Ad hoc announcement dated 21 February 2024 pursuant to art. 53 of the Swiss listing rules

Fédération des caisses Desjardins du Québec

CHF 325,000,000 1.735% Covered Bonds 2023 – 2028

(the "Covered Bonds")

Programme for the issuance of Covered Bonds:	The Covered Bonds are issued under the C$26,000,000,000 Global Covered Bond Programme (the "**Programme**") of Fédération des caisses Desjardins du Québec.
Issuer's Name and registered office:	Fédération des caisses Desjardins du Québec, 100, avenue des Commandeurs, Lévis, Québec, Canada G6V 7N5 (the "**Issuer**" or the "**Federation**", the Issuer and its subsidiaries, the member caisses in Québec, the Fonds de sécurité Desjardins and the Caisse Desjardins Ontario Credit Union Inc. the "**Desjardins Group**").
Covered Bond Guarantor's Name and registered office:	CCDQ Covered Bond (Legislative) Guarantor Limited Partnership, 66 Wellington Street West, Suite 5300, TD Bank Tower, Toronto, Ontario, Canada M5K 1E6 (the "**Covered Bond Guarantor**").
Security Number/ ISIN/Common Code:	124.230.130 / CH1242301302 / 257777936

COMBINED FINANCIAL STATEMENTS

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Management's Responsibility for Financial Reporting

The Combined Financial Statements of Desjardins Group and all information included in its annual Management's Discussion and Analysis are the responsibility of the management of Desjardins Group, which is responsible for ensuring reporting integrity and accuracy.

These Combined Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and the accounting requirements of the *Autorité des marchés financiers* (AMF) in Québec, which do not differ from IFRS. The IFRS represents Canada's generally accepted accounting principles. These Combined Financial Statements necessarily contain amounts established by management based on estimates which it deems fair and reasonable. All financial information in the annual Management's Discussion and Analysis is consistent with these audited Combined Financial Statements.

Desjardins Group management is responsible for the accuracy of Desjardins Group's Combined Financial Statements and related information, as well as the accounting systems from which they are derived, for which purpose it maintains controls over transactions and related accounting practices. These controls are designed to provide reasonable assurance that the financial accounts are complete and accurate, assets are protected and records are kept appropriately. They include an organizational structure that ensures effective segregation of duties, a code of professional conduct, hiring and training standards, policies and procedure manuals, and regularly updated control methods, designed to ensure adequate supervision of operations. The internal control system is supported by a compliance team, which helps management ensure that all regulatory requirements are met, and a team from the Desjardins Group Monitoring Office, which has full and unrestricted access to the Audit and Inspection Commission. Management has also implemented a financial governance structure based on market best practices. In our capacities as Chief Executive Officer and Chief Financial Officer of Desjardins Group, we have overseen the process to assess financial information communication procedures and controls as well as internal control over financial reporting. As at December 31, 2023, we concluded that information communication procedures and controls and internal control over financial reporting were effective.

The AMF examines the affairs of Desjardins Group using a risk-based oversight approach.

For the purposes of approving the financial information contained in the Desjardins Group Annual Report, the Board of Directors of the *Fédération des caisses Desjardins du Québec* (the Federation) relies on the recommendation of the Audit and Inspection Commission. The commission is mandated by the Board of Directors to review Desjardins Group's Combined Financial Statements and its Management's Discussion and Analysis. The Audit and Inspection Commission has five independent directors who are members of the Board of Directors of the Federation. In addition, it has two representatives of the insurance subsidiaries and one observer, who help ensure the necessary alignment with the insurance subsidiaries and the caisse network. The Audit and Inspection Commission exercises an oversight role for management to develop and implement adequate control procedures and systems to deliver quality financial reporting that includes all the required disclosures within the required timeframes.

The Combined Financial Statements were audited by PricewaterhouseCoopers LLP, the independent auditor appointed by the Federation's General Meeting, whose report follows. The independent auditor may meet with the members of the Audit and Inspection Commission at any time to discuss its audit and any related issues, including the integrity of the financial information provided and the quality of internal control systems.

Guy Cormier
President and Chief Executive Officer
Desjardins Group

Alain Leprohon, FCPA
Executive Vice-President Finance and
Chief Financial Officer
Desjardins Group

Lévis, Québec
February 21, 2024

Independent auditor's report

To the members of the Fédération des caisses Desjardins du Québec

Our opinion

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of Desjardins Group as at December 31, 2023 and 2022 and as at January 1, 2022, and its financial performance and its cash flows for the years ended December 31, 2023 and 2022 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
Desjardins Group's combined financial statements comprise:

- the combined balance sheets as at December 31, 2023 and 2022 and as at January 1, 2022;
- the combined statements of income for the years ended December 31, 2023 and 2022;
- the combined statements of comprehensive income for the years ended December 31, 2023 and 2022;
- the combined statements of changes in equity for the years ended December 31, 2023 and 2022;
- the combined statements of cash flows for the years ended December 31, 2023 and 2022; and
- the notes to the combined financial statements, comprising material accounting policy information and other explanatory information.

Certain required disclosures have been presented elsewhere in the Management's Discussion and Analysis, rather than in the notes to the combined financial statements. These disclosures are cross-referenced from the combined financial statements and are identified as audited.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the combined financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of Desjardins Group in accordance with the ethical requirements that are relevant to our audit of the combined financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the combined financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the combined financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Measurement of the allowance for expected credit losses on loans

Refer to note 2 – Accounting policies, and note 8 – Loans and allowance for credit losses, to the combined financial statements.

The allowance for expected credit losses on loans amounted to $1,180 million as at December 31, 2023 and represented management's estimate of the allowance for expected credit losses (ECL) at the reporting date.

The measurement of the allowance for ECL is estimated for each exposure at the reporting date and is based on the result of multiplying the three credit risk parameters, namely probability of default (PD), loss given default (LGD) and exposure at default (EAD). The result of this multiplication is then discounted using the effective interest rate. For financial instruments in Stage 1 of the impairment model, credit risk parameters are projected over a maximum horizon of 12 months, while for those in Stage 2 or Stage 3, they are projected over the remaining life of the instrument. Desjardins Group uses three scenarios to determine the allowance for ECL, namely a base scenario, an upside scenario and a downside scenario. The macroeconomic variables projected under each scenario and the related probability of occurrence have a significant impact on determining significant increases in credit risk and measuring the allowance for ECL.

Desjardins Group may also make adjustments to take into account the relevant information that affects the measurement of the allowance for credit losses and that has not been incorporated into the credit risk parameters.

To take into account relevant risk factors related to the macroeconomic environment, management applied expert credit judgment in measuring the allowance for ECL.

For credit-impaired loans that are individually material, the measurement of the allowance for ECL is based on an extensive review of the borrower's situation and the realization of collateral held.

We considered this a key audit matter due to:

- the inherent complexity of the calculations of the allowance for ECL as well as the significant judgments made by management in:
  - establishing the three scenarios, including projecting macroeconomic variables;
  - determining the probabilities of occurrence of the three scenarios;
  - determining significant increases in credit risk; and
  - applying expert credit judgment to reflect, among other things, the relevant risk factors related to the macroeconomic environment.

Our approach to addressing the matter included the following procedures, among others:

- Testing the operating effectiveness of certain internal controls relating to the measurement of the allowance for ECL, including controls relating to:
  - the periodic monitoring and valuation of certain models;
  - the review of the macroeconomic variable projections and the probability of occurrence of the scenarios;
  - the assignment of borrower credit risk ratings; and
  - management's review and approval of the application of expert credit judgment and the allowance for ECL.
- Testing management's process for measuring the allowance for ECL on loans by performing the following, among other things:
  - Evaluating, with the assistance of professionals with specialized skills and knowledge in credit risk and economics:
    - the appropriateness of the methodologies used in calculating the allowance for ECL, including the independent recalculation of ECL on loans;
    - the appropriateness of the three scenarios and the reasonableness of macroeconomic variables as well as the probability of occurrence assigned to the scenarios by considering publicly available economic data, forecasts from independent sources and sensitivity analyses to changes in some of these assumptions;
    - the reasonableness of the establishment of credit risk parameters (PD, LGD, EAD);
    - the reasonableness of the significant increases in credit risk determined by management; and
    - the reasonableness of the application by management of expert credit judgment.
  - For a sample of credit-impaired loans that are individually material, evaluating the appropriateness of the methodology used in calculating the allowance for ECL and the reasonableness of assumptions.
  - Testing the data used in measuring the allowance for ECL.

- the evaluation of audit evidence, which required increased audit effort and significant judgments by the auditor, as the measurement of the allowance for ECL is a complex calculation that involves a large volume of interrelated inputs and assumptions, some of which are model-based; and
- the audit effort involved the use of professionals with specialized skills and knowledge in credit risk and economics.

Measurement of insurance contract liabilities – Estimates of fulfilment cash flows

Refer to note 2 – Accounting policies, and note 17 – Insurance and reinsurance contracts, to the combined financial statements.

Desjardins Group's insurance contract liabilities amounted to $32,961 million as at December 31, 2023 and included estimates of fulfilment cash flows (FCFs) of a) $23,159 million for life and health insurance activities and b) $6,858 million in the liability for incurred claims for the property and casualty insurance activities.

FCFs comprise the following items:

- Estimates of future cash flows, which are based on a probability-weighted mean of the full range of possible outcomes;
- Adjustment to reflect the time value of money; and
- Risk adjustment for non-financial risk.

Estimating future cash flows requires management to develop assumptions, including: a) with respect to the life and health insurance activities, assumptions for mortality, morbidity and contract cancellation rates; and b) with respect to the property and casualty insurance activities, past claims development, average settlement cost per claim, average number of claims and claims severity and frequency trends.

For the adjustment to reflect the time value of money, judgment is also required in determining the yield curves to be used, as a result of the determination of the assets held in the reference portfolios, the risk-free rates, the adjustments for credit risk and the adjustments for liquidity.

We considered this a key audit matter due to:

- the significant judgments made by management in estimating FCFs;
- the high degree of auditor judgment, subjectivity and effort in evaluating audit evidence related to the appropriateness of actuarial methods and techniques as well as the reasonableness of significant assumptions used by management; and
- the audit effort involved the use of professionals with specialized skills and knowledge in actuarial science.

