	-
Other financial assets						
Clients' liability under acceptances	-	-	-	672,200	-	-
Derivative financial instruments	2,030,941	-	-	-	9,037	45,277
Other	-	-	-	616,699	-	-
Total financial assets	\$ 3,747,195	\$ 1,229,739	\$ 4,674,513	\$ 17,505,406	\$ 9,037	\$ 45,277
Financial liabilities						
Deposits	\$ -	\$ -	\$ -	\$ 19,093,343	\$ -	\$ -
Other financial liabilities						
Acceptances	-	-	-	672,200	-	-
Commitments related to securities sold short	156,641	-	-	-	-	-
Commitments related to securities sold under repurchase agreements	-	-	-	1,408,676	-	-
Derivative financial instruments	2,168,935	-	-	-	105,318	401,447
Other	-	-	-	1,598,061	-	-
Total financial liabilities	\$ 2,325,576	\$ -	\$ -	\$ 22,772,280	\$ 105,318	\$ 401,447

NOTE 5 – CARRYING AMOUNT OF FINANCIAL INSTRUMENTS (cont'd)

	At fair value through profit or loss			Loans and receivables, and financial liabilities at amortized cost	Derivatives designated as cash flow hedging items	Derivatives designated as fair value hedging items
	Held for trading	Designated as at fair value through profit or loss	Available-for-sale			
January 1, 2010						
Financial assets						
Cash and deposits with financial institutions	\$ 196,321	\$ -	\$ -	\$ -	\$ -	\$ -
Securities						
Securities at fair value through profit or loss	857,745	1,453,597	-	-	-	-
Available-for-sale securities	-	-	2,788,804	-	-	-
Loans	-	-	-	13,104,597	-	-
Other financial assets						
Clients' liability under acceptances	-	-	-	750,500	-	-
Derivative financial instruments	2,517,034	-	-	-	24,147	278,038
Other	-	-	-	598,048	-	-
Total financial assets	\$ 3,571,100	\$ 1,453,597	\$ 2,788,804	\$ 14,453,145	\$ 24,147	\$ 278,038
Financial liabilities						
Deposits	\$ -	\$ -	\$ -	\$ 14,825,914	\$ -	\$ -
Other financial liabilities						
Acceptances	-	-	-	750,500	-	-
Commitments related to securities sold short	167,060	-	-	-	-	-
Commitments related to securities sold under repurchase agreements	-	-	-	986,595	-	-
Derivative financial instruments	2,640,650	-	-	-	31,321	52,636
Other	-	-	-	1,817,531	-	-
Total financial liabilities	\$ 2,807,710	\$ -	\$ -	\$ 18,380,540	\$ 31,321	\$ 52,636

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The measurement of financial instruments recognized at fair value is determined using the following three levels of the fair value hierarchy:

- Level 1 – Measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques based primarily on observable market data;
- Level 3 – Valuation techniques not based primarily on observable market data.

No transfers attributable to changes in the observability of market data were made between fair value measurement hierarchy levels during the period ended June 30, 2011.

The following tables present the breakdown of fair value measurements of financial instruments recognized at fair value on the Consolidated Statements of Financial Position.

June 30, 2011	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Cash and deposits with financial institutions	\$ 543,949	\$ -	\$ -	\$ 543,949
Securities				
Securities at fair value through profit or loss	545,952	1,885,589	7,366	2,438,907
Available-for-sale securities	2,734,636	1,422,993	-	4,177,629
Other financial assets				
Derivative financial instruments	1,545	1,832,271	120,387	1,954,203
TOTAL FINANCIAL ASSETS	\$ 3,826,082	\$ 5,160,853	\$ 127,753	\$ 9,114,688
FINANCIAL LIABILITIES				
Other financial liabilities				
Commitments related to securities sold short	\$ 342,392	\$ -	\$ -	\$ 342,392
Derivative financial instruments	691	2,209,579	120,386	2,330,656
TOTAL FINANCIAL LIABILITIES	\$ 343,083	\$ 2,209,579	\$ 120,386	\$ 2,673,048