Our approach to addressing the matter included the following procedures, among others:

- Testing management's process for estimating FCFs for the life and health insurance activities by performing the following, among other things:
  - Testing the operating effectiveness of certain internal controls over the completeness and accuracy of data used in estimating future cash flows;
  - Testing data used in determining the estimates of future cash flows; and
  - Evaluating, with the assistance of professionals with specialized skills and knowledge in actuarial science:
    - the appropriateness of the models and the reasonableness of the assumptions for mortality, morbidity and contract cancellation rates used in estimating future cash flows by evaluating the studies on experience used in determining these assumptions;
    - the appropriateness of the approach and the reasonableness of the reference asset portfolios and the risk-free rates used, as well as the adjustments for credit risk and the adjustments for liquidity; and
    - the appropriateness of the determination of the risk adjustment for non-financial risk.

For the estimates of FCFs for the liability for incurred claims for the property and casualty insurance activities:

- Testing the operating effectiveness of certain internal controls over the completeness and accuracy of data used in estimating future cash flows;
- Testing data used in determining the estimates of future cash flows;
- Developing, with the assistance of professionals with specialized skills and knowledge in actuarial science, an independent point estimate of future cash flows for a selection of business lines and comparing the independent point estimate with management's estimate to evaluate the reasonableness of management's estimate; and
- Evaluating, with the assistance of professionals having specialized skills and knowledge in actuarial science:
  - the appropriateness of the approach used and the reasonableness of the reference asset portfolios and the risk-free rates used, as well as the adjustments for credit risk and the adjustments for liquidity; and
  - the appropriateness of the determination of the risk adjustment for non-financial risk.

Adoption of IFRS 17, "Insurance Contracts" – Determination of the contractual service margin as at January 1, 2022

Refer to note 2 – Accounting policies, and note 17 – Insurance and reinsurance contracts, to the combined financial statements.

On January 1, 2023, Desjardins Group adopted IFRS 17, "Insurance Contracts", retrospectively unless it was impracticable to do so. On January 1, 2022, the transition date, management applied the fair value approach to all its groups of insurance contracts other than those to which the premium allocation approach has been applied. In accordance with this approach, the contractual service margin (CSM) at the transition date, amounting to $2,895 million, was determined as the difference between the fair value of the groups of insurance contracts and the FCFs measured at that date for the life and health insurance activities.

In the absence of an observable market, a valuation technique based on the present value of expected cash flows was used to measure the fair value of insurance contracts. The assumptions relating to discounted expected future cash flows and the risk adjustment for non-financial risk were adjusted from the perspective of market participants.

Applying the fair value approach required management to make certain judgments:

- the adjustments required to reflect the perspective of market participants are not different from the vision of management;
- the weighted average cost of capital of the life and health insurance subsidiary used as discount rate;
- the capital to remunerate was determined based on the internal target regulatory capital ratio defined by the life and health insurance subsidiary; and
- the required rate of return on capital is based on the required rate of return required by management on the various products of the life and health insurance subsidiary.

We considered this a key audit matter due to:

- the judgments made by management in determining the CSM as at January 1, 2022 using the fair value approach;
- the high degree of auditor judgment, subjectivity and effort in evaluating audit evidence related to the appropriateness of the valuation technique as well as the reasonableness of the assumptions used by management; and
- the audit effort involved the use of professionals with specialized skills and knowledge in valuation and actuarial science.

Our approach to addressing the matter included the following procedures, among others:

- Evaluating the appropriateness of management's accounting policies and their implementation;
- Testing, with the assistance of professionals having specialized skills and knowledge in valuation and actuarial science, management's process for determining the CSM using the fair value approach by performing the following, among other things:
  - Evaluating the appropriateness of the valuation technique used;
  - Evaluating the appropriateness of the calculation performed;
  - Testing data used in the valuation technique;
  - Evaluating the reasonableness of the expected cash flows from insurance contracts used in measuring fair value by reconciling such expected cash flows with the future cash flows included in FCFs;
  - Evaluating the reasonableness of the risk adjustment for non-financial risk from the perspective of market participants;
  - Evaluating the reasonableness of the capital to remunerate determined based on the internal target regulatory capital ratio and the required rate of return on equity used; and
  - Evaluating the reasonableness of the weighted average cost of capital used by determining a range of independent estimates reflecting the perspective of market participants and comparing it with the rate selected by management.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the combined financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the combined financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the combined financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the combined financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the combined financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the combined financial statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing Desjardins Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Desjardins Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Desjardins Group's financial reporting process.

Auditor's responsibilities for the audit of the combined financial statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Desjardins Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Desjardins Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Desjardins Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Desjardins Group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the combined financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Martin Bernier.

PricewaterhouseCoopers LLP[(1)]

[(1)] FCPA auditor, public accountancy permit No. A115888

Montréal (Québec)
February 21, 2024

Combined Balance Sheets

(in millions of Canadian dollars)	Notes	As at December 31, 2023	As at December 31, 2022 Restated (Note 2)	As at January 1, 2022 Restated (Note 2)
ASSETS				
Cash and deposits with financial institutions		**$ 8,987**	$ 8,913	$ 16,328
Securities	7			
Securities at fair value through profit or loss		**36,627**	33,987	39,730
Securities at fair value through other comprehensive income		**51,692**	51,258	53,286
Securities at amortized cost		**46**	50	41
		88,365	85,295	93,057
Securities borrowed or purchased under reverse repurchase agreements		**13,678**	17,024	12,019
Loans	8 and 9			
Residential mortgages		**165,858**	159,682	149,695
Consumer, credit card and other personal loans		**24,239**	24,211	24,214
Business and government		**77,018**	66,812	57,400
		267,115	250,705	231,309
Allowance for credit losses	8	**(1,180)**	(1,035)	(970)
		265,935	249,670	230,339
Segregated fund net assets	10	**24,754**	21,356	22,846
Other assets				
Clients' liability under acceptances		**—**	25	268
Derivative financial instruments	21	**5,861**	5,723	5,828
Amounts receivable from clients, brokers and financial institutions		**2,801**	3,486	2,557
Reinsurance contract assets	17	**1,676**	1,622	1,848
Right-of-use assets	11	**476**	543	530
Investment property	12	**974**	929	926
Property, plant and equipment	12	**1,549**	1,587	1,531
Goodwill		**563**	157	157
Intangible assets	13	**1,186**	663	466
Investments in companies accounted for using the equity method	14	**1,477**	1,465	1,380
Net defined benefit plan assets	18	**46**	679	62
Deferred tax assets	28	**1,244**	1,267	593
Other	15	**3,368**	3,540	2,934
		21,221	21,686	19,080
TOTAL ASSETS		**$ 422,940**	$ 403,944	$ 393,669
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits	16			
Individuals		**$ 151,519**	$ 145,377	$ 136,332
Business and government		**127,219**	114,172	101,644
Deposit-taking institutions		**591**	287	379
		279,329	259,836	238,355
Insurance contract liabilities	17	**32,961**	30,202	33,847
Other liabilities				
Acceptances		**—**	25	268
Commitments related to securities sold short		**11,686**	9,859	11,342
Commitments related to securities lent or sold under repurchase agreements		**12,032**	24,565	31,177
Derivative financial instruments	21	**6,626**	6,691	5,680
Amounts payable to clients, brokers and financial institutions		**9,350**	8,978	7,938
Lease liabilities		**553**	622	596
Reinsurance contract liabilities	17	**38**	36	45
Segregated fund net liabilities for investment contracts	10	**21,233**	17,826	18,628
Net defined benefit plan liabilities	18	**867**	654	1,048
Deferred tax liabilities	28	**252**	223	163
Other	19	**10,669**	9,092	8,924
		73,306	78,571	85,809
Subordinated notes	20	**2,954**	2,928	1,960
TOTAL LIABILITIES		**388,550**	371,537	359,971
EQUITY				
Capital stock	23	**4,731**	4,786	4,982
Undistributed surplus earnings		**2,668**	8,982	1,559
Accumulated other comprehensive income	25	**(708)**	(2,058)	317
Reserves		**26,784**	19,802	25,870
Equity – Group's share		**33,475**	31,512	32,728
Non-controlling interests	14	**915**	895	970
TOTAL EQUITY		**34,390**	32,407	33,698
TOTAL LIABILITIES AND EQUITY		**$ 422,940**	$ 403,944	$ 393,669

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

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

Guy Cormier
Chair of the Board

Johanne Charbonneau, FCPA
Vice-Chair of the Board

Combined Statements of Income

For the years ended December 31

(in millions of Canadian dollars)	Notes	2023	2022 Restated (Note 2)
INTEREST INCOME			
Loans		**$ 11,900**	$ 8,278
Securities		**2,067**	1,107
		13,967	9,385
INTEREST EXPENSE			
Deposits		**6,459**	2,829
Subordinated notes		**139**	78
Other		**336**	148
		6,934	3,055
NET INTEREST INCOME	27	**7,033**	6,330
INSURANCE SERVICE RESULT			
Insurance revenue	17	**10,429**	9,725
Insurance service expenses		**(8,934)**	(8,612)
Net reinsurance service income (expenses)		**(129)**	(55)
		1,366	1,058
NET INSURANCE FINANCE RESULT			
Net insurance investment income (loss)	17	**2,971**	(4,371)
Net insurance finance income (expenses)		**(2,383)**	4,594
Net reinsurance finance income (expenses)		**103**	(215)
		691	8
NET INSURANCE SERVICE INCOME		**2,057**	1,066
OTHER INCOME			
Deposit and payment service charges		**483**	448
Lending fees and card service revenues		**951**	965
Brokerage and investment fund services		**1,339**	989
Management and custodial service fees		**751**	662
Net other investment income (loss)	27	**(486)**	(500)
Foreign exchange income (loss)		**192**	119
Other		**257**	261
		3,487	2,944
TOTAL NET INCOME		**12,577**	10,340
PROVISION FOR CREDIT LOSSES	8	**529**	277
NON-INTEREST EXPENSE			
Salaries and employee benefits		**5,428**	5,120
Professional fees		**817**	1,084
Technology		**1,131**	924
Commissions		**705**	306
Occupancy costs		**408**	391
Communications		**358**	379
Business and capital taxes		**123**	118
Other		**1,247**	1,203
Gross non-interest expense		**10,217**	9,525
Non-interest expense included in insurance service expenses		**(985)**	(1,023)
NET NON-INTEREST EXPENSE		**9,232**	8,502
OPERATING SURPLUS EARNINGS		**2,816**	1,561
Income taxes on surplus earnings	28	**557**	319
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS		**2,259**	1,242
Member dividends		**412**	403
Tax recovery on member dividends	28	**(108)**	(106)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS		**$ 1,955**	$ 945
of which:			
Group's share		**$ 1,884**	$ 927
Non-controlling interests' share	14	**71**	18

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

Combined Statements of Comprehensive Income

For the years ended December 31

(in millions of Canadian dollars)	2023	2022 Restated (Note 2)
Net surplus earnings for the year after member dividends	**$ 1,955**	$ 945
Other comprehensive income, net of income taxes		
Items that will not be reclassified subsequently to the Combined Statements of Income		
Remeasurement of net defined benefit plan assets and liabilities	**(813)**	691
Net change in gains and losses on equity securities designated as at fair value through other comprehensive income	**96**	(1)
Net change in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	**(8)**	7
	(725)	697
Items that will be reclassified subsequently to the Combined Statements of Income		
Net change in unrealized gains and losses on debt securities classified as at fair value through other comprehensive income		
Net unrealized gains (losses)	**425**	(1,672)
Reclassification of net (gains) losses to the Combined Statements of Income	**280**	189
	705	(1,483)
Net change in cash flow hedges		
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**384**	(897)
Reclassification to the Combined Statements of Income of net (gains) losses on derivative financial instruments designated as cash flow hedges	**151**	(2)
	535	(899)
Share of associates and joint ventures accounted for using the equity method	**3**	(5)
	1,243	(2,387)
Total other comprehensive income, net of income taxes	**518**	(1,690)
COMPREHENSIVE INCOME FOR THE YEAR	**$ 2,473**	$ (745)
of which:		
Group's share	**$ 2,397**	$ (759)
Non-controlling interests' share	**76**	14

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

Income taxes on other comprehensive income

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

For the years ended December 31

(in millions of Canadian dollars)	2023	2022 Restated (Note 2)
Items that will not be reclassified subsequently to the Combined Statements of Income		
Remeasurement of net defined benefit plan assets and liabilities	**$ (295)**	$ 249
Net change in gains and losses on equity securities designated as at fair value through other comprehensive income	**13**	—
Net change in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	**(3)**	3
	(285)	252
Items that will be reclassified subsequently to the Combined Statements of Income		
Net change in unrealized gains and losses on debt securities classified as at fair value through other comprehensive income		
Net unrealized gains (losses)	**137**	(596)
Reclassification of net (gains) losses to the Combined Statements of Income	**97**	67
	234	(529)
Net change in cash flow hedges		
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**139**	(324)
Reclassification to the Combined Statements of Income of net (gains) losses on derivative financial instruments designated as cash flow hedges	**54**	(1)
	193	(325)
	427	(854)
Total income tax expense (recovery)	**$ 142**	$ (602)

Combined Statements of Changes in Equity

For the years ended December 31

(in millions of Canadian dollars)	Capital stock (Note 23)	Undistributed surplus earnings	Accumulated other comprehensive income (Note 25)	Reserves				Equity - Group's share	Non-controlling interests (Note 14)	Total equity
				Stabilization reserve	Reserve for future member dividends	General and other reserves	Total reserves			
BALANCE AS AT DECEMBER 31, 2021, as reported	$ 4,982	$ 1,546	$ 765	$ 795	$ 1,212	$ 23,314	$ 25,321	$ 32,614	$ 912	$ 33,526
Adoption of IFRS 17 (Note 2)	—	13	(448)	—	—	549	549	114	58	172
RESTATED BALANCE AS AT JANUARY 1, 2022	$ 4,982	$ 1,559	$ 317	$ 795	$ 1,212	$ 23,863	$ 25,870	$ 32,728	$ 970	$ 33,698
Net surplus earnings for the year after member dividends (restated)	—	927	—	—	—	—	—	927	18	945
Other comprehensive income for the year (restated)	—	689	(2,375)	—	—	—	—	(1,686)	(4)	(1,690)
Comprehensive income for the year (restated)	—	1,616	(2,375)	—	—	—	—	(759)	14	(745)
Other changes to capital stock	(196)	—	—	—	—	—	—	(196)	—	(196)
Transactions related to non-controlling interests	—	—	—	—	—	—	—	—	(9)	(9)
Transfer between undistributed surplus earnings and reserves (restated)	—	(1,828)	—	(452)	492	1,788	1,828	—	—	—
Remuneration on capital stock	—	(262)	—	—	—	—	—	(262)	—	(262)
Dividends	—	—	—	—	—	—	—	—	(80)	(80)
Equity transactions (restated)[1]	—	7,896	—	—	—	(7,896)	(7,896)	—	—	—
Other	—	1	—	—	—	—	—	1	—	1
BALANCE AS AT DECEMBER 31, 2022	$ 4,786	$ 8,982	$ (2,058)	$ 343	$ 1,704	$ 17,755	$ 19,802	$ 31,512	$ 895	$ 32,407
New financial asset designation (Note 2)	**—**	**(199)**	**119**	**—**	**—**	**—**	**—**	**(80)**	**—**	**(80)**
RESTATED BALANCE AS AT JANUARY 1, 2023	**$ 4,786**	**$ 8,783**	**$ (1,939)**	**$ 343**	**$ 1,704**	**$ 17,755**	**$ 19,802**	**$ 31,432**	**$ 895**	**$ 32,327**
Net surplus earnings for the year after member dividends	**—**	**1,884**	**—**	**—**	**—**	**—**	**—**	**1,884**	**71**	**1,955**
Other comprehensive income for the year	**—**	**(718)**	**1,231**	**—**	**—**	**—**	**—**	**513**	**5**	**518**
Comprehensive income for the year	**—**	**1,166**	**1,231**	**—**	**—**	**—**	**—**	**2,397**	**76**	**2,473**
Other changes to capital stock	**(55)**	**—**	**—**	**—**	**—**	**—**	**—**	**(55)**	**—**	**(55)**
Remuneration on capital stock	**—**	**(293)**	**—**	**—**	**—**	**—**	**—**	**(293)**	**—**	**(293)**
Dividends	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(56)**	**(56)**
Transfer between undistributed surplus earnings and reserves	**—**	**(6,982)**	**—**	**273**	**1,824**	**4,885**	**6,982**	**—**	**—**	**—**
Other	**—**	**(6)**	**—**	**—**	**—**	**—**	**—**	**(6)**	**—**	**(6)**
BALANCE AS AT DECEMBER 31, 2023	**$ 4,731**	**$ 2,668**	**$ (708)**	**$ 616**	**$ 3,528**	**$ 22,640**	**$ 26,784**	**$ 33,475**	**$ 915**	**$ 34,390**

[1] The increase in undistributed surplus earnings for the year results from equity transactions between Desjardins Group entities. Undistributed surplus earnings arising from such transactions were included in the surplus earnings distribution plans in 2023. These transactions had no impact on Desjardins Group's equity.

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

Combined Statements of Cash Flows

For the years ended December 31

(in millions of Canadian dollars)	2023	2022 Restated (Note 2)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Operating surplus earnings	**$ 2,816**	$ 1,561
Non-cash adjustments:		
Depreciation of right-of-use assets, property, plant and equipment and investment property, and amortization of intangible assets	**464**	383
Amortization of premiums and discounts	**119**	334
Provision for credit losses	**529**	277
Net realized (gains) losses on securities classified as at fair value through other comprehensive income	**187**	157
Net (gains) losses on disposal of property, plant and equipment, intangible assets and investment property	**10**	(2)
Other	**(183)**	(109)
Change in operating assets and liabilities:		
Securities at fair value through profit or loss	**(2,640)**	5,747
Securities borrowed or purchased under reverse repurchase agreements	**3,346**	(5,005)
Loans	**(16,794)**	(19,608)
Insurance and reinsurance contract assets and liabilities	**2,707**	(3,428)
Derivative financial instruments, net amount	**(335)**	1,548
Net amounts receivable from and payable to clients, brokers and financial institutions	**1,057**	111
Deposits	**19,493**	21,481
Commitments related to securities sold short	**1,827**	(1,483)
Commitments related to securities lent or sold under repurchase agreements	**(12,533)**	(6,612)
Other	**(81)**	934
Payment of the contingent consideration	**(60)**	(87)
Income taxes paid on surplus earnings	**(46)**	(856)
Payment of member dividends	**(398)**	(386)
	(515)	(5,043)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Issuance of subordinated notes	**—**	997
Sale (purchase) of debt securities and subordinated notes to (from) third parties on the market	**—**	17
Repayment of lease liabilities	**(78)**	(61)
Other changes to capital stock	**(55)**	(196)
Remuneration on capital stock	**(262)**	(208)
Transactions related to non-controlling interests	**—**	(9)
Dividends paid	**(56)**	(80)
	(451)	460
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of securities at fair value through other comprehensive income and at amortized cost	**(36,744)**	(36,789)
Proceeds from disposals of securities at fair value through other comprehensive income and at amortized cost	**21,273**	22,300
Proceeds from maturities of securities at fair value through other comprehensive income and at amortized cost	**17,506**	12,294
Business acquisition, net of cash and cash equivalents acquired	**(743)**	—
Acquisitions of property, plant and equipment, intangible assets and investment property	**(519)**	(613)
Proceeds from disposals of property, plant and equipment, intangible assets and investment property	**9**	21
Distributions received from associates and joint ventures	**383**	81
Acquisitions of joint ventures and associates accounted for using the equity method	**(125)**	(126)
	1,040	(2,832)
Net increase (decrease) in cash and cash equivalents	**74**	(7,415)
Cash and cash equivalents at beginning of year	**8,913**	16,328
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 8,987**	$ 8,913
Supplemental information on cash flows from (used in) operating activities		
Interest paid	**$ 6,098**	$ 2,658
Interest received	**14,529**	9,949
Dividends received	**290**	253

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION

Nature of operations

Desjardins Group is made up of the Desjardins caisses in Québec, Caisse Desjardins Ontario Credit Union Inc. (CDO), the *Fédération des caisses Desjardins du Québec* (the Federation) and its subsidiaries, and the *Fonds de sécurité Desjardins*. A number of the subsidiaries are active across Canada. The various business segments in which Desjardins Group operates are described in Note 31, "Segmented information". The address of its head office is 100 Des Commandeurs Street, Lévis, Québec, Canada.

Combined Financial Statements

As an integrated financial services group, Desjardins Group is a complete economic entity. These Combined Financial Statements have been prepared to present the financial position, the financial performance and the cash flows of this economic entity. The Desjardins caisses exercise a collective power over the Federation, which is the cooperative entity responsible for assuming orientation, framework, coordination and development activities for Desjardins Group. The role of the Federation is also to protect the interests of Desjardins Group members.