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

December 31, 2010	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Cash and deposits with financial institutions	\$ 585,275	\$ -	\$ -	\$ 585,275
Securities				
Securities at fair value through profit or loss	673,568	1,677,113	10,037	2,360,718
Available-for-sale securities	3,445,086	1,229,427	-	4,674,513
Other financial assets				
Derivative financial instruments ⁽¹⁾	562	1,923,758	160,935	2,085,255
TOTAL FINANCIAL ASSETS	\$ 4,704,491	\$ 4,830,298	\$ 170,972	\$ 9,705,761
FINANCIAL LIABILITIES				
Other financial liabilities				
Commitments related to securities sold short	\$ 156,641	\$ -	\$ -	\$ 156,641
Derivative financial instruments ⁽¹⁾	492	2,514,275	160,933	2,675,700
TOTAL FINANCIAL LIABILITIES	\$ 157,133	\$ 2,514,275	\$ 160,933	\$ 2,832,341

⁽¹⁾ The breakdown between Level 2 and Level 3 has been changed to reflect improvements in the interpretation of the measurement of certain financial instruments.

Sensitivity of Level 3 financial assets and financial liabilities

CCD performs sensitivity analyses for the fair value measurements of financial instruments classified in Level 3. Changing unobservable inputs to one or more reasonably possible alternative assumptions does not significantly change the fair value of financial instruments classified in Level 3, except for hedging positions on credit indices. Should the credit spreads of the credit default swaps on the components of these hedging positions increase by 10% from their current level, the fair value of these derivatives would increase by \$19 million.

NOTE 7 – SECURITIES

Unrealized gains and losses on available-for-sale securities

The following tables present unrealized gains and losses on available-for-sale securities.

June 30, 2011	Amortized cost	Unrealized gross gains	Unrealized gross losses	Carrying value
Securities issued or guaranteed by				
Canada	\$ 1,776,336	\$ 17,145	\$ (4,227)	\$ 1,789,254
Provinces and municipal corporations in Canada	1,843,082	13,092	(78)	1,856,096
Foreign public administrations	45,519	189	(186)	45,522
Other securities in Canada				
Financial institutions	476,765	10,045	(53)	486,757
Other issuers	-	-	-	-
	\$ 4,141,702	\$ 40,471	\$ (4,544)	\$ 4,177,629

NOTE 7 – SECURITIES (cont'd)

December 31, 2010	Amortized cost	Unrealized gross gains	Unrealized gross losses	Carrying value
Securities issued or guaranteed by				
Canada	\$ 1,969,254	\$ 16,440	\$ (9,962)	\$ 1,975,732
Provinces and municipal corporations in Canada	2,145,989	7,812	(11,941)	2,141,860
Foreign public administrations	19,092	102	(356)	18,838
Other securities in Canada				
Financial institutions	529,860	8,610	(387)	538,083
Other issuers	-	-	-	-
	\$ 4,664,195	\$ 32,964	\$(22,646)	\$ 4,674,513
January 1, 2010				
Securities issued or guaranteed by				
Canada	\$ 737,891	\$ 12,277	\$ (403)	\$ 749,765
Provinces and municipal corporations in Canada	1,279,349	2,917	(9,222)	1,273,044
Foreign public administrations	14,700	93	(110)	14,683
Other securities in Canada				
Financial institutions	485,011	12,156	-	497,167
Other issuers	270,503	-	(16,358)	254,145
	\$ 2,787,454	\$ 27,443	\$(26,093)	\$ 2,788,804

As at June 30, 2011, the unrealized gross gains and losses on available-for-sale securities resulted mainly from fluctuations in market prices as well as changes in interest and exchange rates. Objective evidence of impairment of available-for-sale securities are monitored regularly by management. CCD has the ability and intent to hold these securities for a period of time sufficient to allow for recovery in fair value. It concluded that there was no objective evidence of impairment.