As Desjardins caisses and the Federation are financial services cooperatives, these Combined Financial Statements differ from the consolidated financial statements of a group with a traditional organizational structure. Consequently, the Combined Financial Statements of Desjardins Group are a combination of the accounts of the Desjardins caisses of Québec, CDO, the Federation and its subsidiaries and the *Fonds de sécurité Desjardins*. The capital stock of Desjardins Group represents the aggregate of the capital stock issued by the Desjardins caisses of Québec, the Federation and CDO.

Statement of compliance

Pursuant to the *Act Respecting Financial Services Cooperatives* (the Act), these Combined Financial Statements have been prepared by Desjardins Group's management in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting requirements of the *Autorité des marchés financiers* (AMF) in Québec, which do not differ from IFRS. The impact of adopting IFRS 17, "Insurance Contracts" on Desjardins Group's Combined Financial Statements is presented in Note 2, "Accounting policies". Certain comparative figures for the year ended December 31, 2022 have been restated, and a restated opening Balance Sheet as at January 1, 2022 is presented to reflect this new standard. In addition, certain comparative figures have been reclassified to conform with the presentation of the Combined Financial Statements for the current year. These reclassifications had no impact on Desjardins Group's profit or loss or total assets and liabilities.

The Combined Financial Statements for the year ended December 31, 2023 were approved by the Board of Directors of Desjardins Group, which is the Board of Directors of the Federation, on February 21, 2024.

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

Significant judgments, estimates and assumptions

The preparation of combined financial statements in accordance with IFRS requires management to make judgments and estimates and rely on assumptions which have an impact on the reported amount of certain assets, liabilities, income and expenses as well as related disclosures. The accounting policies that required management to make difficult, subjective or complex judgments, often about matters that are inherently uncertain, are related to consolidation of structured entities, determination of the fair value of financial instruments, derecognition of financial assets, impairment of financial instruments, impairment of non-financial assets, measurement of insurance contract liabilities and transition approaches used in applying IFRS 17 as at January 1, 2022, provisions, income taxes on surplus earnings, employee benefits as well as intangible assets. Consequently, actual results could differ from those estimates and assumptions.

The economic environment continues to give rise to sources of uncertainty having an impact on judgments as well as significant estimates and assumptions made by management in preparing the Combined Financial Statements. This specifically affects the allowance for expected credit losses. For more information on significant judgments made to estimate the allowance for expected credit losses, see Note 8, "Loans and allowance for credit losses".

NOTE 2 – ACCOUNTING POLICIES

Scope of the Group

The Combined Financial Statements of Desjardins Group include the assets, liabilities, operating results and cash flows of the Desjardins caisses in Québec, CDO, the Federation and its subsidiaries and the *Fonds de sécurité Desjardins*. The financial statements of all Group entities have been prepared using similar accounting policies. All intercompany transactions and balances have been eliminated.

Management must use its judgment to determine whether the facts and circumstances resulting from a relationship with another entity give Desjardins Group control, joint control or significant influence over such entity. In particular, significant judgments must be made with respect to structured entities.

Investments in associates and joint ventures

Desjardins Group's investments in associates and joint ventures are presented under "Investments in companies accounted for using the equity method" in the Combined Balance Sheets.

Presentation and functional currency

These Combined Financial Statements are expressed in Canadian dollars, which is also the functional currency of Desjardins Group. Dollar amounts presented in the tables of the Notes to the Combined Financial Statements are in millions of dollars, unless otherwise stated.

CHANGES IN ACCOUNTING POLICIES

Adoption of IFRS 17, "Insurance Contracts"

On January 1, 2023, Desjardins Group adopted IFRS 17, "Insurance Contracts", which replaced IFRS 4, "Insurance Contracts". IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of all insurance and reinsurance contracts.

The adoption of this standard resulted in major changes to Desjardins Group's Combined Financial Statements. Certain comparative figures for the year ended December 31, 2022 have been restated, and a restated opening Balance Sheet as at January 1, 2022 is presented to reflect these changes. The accounting policies applied subsequent to adopting IFRS 17 are described in section k), Insurance and reinsurance contracts, below.

ACCOUNTING POLICIES

a) Financial assets and liabilities

Financial assets and liabilities are recognized on the date Desjardins Group becomes a party to their contractual provisions, namely the date of acquisition or issuance of the financial instrument. Regular-way purchases and sales of financial assets are recognized on a trade-date basis.

Classification and measurement

Financial assets are classified based on their contractual cash flow characteristics and the business model under which they are held.

Contractual cash flow characteristics

In order to meet the cash flow characteristics criterion for purposes of classifying a financial asset, the cash flows from this asset must be solely payments of principal and interest on the principal amount outstanding. Principal is generally the fair value of the financial asset at initial recognition. Interest consists mainly of consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time, but it may also include consideration for other basic lending risks and costs, such as liquidity risk and administrative costs, as well as a certain profit margin.

Business models

Desjardins Group's business models are determined in a manner that reflects how groups of financial assets are managed to achieve a particular business objective. The business models refer to how Desjardins Group manages its financial assets in order to generate cash flows. They therefore reflect whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Determining business models requires the use of judgment and is based on all relevant evidence that is available to Desjardins Group at the date of the assessment.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

Desjardins Group's business models are defined as follows:
- Held to collect contractual cash flows: The objective of holding financial assets is achieved by collecting contractual cash flows.
- Held to collect contractual cash flows and sell: The objective is achieved by both collecting contractual cash flows and selling financial assets.
- Other business models: The objective is not consistent with any of the above-mentioned business models.

The classification and measurement of financial assets can be summarized as follows:

Classes		Categories	Recognition	
			Initial	Subsequent
Financial assets	At fair value through profit or loss (i)	Classified as at fair value through profit or loss (ii)	Fair value	Fair value
		Designated as at fair value through profit or loss (iii)	Fair value	Fair value
	At fair value through other comprehensive income (iv)	Classified as at fair value through other comprehensive income (v)	Fair value	Fair value
		Designated as at fair value through other comprehensive income (vi)	Fair value	Fair value
	Amortized cost (vii)		Fair value	Amortized cost

(i) Financial assets included in the "At fair value through profit or loss" class comprise financial assets "Classified as at fair value through profit or loss" and "Designated as at fair value through profit or loss". Therefore:
- Changes in fair value of financial assets included in this class are recorded under "Net insurance investment income (loss)" and "Net other investment income (loss)" in the Combined Statements of Income.
- Interest income calculated using the effective interest method and dividend income from the "At fair value through profit or loss" class of the Personal and Business Services segment and the Other category are mainly recognized under "Interest income – Securities". For the other segments, such income is mainly recognized under "Net insurance investment income (loss)" and "Net other investment income (loss)".

(ii) Financial assets "Classified as at fair value through profit or loss" include the following:
- Debt instruments that are managed for trading purposes or on a fair value basis or do not meet the criteria of the contractual cash flow test performed to determine whether cash flows are solely payments of principal or interest.
- Equity instruments that were not "Designated as at fair value through other comprehensive income".
- Derivative financial instruments.

Section n), "Derivative financial instruments and hedging activities", specifies the nature of the recognition of derivative financial instruments designated as part of hedging relationships.

(iii) Financial assets "Designated as at fair value through profit or loss" are debt instruments designated as such by management upon initial recognition, on an instrument-by-instrument basis. Management may make this irrevocable designation if doing so eliminates or significantly reduces a measurement or recognition inconsistency for the financial asset.

Desjardins Group's financial assets included in this measurement category comprise mainly debt securities and loans held in respect of insurance activities.

(iv) Financial assets included in the "At fair value through other comprehensive income" class comprise financial assets "Classified as at fair value through other comprehensive income" and "Designated as at fair value through other comprehensive income". Therefore:
- Changes in fair value of financial assets included in this class, except for changes related to the allowance for expected credit losses and exchange gains and losses on financial assets "Classified as at fair value through other comprehensive income", are recorded in the Combined Statements of Comprehensive Income as net unrealized gains and losses. For financial assets "Classified as at fair value through other comprehensive income", gains and losses are reclassified to the Combined Statements of Income when the asset is derecognized, while for financial assets "Designated as at fair value through other comprehensive income", gains and losses are never reclassified subsequently to the Combined Statements of Income and are reclassified immediately to undistributed surplus earnings.
- Dividends from equity instruments "Designated as at fair value through other comprehensive income" are mainly recognized under "Net insurance investment income (loss)".
- Premiums and discounts on the purchase of financial assets "At fair value through other comprehensive income" are amortized over the life of the securities using the effective interest method and recognized under "Interest income – Securities" for the Personal and Business Services segment and the Other category. For the other segments, they are mainly recognized under "Net insurance investment income (loss)" and "Net other investment income (loss)".

(v) Financial assets "Classified as at fair value through other comprehensive income" include debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and meet the criteria of the contractual cash flow test performed to determine whether cash flows are solely payments of principal or interest.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

(vi) Financial assets "Designated as at fair value through other comprehensive income" include equity instruments for which an irrevocable election was made, on an instrument-by-instrument basis. This election is made for some equity instruments of public companies held in respect of insurance activities to mitigate volatility in the Combined Statements of Income and some equity instruments of private companies that are held on a long-term basis.

(vii) Securities included in the "Amortized cost" class are financial assets that are held within a business model whose objective is achieved by collecting contractual cash flows and meet the criteria of the contractual cash flow test performed to determine whether cash flows are solely payments of principal or interest.

Securities included in this class are initially recognized at fair value in the Combined Balance Sheets and, at subsequent reporting dates, they are measured at amortized cost using the effective interest method. Income recognized on securities included in the "Amortized cost" class is presented under "Interest income – Loans" in the Combined Statements of Income when it is recognized by the Personal and Business Services segment and the Other category. For the other segments, it is recognized mainly under "Net insurance investment income (loss)" and "Net other investment income (loss)".

Financial assets are not reclassified following their initial recognition, except when the business model for managing those financial assets is changed.

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

The classification and measurement of financial liabilities can be summarized as follows:

Classes		Categories	Recognition	
			Initial	Subsequent
Financial liabilities	At fair value through profit or loss (i)	Classified as at fair value through profit or loss (ii)	Fair value	Fair value
		Designated as at fair value through profit or loss (iii)	Fair value	Fair value
	Amortized cost (iv)		Fair value	Amortized cost

(i) Financial liabilities included in the "At fair value through profit or loss" class comprise financial liabilities "Classified as at fair value through profit or loss" and "Designated as at fair value through profit or loss". Therefore:
- Changes in fair value of financial liabilities included in this class are mainly recorded under "Net insurance investment income (loss)" and "Net other investment income (loss)" in the Combined Statements of Income. However, for financial liabilities designated as at fair value, the change in fair value that is attributable to Desjardins Group's own credit risk is recognized in other comprehensive income that will not be reclassified subsequently to the Combined Statements of Income and is reclassified immediately to undistributed surplus earnings.
- Interest expense related to financial liabilities included in the "At fair value through profit or loss" class is recognized under "Interest expense" in the Combined Statements of Income for the Personal and Business Services segment and the Other category. For the other segments, interest expense is recognized under "Net other investment income (loss)" in the Combined Statements of Income.

(ii) Financial liabilities "Classified as at fair value through profit or loss" are securities held for trading and include debt securities issued with the intention to repurchase them in the near term and securities that are part of a portfolio of securities that are managed together and for which there is evidence of an actual pattern of short-term profit-taking, such as "Commitments related to securities sold short". Derivative financial instruments are also classified as held for trading.

Section n), "Derivative financial instruments and hedging activities", of this note specifies the nature of the recognition of derivative financial instruments designated as part of hedging relationships.

(iii) Financial liabilities "Designated as at fair value through profit or loss" are designated as such by management upon initial recognition, on an instrument-by-instrument basis, and are essentially debt securities. Management may make this irrevocable designation if doing so eliminates or significantly reduces a measurement or recognition inconsistency for the financial liability, if a group of financial liabilities is managed and its performance is evaluated on a fair value basis, or if the liabilities are hybrid financial liabilities containing at least one embedded derivative that would otherwise be separated from the host contract and recognized separately.

Financial liabilities included in this measurement category comprise deposits containing at least one embedded derivative that would otherwise be separated from the host contract and recognized separately.

(iv) Financial liabilities that are not in the "At fair value through profit or loss" class are included in the "Amortized cost" class.

Financial liabilities included in this class are initially recognized at fair value in the Combined Balance Sheets and, at subsequent reporting dates, they are measured at amortized cost using the effective interest method. Interest expense on securities included in the "Amortized cost" class is recognized under "Interest expense" in the Combined Statements of Income for the Personal and Business Services segment and the Other category. Interest expense for the other segments is recognized mainly under "Net insurance investment income (loss)" and "Net other investment income (loss)" in the Combined Statements of Income.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

Determination of the fair value of financial instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

There is little subjectivity in the determination of the fair value of financial instruments, especially securities and commitments related to securities sold short, obtained from quoted prices on active markets. This fair value is based on the quoted price within the bid-ask spread that is most representative of fair value in the circumstances.

If there are no quoted prices on active markets, fair value is determined using models that maximize the use of observable inputs and minimize the use of unobservable inputs. In such cases, fair value estimates are established using valuation techniques such as cash flow discounting, comparisons with similar financial instruments, option pricing models and other valuation techniques commonly used by market participants, if these techniques have been demonstrated to provide reliable estimates. Valuation techniques rely on assumptions concerning the amount and timing of estimated future cash flows and discount rates that are mainly based on observable data, such as interest rate yield curves, exchange rates, credit curves and volatility factors. When one or several material inputs are not observable on the market, fair value is determined mainly based on internal inputs and estimates that take into account the characteristics specific to the financial instrument and any factor relevant to the measurement. For complex financial instruments, significant judgment is made in determining the valuation technique to be used and in selecting inputs and adjustments associated with this technique. Due to the need to use estimates and make judgments when applying many valuation techniques, fair value estimates for identical or similar assets may differ between entities. Fair value reflects market conditions on a given date and may not be representative of future fair values. It should not be considered as being realizable in the event of immediate settlement of these instruments.

Loans

The fair value of performing loans classified as at “Amortized cost” and loans classified as “At fair value through profit or loss” is determined by discounting expected contractual cash flows using market interest rates charged for similar new loans at the reporting date and reflects estimated prepayments, adjusted to take into account credit losses on the loan portfolio. Changes in interest rates and in the creditworthiness of borrowers are the main causes of changes in the fair value of loans held by Desjardins Group.

Deposits

The fair value of fixed-rate deposits is determined by discounting expected cash flows using market interest rates currently being offered for deposits with substantially the same term and reflects estimated prepayments. The fair value of deposits with floating-rate features or with no stated maturity is assumed to be equal to their carrying amount. The fair value of certain liabilities presented under “Deposits – Business and government” is based on the market price for similar instruments or on expected cash flow discounting. For financial liabilities designated as at fair value through profit or loss, the fair value takes option pricing models into account, and the valuation techniques are similar to those used for derivative financial instruments.

Subordinated notes

The fair value of subordinated notes is based on market prices.

Derivative financial instruments

The fair value of derivative financial instruments is determined using pricing models that incorporate the current market prices and the contractual prices of the underlying instruments, the time value of money, interest rate yield curves, credit curves and volatility factors. This fair value is presented without taking into account the impact of legally enforceable master netting agreements. However, Desjardins Group adjusts the measurement of these instruments based on credit risk, and such adjustments reflect the financial ability of the counterparties to the contracts and the creditworthiness of Desjardins Group, as well as credit risk mitigation measures such as legally enforceable master netting agreements. Note 21, “Derivative financial instruments and hedging activities”, specifies the nature of derivative financial instruments held by Desjardins Group.

Financial instruments whose fair value equals their carrying amount

The carrying amount of certain financial instruments is a reasonable approximation of their fair value given their short-term maturity or their features. These financial instruments include the following items: “Cash and deposits with financial institutions”; “Securities borrowed or purchased under reverse repurchase agreements”; “Clients’ liability under acceptances”; “Amounts receivable from clients, brokers and financial institutions”; some items included in “Other assets – Other”; “Acceptances”; “Commitments related to securities lent or sold under repurchase agreements”; “Amounts payable to clients, brokers and financial institutions”; and some items included in “Other liabilities – Other”.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

Transaction costs

Transaction costs for financial instruments are capitalized and then amortized over the life of the instrument using the effective interest method for financial instruments classified as “At fair value through other comprehensive income” and at “Amortized cost”, while they are never subsequently reclassified to the Combined Statements of Income for financial instruments designated as “At fair value through other comprehensive income”. For financial instruments classified or designated as “At fair value through profit or loss”, these costs are expensed as incurred.

Offsetting of financial assets and liabilities

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

Derecognition of financial assets and liabilities

A financial asset is derecognized from the Combined Balance Sheets when the contractual rights to the cash flows from the asset expire, when the contractual rights to receive these cash flows are retained but Desjardins Group has the obligation to pay them to a third party under certain conditions, or when Desjardins Group transfers the contractual rights to receive the cash flows and substantially all the risks and rewards of ownership of the asset have been transferred.

When substantially all the risks and rewards of ownership of the transferred financial asset are retained by Desjardins Group, such asset is not derecognized from the Combined Balance Sheets and a financial liability is recognized, when appropriate.

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

Management must use its judgment to determine whether the contractual rights to the cash flows have expired, have been transferred or have been retained with an obligation to pay them to a third party. With respect to the transfer of substantially all the risks and rewards of ownership of the assets, management evaluates Desjardins Group’s exposure before and after the transfer as well as the changes in the amount and timing of the net cash flows of the transferred asset.

A financial liability is derecognized when the related obligation is discharged, cancelled or expires. The difference between the carrying amount of the transferred financial liability and the consideration paid is recognized in the Combined Statements of Income.

b) Cash and deposits with financial institutions

“Cash and deposits with financial institutions” includes cash and cash equivalents. Cash equivalents consist of deposits with the Bank of Canada, deposits with financial institutions—including net amounts receivable related to cheques and other items in the clearing process—as well as certain fixed-income securities. These financial instruments mature in the short term, are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

c) Securities

The classification and measurement of securities are determined using the criteria stated in section a), “Financial assets and liabilities”, above.

Securities purchased under reverse repurchase agreements and securities borrowed

Securities purchased under reverse repurchase agreements and securities borrowed are not recognized in the Combined Balance Sheets, as substantially all the risks and rewards of ownership of these securities have not been obtained.

Reverse repurchase agreements are treated as collateralized lending transactions. An asset corresponding to the consideration paid for the securities acquired, including accrued interest, is recognized under “Securities borrowed or purchased under reverse repurchase agreements” in the Combined Balance Sheets.

As part of securities borrowings, Desjardins Group pledges cash or securities as collateral. When cash is pledged as collateral, an asset corresponding to the amount that will be received upon the delivery of the borrowed securities is recognized under “Securities borrowed or purchased under reverse repurchase agreements” in the Combined Balance Sheets. When securities are pledged as collateral, such securities are not derecognized, as substantially all the risks and rewards of ownership of these securities are retained.

Securities sold under repurchase agreements and securities lent

Securities sold under repurchase agreements and securities lent are not derecognized from the Combined Balance Sheets, as substantially all the risks and rewards of ownership of these securities are retained.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

Repurchase agreements are treated as collateralized borrowing transactions. A liability corresponding to the consideration received for the securities sold, including accrued interest, is recognized under “Commitments related to securities lent or sold under repurchase agreements” in the Combined Balance Sheets.

As part of securities loans, Desjardins Group receives cash or securities as collateral. When cash is received as collateral, a liability corresponding to the obligation to deliver cash is recognized under “Commitments related to securities lent or sold under repurchase agreements” in the Combined Balance Sheets. When securities are received as collateral, such securities are not recognized, as substantially all the risks and rewards of ownership of these securities have not been obtained.

Securities sold short

Securities sold short as part of trading activities, which represent Desjardins Group’s obligation to deliver securities that it did not possess at the time of sale, are recognized as liabilities at their fair value. Realized and unrealized gains and losses on these securities are recognized under “Net insurance investment income (loss)” and “Net other investment income (loss)” in the Combined Statements of Income.

d) Loans

The classification and measurement of loans are determined using the criteria stated in section a), “Financial assets and liabilities”, above. The majority of loans are classified as at “Amortized cost”.

Fees collected and direct costs related to the origination, restructuring and renegotiation of loans classified as at “Amortized cost” are treated as being integral to the yield of the loans. They are deferred and amortized using the effective interest method, and the amortization is recognized as interest income over the life of the loan. Collateral is obtained if deemed necessary, based on an assessment of the borrower’s creditworthiness. Such collateral normally takes the form of assets such as capital assets, receivables, inventory, equipment, securities (government securities, equity securities, etc.) or cash.