NOTE 8 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans, impaired loans and allowances

The following tables present the credit quality of loans:

June 30, 2011	Gross loans neither impaired nor past due	Gross loans past due but not impaired	Gross impaired loans	Individual allowances	Collective allowances	Net loans
Securities purchased under reverse repurchase agreements	\$ 1,661,191	\$ -	\$ -	\$ -	\$ -	\$ 1,661,191
Day, call and short-term loans to investment dealers and brokers	65,000	-	-	-	-	65,000
Public and parapublic sectors	1,321,096	-	-	-	-	1,321,096
Members						
Fédération	9,084,081	-	-	-	-	9,084,081
Other	201,534	-	-	-	-	201,534
Other entities included in the scope of consolidation of Desjardins Group	1,951,909	-	-	-	-	1,951,909
Loans purchased from Desjardins Group	181,864	919	-	-	-	182,783
Personal	902,384	2,787	11,869	-	2,744	914,296
Business	2,898,964	-	27,687	11,377	42,010	2,873,264
TOTAL	\$ 18,268,023	\$ 3,706	\$ 39,556	\$ 11,377	\$ 44,754	\$ 18,255,154

December 31, 2010	Gross loans neither impaired nor past due	Gross loans past due but not impaired	Gross impaired loans	Individual allowances	Collective allowances	Net loans
Securities purchased under reverse repurchase agreements	\$ 230,002	\$ -	\$ -	\$ -	\$ -	\$ 230,002
Day, call and short-term loans to investment dealers and brokers	103,000	-	-	-	-	103,000
Public and parapublic sectors	1,609,151	-	-	-	-	1,609,151
Members						
Fédération	8,724,221	-	-	-	-	8,724,221
Other	189,814	-	-	-	-	189,814
Other entities included in the scope of consolidation of Desjardins Group	1,659,415	-	-	-	-	1,659,415
Loans purchased from Desjardins Group	183,754	1,296	-	-	-	185,050
Personal	789,717	7,071	15,781	1,734	2,271	808,564
Business	2,726,763	17,803	24,768	11,548	50,496	2,707,290
TOTAL	\$ 16,215,837	\$ 26,170	\$ 40,549	\$ 13,282	\$ 52,767	\$ 16,216,507

NOTE 8 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (cont'd)

January 1, 2010	Gross loans neither impaired nor past due	Gross loans past due but not impaired	Gross impaired loans	Individual allowances	Collective allowances	Net loans
Securities purchased under reverse repurchase agreements	\$ 64,143	\$ -	\$ -	\$ -	\$ -	\$ 64,143
Day, call and short-term loans to investment dealers and brokers	59,000	-	-	-	-	59,000
Public and parapublic sectors	1,974,333	-	-	-	-	1,974,333
Members						
Fédération	5,776,605	-	-	-	-	5,776,605
Other	19,824	-	-	-	-	19,824
Other entities included in the scope of consolidation of Desjardins Group	1,679,716	-	-	-	-	1,679,716
Loans purchased from Desjardins Group	231,183	-	-	-	-	231,183
Personal	569,758	9,170	17,797	2,107	4,111	590,507
Business	2,760,982	127	47,842	17,188	82,477	2,709,286
TOTAL	\$ 13,135,544	\$ 9,297	\$ 65,639	\$ 19,295	\$ 86,588	\$ 13,104,597

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 table presents the ageing of gross loans that are past due but not impaired.

	1 to 29 days	30 to 59 days	60 to 89 days	90 days or more	Total
June 30, 2011	\$ 190	\$ 2,464	\$ 912	\$ 141	\$ 3,707
December 31, 2010	\$ 21,928	\$ 2,332	\$ 1,162	\$ 748	\$ 26,170

Allowances for credit losses

The following table presents the reconciliation of allowances for credit losses.

	Allowances for credit losses	Allowances for off-balance sheet positions ⁽¹⁾	Total allowances for credit losses
Balance at December 31, 2010	\$ 66,049	\$ 19,903	\$ 85,952
Provision for credit losses (recovery)	(8,940)	102	(8,838)
Write-offs and recoveries	(749)	-	(749)
Exchange rate fluctuations	(229)	(36)	(265)
Balance at June 30, 2011	\$ 56,131	\$ 19,969	\$ 76,100

⁽¹⁾ The allowance for off-balance sheet commitments is presented under "Other liabilities – Other".

NOTE 9 – FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

The following table presents the carrying amount of financial assets transferred by CCD through securitization transactions that were not derecognized and the related liabilities recognized in the Consolidated Statements of Financial Position.