Restructured loans are loans for which Desjardins Group renegotiated the initial terms by granting concessions to the borrower in the context of financial difficulties or to prevent a failure by the borrower to meet its initial obligations. Once the terms of the loan have been renegotiated and accepted by the borrower, the loan is considered as restructured.

When the modification of the terms of a loan classified as at “Amortized cost” has no significant impact on contractual cash flows, the renegotiated loan is not derecognized. At the date of restructuring, the loan is reduced to the amount of the estimated net cash flows receivable under the modified terms, discounted at the effective interest rate (prior to the restructuring), which may result in a gain or loss on modification. When the modification of the terms has a significant impact on contractual cash flows, the initial loan should be derecognized, which may result in a gain or loss on derecognition. In addition, a new loan should be recognized based on the new contractual terms. When the modification of the terms does not result in the derecognition of the loan, the date of initial recognition of the loan remains unchanged for purposes of applying the impairment model. The default risk based on the modified contractual terms is then compared to the default risk based on the initial terms to determine whether there has been a significant increase in credit risk since initial recognition. When the modification of the terms results in the derecognition of the loan and the recognition of a new loan, the date of the modification should become the date of initial recognition of the new loan for purposes of applying the impairment model. A new loan is usually considered as being in Stage 1 of the impairment model, but it may have to be considered as credit-impaired upon origination.

e) Impairment of financial instruments

At each reporting date, Desjardins Group recognizes an allowance for expected credit losses for debt instruments classified as at “Amortized cost” or as “At fair value through other comprehensive income”, as well as certain off-balance sheet items, namely loan commitments and financial guarantees, which are not measured at fair value through profit or loss. This allowance is estimated based on an impairment model that comprises three stages:

- Stage 1: For financial instruments that have not had a significant increase in credit risk since initial recognition and are not considered as credit-impaired financial assets, an allowance for credit losses amounting to 12-month expected credit losses is recognized.
- Stage 2: For financial instruments that have had a significant increase in credit risk since initial recognition but are not considered as credit-impaired financial assets, an allowance for credit losses amounting to the lifetime expected credit losses is recognized.
- Stage 3: For financial instruments considered as credit impaired, an allowance for credit losses amounting to the lifetime expected credit losses continues to be recognized.

Financial instruments may, over their life, move from one impairment model stage to another based on the improvement or deterioration in their credit risk and the level of expected credit losses. Instruments are always classified in the various stages of the impairment model based on the change in credit risk between the reporting date and the initial recognition date of the financial instrument and an analysis of evidence of impairment.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

Determination of significant increases in credit risk

To determine whether, at the reporting date, credit risk has significantly increased since initial recognition, Desjardins Group bases its assessment on the change in default risk over the expected life of the financial instrument, which requires significant judgment.

To this end, Desjardins Group compares the probability of default (PD) of the financial instrument at the reporting date with its PD at the date of initial recognition. In addition, it considers reasonable and supportable information indicating a significant increase in credit risk since initial recognition, including qualitative information and information about future economic conditions to the extent that it affects the assessment of the instrument's PD. The criteria used to determine a significant increase in credit risk vary depending on the groups of financial instruments with shared credit risk characteristics and are mainly based on a relative change combined with an absolute change in the PD. They also include absolute PD thresholds and certain other criteria. All instruments that are more than 30 days past due are transferred to Stage 2 of the impairment model.

For securities at "Amortized cost" or "Classified as at fair value through other comprehensive income", Desjardins Group elected to use the low credit risk exemption. Consequently, when credit risk is equivalent to the credit risk of the "investment grade" category at the reporting date, the credit risk on the securities is deemed to not have significantly increased since initial recognition.

Definition of default and credit-impaired financial asset

The definition of default used in the impairment model corresponds to the definition used for internal credit risk management purposes and for regulatory purposes. It considers relevant quantitative and qualitative factors. In particular, a loan is in default when contractual payments are over 90 days past due. A financial asset is considered credit-impaired when it is in default, unless the detrimental impact on the estimated future cash flows is considered insignificant.

Measurement of the allowance for expected credit losses

The allowance for expected credit losses reflects an unbiased amount, based on a probability-weighted present value of cash flow shortfalls, and takes into account reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. Generally, the allowance for expected credit losses represents the present value of the difference between cash flows that are due, or the amount of the commitment that may be used under the terms and conditions of the contract, and total cash flows that Desjardins Group expects to receive. For credit-impaired financial assets, expected credit losses are calculated based on the difference between the gross carrying amount of the asset and estimated cash flows.

The measurement of the allowance for expected credit losses is estimated for each exposure at the reporting date and is based on the result of multiplying the three credit risk parameters, namely PD, loss given default (LGD) and exposure at default (EAD). The result of this multiplication is then discounted using the effective interest rate. The parameters are estimated using an appropriate segmentation that considers common credit risk characteristics. The LGD of certain loans and off-balance sheet items is estimated at 0% due to the nature of the credit enhancement obtained. For financial instruments in Stage 1 of the impairment model, credit risk parameters are projected over a maximum horizon of 12 months, while for those in Stage 2 or Stage 3, they are projected over the remaining life of the instrument.

To determine the credit risk parameters, financial instruments are aggregated based on their common credit risk characteristics. The following table presents the main aggregation variables for the applicable parameters.

PD	LGD	EAD[1]
Loans, loan commitments and financial guarantees: • Type of clients • Risk level • Type of instrument • Industry	*Loans, loan commitments and financial guarantees:* • Type of clients • Type of collateral • Type of guarantor • Risk level • Type of instrument • Industry	*Loans:* • Type of clients • Type of product *Loan commitments and financial guarantees:* • Type of clients • Risk level • Utilization rate • Authorized amount • Type of product • Balance

[1] To determine the EAD, a credit conversion factor is applied.

The allowance for expected credit losses also considers information about future economic conditions. To incorporate forward-looking information relevant to the determination of significant increases in credit risk and the measurement of the allowance for expected credit losses, Desjardins Group uses the econometric models for credit risk projection. These models estimate the impact of macroeconomic variables on the various credit risk parameters. Desjardins Group uses three scenarios (base, upside and downside) to determine the allowance for expected credit losses and assigns to each scenario a probability of occurrence. Desjardins Group may also make adjustments to take into account the relevant information that affects the measurement of the allowance for credit losses and that has not been incorporated into the credit risk parameters. Incorporating forward-looking information is based on a set of assumptions and methodologies specific to credit risk and economic projections and therefore requires a high degree of judgment.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

For credit-impaired financial assets that are individually material, measuring the allowance for expected credit losses is based on an extensive review of the borrower's situation and the realization of collateral held. The measurement represents a probability-weighted present value, calculated using the effective interest rate, of cash flow shortfalls that takes into consideration the impact of various scenarios that may materialize and information about future economic conditions. In some cases, Desjardins Group may not recognize any allowance for credit losses when the probability of the collateral realization scenario is 100% and the estimated realizable value of the collateral exceeds the gross carrying amount of the loan.

Expected life

The expected life of most financial instruments is equal to the maximum contractual term during which Desjardins Group is exposed to credit risk, including extension options that may be exercised solely by the borrower. The exception to this rule concerns revolving credit facilities, which consist of personal and business lines of credit and credit card loans. Their life is estimated as being the period over which there is exposure to credit risk but for which expected credit losses would not be mitigated by normal credit risk management actions.In making this estimate, Desjardins Group considers the period over which it was exposed to credit risk on similar financial instruments and the credit risk management actions that it expects to take once the credit risk on a financial instrument has increased.

Recognition of the allowance for expected credit losses

The allowance for expected credit losses on loans is recorded under "Allowance for credit losses" in the Combined Balance Sheets and under "Provision for credit losses" in the Combined Statements of Income.

The allowance for expected credit losses on loan commitments and financial guarantees is recorded under "Other liabilities – Other" in the Combined Balance Sheets and under "Provision for credit losses" in the Combined Statements of Income.

The allowance for expected credit losses on securities at "Amortized cost" is recorded against "Securities – Securities at amortized cost" in the Combined Balance Sheets and under "Provision for credit losses" in the Combined Statements of Income. The allowance for expected credit losses on securities "Classified as at fair value through other comprehensive income" is recognized under "Net unrealized gains on debt securities classified as at fair value through other comprehensive income" in the Combined Statements of Comprehensive Income and under "Provision for credit losses" in the Combined Statements of Income.

Foreclosed assets

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

Loan write-off

A loan is written off, in whole or in part, when recovery is no longer reasonably expected, which is when all attempts at restructuring or collection have been made and, based on an assessment of the file in its entirety, there are no other means to recover the loan. For secured loans, balances are generally written off once the collateral has been realized. Loans for which a consumer proposal or bankruptcy proceedings are ongoing but for which Desjardins Group has no reasonable expectation of recovery are written off, but they may continue to be subject to recovery measures by an insolvency trustee. Credit card balances are written off completely when no payment has been received at the end of a period of 180 days. These balances could however still be subject to enforcement activity during a certain period after they have been written off. When a loan is written off completely, any subsequent payments are recorded under "Provision for credit losses" in the Combined Statements of Income.

f) Leases

Lessee

Desjardins Group mainly leases premises that are used in the normal course of its operations. A right-of-use asset and a lease liability are recognized in the Combined Balance Sheets at the commencement date of the lease, except for short-term and low-value leases. In addition, Desjardins Group applies the practical expedient which allows not to separate non-lease components from lease components for a contract.

Right-of-use assets are presented in the Combined Balance Sheets and the depreciation of right-of-use assets is recognized under "Non-interest expense – Occupancy costs" in the Combined Statements of Income.

The lease liability is initially measured at the present value of the lease payments that have not yet been paid. Generally, Desjardins Group uses its incremental borrowing rate as discount rate. Lease liabilities are presented in the Combined Balance Sheets and interest expense on lease liabilities is recognized under "Interest expense" in the Combined Statements of Income.

Lessor

Leases in which Desjardins Group is the lessor are leases for premises. Desjardins Group mainly enters into operating leases.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

When Desjardins Group is the lessor, lease income from operating leases is recognized on a straight-line basis over the lease term under “Net insurance investment income (loss)” and “Net other investment income (loss)” and the leased asset remains recognized in the Combined Balance Sheets.

g) Property, plant and equipment and investment property

Property, plant and equipment

Property, plant and equipment are recognized at cost and are depreciated using the straight-line method. The depreciation expense for property, plant and equipment is recognized under “Non-interest expense – Occupancy costs” in the Combined Statements of Income.