	June 30, 2011	December 31, 2010
Financial assets transferred through securitization transactions	\$ 204,038	\$ 170,805
Related liabilities	198,704	165,876

NOTE 10 – COVERED BONDS

During the first quarter of 2011, CCD issued covered bonds amounting to US\$1,000.0 million (C\$987.0 million). CCDQ Covered Bond Guarantor Limited Partnership, a special purpose entity, has been created to guarantee principal and interest payments due to the holders of these securities. CCD consolidates this special purpose entity since, in substance, according to the requirements of SIC-12, the relationship between the special purpose entity and CCD indicates that the special purpose entity is controlled by CCD. Under the terms and conditions of the issuance agreements, CCD has limited access to the assets that are legally owned by this special purpose entity. These assets do not meet recognition criteria and are therefore not recognized in the Consolidated Statements of Financial Position. The covered bonds, amounting to \$964.5 million as at June 30, 2011, are presented under "Deposits" in the Consolidated Statements of Financial Position.

NOTE 11 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The following table presents the derivative financial instruments recognized in the Consolidated Statements of Financial Position.

	June 30, 2011			December 31, 2010			January 1, 2010		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Designated as hedging items									
Fair value hedges									
Interest rate contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Swaps	6,689,397	34,786	54,048	7,132,270	45,277	49,898	3,279,627	9,838	28,175
	6,689,397	34,786	54,048	7,132,270	45,277	49,898	3,279,627	9,838	28,175
Foreign exchange contracts									
Currency swaps	4,268,025	-	177,181	5,039,165	-	351,549	4,411,559	268,200	24,461
	4,268,025	-	177,181	5,039,165	-	351,549	4,411,559	268,200	24,461
Total – Fair value hedges	10,957,422	34,786	231,229	12,171,435	45,277	401,447	7,691,186	278,038	52,636
Cash flow hedges									
Interest rate contracts	-	-	-	-	-	-	-	-	-
Swaps	883,200	95	4,145	1,068,300	9,037	11,135	1,141,700	21,600	31,321
	883,200	95	4,145	1,068,300	9,037	11,135	1,141,700	21,600	31,321
Foreign exchange contracts	-	-	-	-	-	-	-	-	-
Currency swaps	699,300	-	95,334	665,950	-	94,183	752,368	2,547	-
	699,300	-	95,334	665,950	-	94,183	752,368	2,547	-
Total – Cash flow hedges	1,582,500	95	99,479	1,734,250	9,037	105,318	1,894,068	24,147	31,321
Total – Designated as hedging items	12,539,922	34,881	330,708	13,905,685	54,314	506,765	9,585,254	302,185	83,957
Fair value of derivative financial instruments – Trading purposes	148,350,197	1,919,322	1,999,948	145,482,419	2,030,941	2,168,935	157,282,856	2,517,034	2,640,650
Total derivative financial instruments before impact of master netting agreements	160,890,119	1,954,203	2,330,656	159,388,104	2,085,255	2,675,700	166,868,110	2,819,219	2,724,607
Impact of master netting agreements ⁽¹⁾	-	659,510	659,510	-	922,155	922,155	-	2,577,861	2,577,861
Total derivative financial instruments after impact of master netting agreements	\$ 160,890,119	\$ 1,294,693	\$ 1,671,146	\$ 159,388,104	\$ 1,163,100	\$ 1,753,545	\$ 166,868,110	\$ 241,358	\$ 146,746

⁽¹⁾ Impact of offsetting credit exposure when CCD holds master netting agreements without the intent of settling on a net basis or simultaneously.

⁽²⁾ Certain notional amounts were modified to reflect CCD's maximum exposure with respect to certain derivative financial instruments. The information as at December 31, 2010 was accordingly modified.

Fair value hedges

A net loss of \$3.1 million for the three-month period ended June 30, 2011 (gain of \$5.7 million for the three-month period ended June 30, 2010) and a net loss of \$9.6 million for the six-month period ended June 30, 2011 (gain of \$1.9 million for the six-month period ended June 30, 2010) related to the ineffectiveness of fair value hedging activities were recognized under "Trading activities" in the Consolidated Statements of Income.

Cash flow hedges

A net loss of \$0.1 million for the three-month period ended June 30, 2011 (gain of \$1.7 million for the three-month period ended June 30, 2010) and a net loss of \$0.1 million for the six-month period ended June 30, 2011 (gain of \$2.4 million for the six-month period ended June 30, 2010) related to the ineffectiveness of cash flow hedging activities were recognized under "Trading activities" in the Consolidated Statements of Income.