Investment property

Investment properties are recognized at cost and are depreciated using the straight-line method. The depreciation expense for investment properties is recognized under “Net insurance investment income (loss)” and “Net other investment income (loss)” in the Combined Statements of Income.

Depreciation

Property, plant and equipment and investment property are depreciated using the following depreciation periods:

	Depreciation periods
Land	Non-depreciable
Buildings and investment property	5 to 80 years
Computer equipment	3 to 10 years
Furniture, fixtures and other	1 to 20 years
Leasehold improvements	Expected term of the lease

Derecognition

Gains and losses on the disposal or sale of buildings are recognized in the Combined Statement of Income for the year in which they are realized under “Non-interest expense – Occupancy costs” for property, plant and equipment and under “Net insurance investment income (loss)” and “Net other investment income (loss)” for investment property.

h) Intangible assets

Intangible assets include acquired and internally generated intangible assets. The cost of intangible assets with finite useful lives is amortized using the straight-line method over their estimated useful lives, which do not exceed 40 years.

Gains or losses resulting from the derecognition of an intangible asset are recognized under “Non-interest expense – Other” in the Combined Statements of Income upon derecognition of the asset.

i) Impairment of non-financial assets

Desjardins Group assesses at the reporting date whether there is evidence that an asset may be impaired. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

When there is evidence that an asset may be impaired, estimating the recoverable amount of a non-financial asset to determine whether it is impaired requires management to make estimates and assumptions. The main estimates and assumptions used in calculating the recoverable amount are future cash flows estimated based on internal financial forecasts, expected future earnings, the growth rate and the discount rate.

Goodwill

Goodwill is tested for impairment once a year and when there is possible evidence of impairment. The impairment test for goodwill is performed based on the recoverable amount of each CGU (or each group of CGUs) to which goodwill is allocated. Significant judgments must be made to estimate the data taken into account in the model used to determine the recoverable amount of each CGU.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

j) Acceptances and clients' liability under acceptances

Acceptances represent a form of negotiable short-term debt that is issued by our clients and that we guarantee for a fee. The potential liability of Desjardins Group under acceptances is recognized under "Acceptances", in "Other liabilities". Desjardins Group has equivalent offsetting claims against its clients in the event of a call on these commitments, which are recognized under "Clients' liability under acceptances", in "Other assets". Fees are recognized under "Other income – Other".

k) Insurance and reinsurance contracts

Classification

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

Certain contracts issued by the insurance subsidiaries do not transfer a significant insurance risk. These contracts are classified as investment contracts in accordance with IFRS 9, "Financial Instruments", or as service contracts in accordance with IFRS 15, "Revenues from Contracts with Customers".

Insurance contracts issued are classified as insurance contracts without direct participation features or as insurance contracts with direct participation features.

The life and health insurance subsidiary classifies individual segregated fund contracts and life insurance contracts with participation features as insurance contracts with direct participation features. All other insurance contracts are insurance contracts without direct participation features.

Insurance contracts with direct participation features are contracts that are essentially contracts for investment-related services under which a return on clearly defined underlying items is promised. The underlying items include specific investment portfolios that determine the amounts that are payable to the insured persons. The policy of the life and health insurance subsidiary is to hold such specific investments.

Significant judgments are made by management when analyzing the conditions that have to be met to classify insurance contracts as insurance contracts with direct participation features. These contracts must be measured using the variable fee approach, of which the specific features compared to the general measurement model are described in subsequent sections.

The insurance subsidiaries use reinsurance contracts to mitigate their exposure to insurance risk. These reinsurance contracts transfer significant insurance risks in the underlying insurance contracts and are classified as reinsurance contracts held in accordance with IFRS 17. These reinsurance agreements do not release the Company from its obligations towards its contract holders.

Investment component

Certain insurance contracts include an investment component that does not have to be presented separately as the component and the insurance contract are highly interrelated. These components are therefore recognized with insurance contract liabilities. An investment component is an amount that the insurance subsidiaries are required to repay to the insurance contract holder in all circumstances, regardless of whether the insured event occurs.

Aggregation of insurance contracts and reinsurance contracts held

Insurance contracts are aggregated by portfolios, which comprise contracts that, based on management's judgment, are subject to similar risks and are managed together.

The portfolios of insurance contracts are then divided into three groups based on the expected profitability of the contracts, if any:
- contracts that are onerous at initial recognition;
- contracts that, at initial recognition, have no significant possibility of becoming onerous;
- other contracts in the portfolio.

If contracts within a portfolio fall into a different group only because law or regulation specifically constrains the practical ability to set a different price for policyholders with different characteristics, the property and casualty insurance subsidiaries elected to include those contracts in the same group.

The portfolios of reinsurance contracts held are determined separately from the portfolios of insurance contracts. The reinsurance contracts held are divided into the following groups, if any:
- contracts on which there is a net gain at initial recognition;
- contracts that, at initial recognition, have no significant possibility of becoming profitable;
- other contracts in the portfolio.

The groups of insurance contracts and reinsurance contracts held are determined at initial recognition, and the composition of such groups in not reassessed subsequently. Management exercised its judgment to determine the insurance contracts that could be aggregated to assess the expected profitability of the contracts for purposes of identifying onerous contracts at initial recognition.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

Each of the groups only include contracts issued one year or less apart and are determined based on the calendar year.

Desjardins Group presents separately in the Combined Balance Sheets the carrying amount of portfolios of insurance contracts that are assets, portfolios of insurance contracts that are liabilities, portfolios of reinsurance contracts that are assets and portfolios of reinsurance contracts that are liabilities.

Recognition and derecognition

Groups of insurance contracts must be recognized at the earliest of the following:
- the beginning of the coverage period;
- the date when the first payment from an insurance contract holder of the group becomes due, or when the first payment is received if there is no contractual due date;
- for a group of onerous contracts, when the facts and circumstances indicate that the group of contracts is onerous.

Groups of reinsurance contracts must be recognized at the earliest of the following:
- the beginning of the coverage period;
- the date an onerous group of underlying insurance contracts is recognized, to the extent that a reinsurance contract applying to these contracts is entered into at that date.

Insurance contract liabilities are derecognized when the obligation specified in the contract expires or is discharged or cancelled.

Contracts to which the general measurement model is applied

Initial measurement

On initial recognition, the liability for a group of insurance contracts corresponds to the liability for remaining coverage, which is the total of the fulfilment cash flows and the contractual service margin (CSM).

Fulfilment cash flows

Fulfilment cash flows comprise the following items:

- Estimates of future cash flows

  Estimates of future cash flows are based on a probability-weighted mean of the full range of possible outcomes and reflect the perspective of the insurance subsidiaries, to the extent that they are consistent with observable market variables.

  The measurement of a group of contracts includes all the future cash flows within the boundary of each contract of the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period in which the insurance subsidiaries can compel the contract holder to pay the premiums or in which they have a substantive obligation to provide the contract holder with insurance contract services. A substantive obligation to provide insurance contract services ends when the insurance subsidiaries have the practical ability to reassess the risks of the particular insurance contract holder or the risks of the portfolio of insurance contracts that contains the contract.

  Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, such as premiums, commissions, benefits and other obligations to contract holders. Costs directly attributable to portfolios of insurance contracts include, in particular, claim handling costs, contract administration costs and insurance acquisition cash flows.

- Adjustment to reflect the time value of money

  Estimates of future cash flows are adjusted, using discount rates that are current at measurement date, to reflect the time value of money and the financial risks related to those cash flows.

- Risk adjustment for non-financial risk

  The risk adjustment for non-financial risk is determined separately from estimates of future cash flows and the adjustment to reflect the time value of money. The risk adjustment for non-financial risk reflects the compensation required for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

Certain fulfilment cash flows are measured at the level of the portfolios of insurance contracts and then allocated to each of the groups using systematic and rational methods, applied in a consistent manner in each reporting period.

Contractual service margin

The CSM represents the unearned profit that will be recognized under “Insurance revenue”, in the Combined Statements of Income, as insurance contract services are provided. On initial recognition, no amounts are recognized in profit or loss as the CSM is measured at an amount corresponding to the net expected inflow of fulfilment cash flows.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

If the sum of fulfilment cash flows is a net outflow, the group of insurance contracts is onerous, and the CSM amounts to nil. A loss on onerous contracts is immediately recognized under “Insurance service expenses”, in the Combined Statements of Income, and a loss component is added to the liability for remaining coverage.

Subsequent measurement

At each reporting date, the carrying amount of a group of insurance contracts corresponds to the sum of the following two amounts:
- the liability for remaining coverage, comprising the fulfilment cash flows related to services to be provided in future periods, and the CSM;
- the liability for incurred claims, comprising the fulfilment cash flows related to past service, such as incurred claims and other incurred insurance service expenses.

Fulfilment cash flows

At each reporting date, the fulfilment cash flows of groups of insurance contracts are revised to reflect any changes in underlying assumptions and current market conditions.

Contractual service margin

The carrying amount of the CSM of a group is obtained by adjusting the opening balance to reflect new contracts, the interest accreted for insurance contracts without direct participation features, the amount recognized as revenue, the changes in fulfilment cash flows relating to future service and the change in the insurer’s share of the fair value of the underlying items for contracts with direct participation features.

Changes in fulfilment cash flows relating to future service adjust the CSM, while those relating to current or past service are directly recognized in the Combined Statements of Income. The effect of the time value of money and its changes as well as the effect of the financial risk and its changes on estimates of future cash flows are recognized in the Combined Statements of Income when they relate to insurance contracts without direct participation features, while they adjust the CSM for insurance contracts with direct participation features.

For insurance contracts with direct participation features, changes in the amount corresponding to the life and health insurance subsidiary’s share of the fair value of the underlying items are related to future service and adjust the CSM, while the changes in the fair value of the underlying items, which represent the adjustment of the obligations to policyholders, are not related to future service and do not adjust the CSM. These changes are instead recognized under “Net insurance finance income (expenses)” in the Combined Statements of Income.

For its individual segregated funds, the life and health insurance subsidiary applies a financial risk mitigation strategy using derivatives and other financial instruments measured at fair value through profit or loss, which allows for an economic offset between the insurance contracts and these instruments that mitigates the effect of financial risks. Consistent with what IFRS 17 allows, the subsidiary chose not to adjust the CSM for changes reflecting some or all of the changes in the effect of the time value of money and financial risk for its individual segregated fund contracts. These changes are instead recognized under “Net insurance finance income (expenses)” in the Combined Statements of Income, which permits a natural offset of gains and losses resulting from changes in the fair value of financial instruments recognized under IFRS 9.