NOTE 12 – ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	June 30, 2011	December 31, 2010	January 1, 2010
Unrealized net gains on available-for-sale securities	\$ 25,158	\$ 25,922	\$ 7,077
Net gains on derivative financial instruments designated as cash flow hedges	8,215	19,388	14,662
Net unrealized exchange losses on the translation of the financial statements of a self-sustaining foreign operation, net of a gain of \$1.1 million (2010: \$1.7 million) on hedging transactions	(210)	(131)	-
Accumulated other comprehensive income	\$ 33,163	\$ 45,179	\$ 21,739

NOTE 13 – NET INCOME ON SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments held for trading

The following table presents the impact of income from financial instruments held for trading on the Consolidated Statements of Income.

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2011	2010	2011	2010
Net interest income	\$ (367)	\$ 8,643	\$ 5,999	\$ 13,557
Other income (loss)	(14,207)	(43,194)	(26,396)	(49,575)
	\$ (14,574)	\$ (34,551)	\$ (20,397)	\$ (36,018)

Financial instruments designated as at fair value through profit or loss

The following table presents the impact of income from financial instruments designated as at fair value through profit or loss on the Consolidated Statements of Income.

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2011	2010	2011	2010
Net interest income	\$ 11,485	\$ 12,656	\$ 22,960	\$ 25,385
Other income (loss)	5,151	14,294	(2,104)	10,700
	\$ 16,636	\$ 26,950	\$ 20,856	\$ 36,085

NOTE 14 – INCOME TAXES ON OTHER COMPREHENSIVE INCOME

The tax expense (benefit) related to each component of other comprehensive income for the period is presented in the following table.

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2011	2010	2011	2010
Net unrealized (losses) gains on available-for-sale securities	\$ (1,316)	\$ 1,883	\$ (1,404)	\$ 1,088
Reclassification to the Consolidated Statements of Income of losses (gains) on available-for-sale securities	1,875	(18)	1,102	(291)
Net gains (losses) on derivative financial instruments designated as cash flow hedges	398	2,001	(3,759)	2,843
Reclassification to the Consolidated Statements of Income of net losses (gains) on derivative financial instruments designated as cash flow hedges	318	660	465	542
Total income tax expense (benefit)	1,275	4,526	(3,596)	4,182
Current income taxes	1,275	3,442	(3,596)	3,307
Deferred income taxes	-	1,084	-	875
	\$ 1,275	\$ 4,526	\$ (3,596)	\$ 4,182

NOTE 15 – CAPITAL MANAGEMENT

The goal of CCD regarding capital management 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. To that extent, on June 20, 2011, the DBRS agency confirmed CCD's credit ratings. This confirmation arrives at the moment where the financial markets are experiencing certain difficulties. It is to be noted that on April 7, 2011, Moody's raised its outlook on CCD's rating from negative to stable. The agency explained this change by the actions taken by Desjardins Group to implement a risk management better integrated for new financial instruments or structures. It should be noted that agency reports address mainly Desjardins Group on a combined basis since CCD's ratings are backed by the financial strength of the caisses.

CCD'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 that respect, credit risk and market risk are assessed according to a standardized approach, while operational risk is calculated based on the basic indicator approach.

Section 46 of the Act respecting the Mouvement Desjardins stipulates that CCD shall maintain an adequate capital base consistent with sound and prudent management, in accordance with the standards of the Fédération (and approved by the AMF). According to these standards, CCD must at all times maintain capital in accordance with the following ratios:

- its total capital must be greater than or equal to 5% of its total assets adjusted based on the standards;
- its total capital must be greater than or equal to 8% of its risk-weighted assets, of which one half is Tier I capital.

Furthermore, the member federations undertook to maintain, in proportion to their respective holdings, CCD's total capital at a minimum level of (i) 5.5% of its total assets, or if higher; (ii) 8.5% of its risk-weighted assets, as determined in accordance with the established standards.

As at January 1, 2011, the date of conversion to IFRS, CCD elected to use the transitional provisions of the Notice issued by the AMF. This election is irrevocable and allows mitigating the impacts of the new standards through a quarterly adjustment of CCD's retained earnings over a two-year period ending December 31, 2012. Accordingly, for purposes of calculating Tier I capital ratio, CCD has amortized, since January 1, 2011, the eligible portion of the IFRS impacts of \$20.1 million on a straight-line basis, for a quarterly amortization of \$2.5 million, and will do so until December 31, 2012.

CCD maintains a general reserve that can only be used to eliminate a deficit. As at June 30, 2011, an amount of \$16.2 million was transferred to retained earnings to eliminate the accumulated deficit as of that date.

NOTE 16 – SEGMENTED INFORMATION

CCD comprises the “Business Services” and “Desjardins Group Treasury” business segments and the “Other” category. These business segments have been structured according to the needs of clients as well as the markets in which CCD operates.

The Business Services business segment is responsible for developing and marketing the service offering to businesses. It is also responsible for distributing a range of financial products and services, including financing in the form of lines of credit and term loans to public and parapublic entities and businesses. This segment also includes cross-border financing for clients of the U.S. branch. Total income for the six-month periods ended June 30, 2011 and 2010 was \$1.3 million and \$1.8 million, respectively (\$0.6 million and \$0.9 million for the three-month periods of 2011 and 2010, respectively). The assets of the branch amounted to \$90 million as at June 30, 2011, compared to \$120 million in 2010.

The Desjardins Group Treasury business segment offers a range of financial products and services and grants financing in the form of lines of credit and term loans to members and other entities included in the scope of consolidation of Desjardins Group. This segment also manages CCD’s assets and liabilities, and the securities and derivative financial instruments portfolios, as well as cash of Desjardins Group.

The “Other” category includes the operations of the subsidiary Desjardins FSB Holdings Inc.

CCD measures the performance of the segments based on gross income generated by each segment. Non-interest expense is managed on a consolidated basis and is not allocated by segment.

Intersegment transactions are recognized at the exchange amount, which represents the amount agreed to by the parties. The terms and conditions of these transactions are comparable to those offered on financial markets. The results of the main segments reflect internal financial reporting systems and are consistent with the policies used in preparing the Consolidated Financial Statements of CCD.

Results by business segment

The following tables provide a summary of CCD’s financial results by business segment for the three- and six-month periods ended June 30.

	For the three-month periods ended June 30							
	Business Services		Desjardins Group Treasury		Other		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income	\$ 20,438	\$ 17,704	\$ 41,165	\$ 42,906	\$ 1,337	\$ 1,467	\$ 62,940	\$ 62,077
Other income	15,547	15,397	(6,455)	(3,511)	290	174	9,382	12,060
Total income	\$ 35,985	\$ 33,101	\$ 34,710	\$ 39,395	\$ 1,627	\$ 1,641	\$ 72,322	\$ 74,137

	For the six-month periods ended June 30							
	Business Services		Desjardins Group Treasury		Other		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income	\$ 39,029	\$ 35,194	\$ 84,545	\$ 86,225	\$ 2,654	\$ 2,910	\$ 126,228	\$ 124,329
Other income	30,291	28,118	(18,070)	(7,377)	1,044	849	13,265	21,590
Total income	\$ 69,320	\$ 63,312	\$ 66,475	\$ 78,848	\$ 3,698	\$ 3,759	\$ 139,493	\$ 145,919
Assets ¹	\$ 5,336	\$ 4,856	\$ 22,937	\$ 21,565	\$ 174	\$ 160	\$ 28,447	\$ 26,581

¹ In millions of dollars

NOTE 17 – RELATED PARTY DISCLOSURES

On January 1, 2011, CCD outsourced all of its technology activities to Groupe Technologies Desjardins inc. (GTD), a company under common control. In connection with this transfer, CCD sold substantially all its computer hardware and software, except for certain specialized application software, and transferred all its information technology employees to GTD.

The sale of computer hardware and software had no impact on CCD's net income. The difference between the consideration received of \$0.5 million, representing the fair value of the net assets transferred, and the carrying amount of computer hardware and software and related deferred tax liabilities was nil.

In addition, CCD transferred a portion of its defined benefit plan liability related to the transfer of employees to GTD and the Fédération. This transaction was carried out without consideration, and a net amount of \$5.1 million of deferred taxes was recognized under "Retained earnings", in the Consolidated Statements of Members' Equity, representing the carrying amount of the defined benefit plan liability transferred to these two companies.

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