Reinsurance contracts held

The reinsurance contracts held are all contracts without direct participation features. They are measured in the same way as insurance contracts, except for certain items explained in the following paragraphs.

Fulfilment cash flows

The fulfilment cash flows of reinsurance contracts held comprise the same items as those of insurance contracts without direct participation features, except that:
- the future cash flows of a group of reinsurance contracts held must include an adjustment to reflect the risk of non-performance, which is the risk that the reinsurer fails to perform its obligation;
- the risk adjustment for non-financial risk represents the risk transferred to the reinsurer.

Contractual service margin

The groups of reinsurance contracts held cannot be onerous and do not have unearned profit, the CSM corresponds instead to the net cost or net gain related to using reinsurance.

On initial measurement, the CSM of a group of reinsurance contracts held is adjusted, if needed, to reflect any revenue recognized in the Combined Statements of Income related to the recognition of a loss on onerous contracts associated with the underlying insurance contracts. A loss-recovery component is thus added to the asset for remaining coverage of the reinsurance contracts held.

On subsequent measurements, the carrying amount of the CSM of a group is obtained by adjusting the opening balance to reflect new reinsurance contracts, the interest accreted, the amount recognized as expenses for services received, the changes in fulfilment cash flows relating to future service and the change in the loss-recovery component.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

An onerous group of insurance contracts may include both contracts that are eligible for a recovery under a reinsurance contract held and contracts that are not eligible for such recovery. To calculate the loss-recovery component, the insurance subsidiaries use a systematic and rational basis of allocation to determine the portion of the losses recognized for the group of insurance contracts that relates to insurance contracts eligible for a recovery under a reinsurance contract held.

The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the insurance subsidiaries expect to recover from the group of reinsurance contracts held.

Contracts to which the premium allocation approach is applied

The life and health insurance subsidiary uses the premium allocation approach to measure its groups of group insurance, the vast majority of which having a duration of one year or less, as well as for some groups of short-term insurance contracts. The property and casualty insurance subsidiaries use this method to measure all of their contracts, substantially all of which having a duration of one year or less.

Using this simplified measurement method is allowed if the coverage period of each contract in a group is one year or less, or if it is determined that the measurement using the premium allocation approach would not differ materially from the measurement produced applying the general model described above.

Initial measurement

On initial recognition, the carrying amount of the liability for remaining coverage of a group of insurance contracts is equal to the premiums received, minus the insurance acquisition cash flows allocated to that group on such date and adjusted, as the case may be, by the amount arising from the derecognition of an asset for insurance acquisition cash flows and any other asset or liability previously recognized and related to this group.

The insurance acquisition cash flows of insurance contracts are deferred and included in the liability for remaining coverage when they are incurred. Subsequently, they are expensed over the coverage period of the contracts comprising the group.

Subsequent measurement

The liability for remaining coverage of a group on insurance contracts is equal to its carrying amount at the beginning of the year, plus the premiums received and amounts relating to the amortization of insurance acquisition cash flows, less the amount of insurance acquisition cash flows allocated and the amount recognized as revenue.

The carrying amount of the liability for remaining coverage of the contracts of one year or less is not adjusted to reflect the time value of money and the effect of financial risk.

If, at any time, facts and circumstances indicate that a group of insurance contracts is onerous, the insurance subsidiaries must determine whether the value of the fulfilment cash flows related to the remaining coverage of the group measured in the same way as the groups of contracts to which the general model is applied exceeds the carrying amount of the liability for remaining coverage measured using the premium allocation approach. The excess is recognized as a loss on onerous contracts and presented under “Insurance service expenses” in the Combined Statements of Income, and a loss component is added to the liability for remaining coverage. This loss item is remeasured at each reporting date.

Reinsurance contracts held

The premium allocation approach is used to measure the groups of reinsurance contracts held when that method is used to measure the underlying groups of insurance contracts.

When a loss on onerous contracts is recognized for a group of insurance contracts in which there are one or more contracts underlying a reinsurance contract held, the insurance subsidiaries calculate a loss-recovery component and adjust the amount of the asset for remaining coverage of the group of reinsurance contracts held.

An onerous group of insurance contracts may include both contracts that are eligible for a recovery under a reinsurance contract held and contracts that are not eligible for such recovery. To calculate the loss-recovery component, the insurance subsidiaries use a systematic and rational basis of allocation to determine the portion of the losses recognized for the group of insurance contracts that relates to insurance contracts eligible for a recovery under a reinsurance contract held.

The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component that Desjardins Group expects to recover from the reinsurance contracts making up the group of reinsurance contracts.

Liability for incurred claims

The liability for incurred claims comprises the fulfilment cash flows related to past service such as incurred claims and other expenses related to claims settlement. The liability for incurred claims is measured using all reasonable and supportable information available without undue cost or effort to determine the amount, timing and uncertainty of future cash flows.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

Assets for insurance acquisition cash flows

Insurance acquisition cash flows are incurred to sell, underwrite and start a group of insurance contracts. They include cash flows that are directly attributable to a group of insurance contracts or a portfolio, as well as cash flows that are not directly attributable, which are allocated to the various groups using a systematic and rational method.

When these cash flows are incurred before the recognition of the related groups of insurance contracts, an asset for insurance acquisition cash flows is recognized and presented against the insurance contract liabilities in the Combined Balance Sheets. Subsequently, the insurance subsidiaries derecognize the portion of this asset that is related to the insurance contracts recognized in the group during the year.

In some cases, insurance acquisition cash flows are partly attributable to the expected renewal of the insurance contracts in these groups. A systematic and rational method is used to allocate these cash flows to the group and the various groups for which renewals are expected.

At each reporting date, management determines whether there are facts and circumstances indicating that the asset for insurance acquisition cash flows might be impaired. An impairment loss is recognized when the carrying amount of that asset exceeds the expected net cash inflows from the related group of insurance contracts. In addition, when the asset for insurance acquisition cash flows is relating to expected renewals for a group of contracts, the carrying amount of the asset must not exceed the expected net cash inflows arising specifically from renewals.

Impairment losses on an asset for insurance acquisition cash flows are recognized under “Insurance service expenses” in the Combined Statements of Income in the year when they occur. These impairment losses may be subsequently reversed, in whole or in part, to the extent that the impairment conditions no longer exist or have improved. In such case, the insurance subsidiaries recognize an impairment loss reversal under “Insurance service expenses”.

Insurance revenue

For contracts other than those to which the premium allocation approach is applied, insurance revenue represents changes in the liability for remaining coverage that relate to services for which the insurance subsidiaries expect to receive consideration.

These changes are:
- incurred claims and other insurance service expenses expected every quarter, measured at the amounts expected at the beginning of each quarter;
- the change in the risk adjustment for non-financial risk relating to expired risks;
- the amount of CSM for services provided.

Insurance revenue also includes an amount relating to insurance acquisition cash flows. This amount represents a portion of the premiums that relate to recovering the insurance acquisition cash flows, allocated to each reporting period in a systematic way on the basis of the passage of time.

The amount of CSM recognized under “Insurance revenue” in the Combined Statements of Income is based on coverage units allocated to services provided. Management makes significant judgments to determine the coverage units in groups of insurance contracts. Additional information on judgments made are presented in Note 17, “Insurance and reinsurance contracts”.

For insurance contracts to which the premium allocation approach is applied, insurance revenue is the amount of expected premium receipts, which is allocated to each period of insurance contract services on the basis of the passage of time.

Insurance service expenses

Insurance service expenses comprise:
- incurred claims and other incurred insurance service expenses;
- amortization of insurance acquisition cash flows;
- changes related to incurred claims;
- losses and reversals of losses on onerous contracts.

For groups of contracts other than those to which the premium allocation approach is applied, the amount of amortization of insurance acquisition cash flows is identical to the amount of recovery of the insurance acquisition cash flows presented in insurance revenue.

For groups of contracts to which the premium allocation approach is applied, the amount of amortization of insurance acquisition cash flows is allocated to each period on the basis of the passage of time.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

Loss on onerous contracts

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

After a loss on an onerous group of insurance contracts is recognized, certain changes in fulfilment cash flows for insurance contracts other than those to which the premium allocation approach is applied are allocated on a systematic basis between the loss component and the liability for remaining coverage, excluding the loss component. The changes allocated to the loss component are recognized as a reduction in expected revenue and corresponding expenses for the year. These fulfilment cash flows are systematically allocated based on the loss component balance, and this balance is therefore reduced to zero at the end of the coverage period. If the changes in fulfilment cash flows reduce the loss component to zero before the end of the coverage period, the excess is recognized in the CSM.

For insurance contracts to which the premium allocation approach is applied, the decreases in the loss component related to past service are recognized against the insurance expenses incurred during the year.

Net reinsurance service income (expenses)

Income and expenses from reinsurance contracts held are presented separately from revenues and expenses from insurance contracts. Income and expenses from reinsurance contracts held, excluding reinsurance finance income (expenses), are presented on a net basis as net reinsurance service income (expenses) in the Combined Statements of Income.

Income comprises the amounts recoverable from reinsurers for incurred claims and other incurred insurance service expenses and changes in the loss-recovery component.

For contracts other than those to which the premium allocation approach is applied, expenses comprise the following amounts related to changes in the asset for remaining coverage:

- expected recoveries of incurred claims and other incurred insurance service expenses, measured at the amounts expected at the beginning of each quarter;
- changes in the risk adjustment for non-financial risk for expired risks;
- the amount of CSM for services received.

For contracts to which the premium allocation approach is applied, expenses correspond to the amount of expected ceded premiums allocated to the year. The amount of expected ceded premiums is allocated to the periods of reinsurance contract services on the basis of the passage of time.

Insurance and reinsurance finance income (expenses)

Insurance finance income and expenses for groups of insurance contracts without direct participation features and reinsurance contracts held comprise the change in the carrying amount of the group arising from the effect of the time value of money and changes in the time value of money and the effect of financial risk and changes in financial risk.

Insurance finance income and expenses for groups of insurance contracts with direct participation features comprise the change in the carrying amount of the group arising from the change in the fair value of the underlying items as well as the effect of financial risk mitigation.

The risk adjustment for non-financial risk is disaggregated between the insurance service result and the insurance and reinsurance finance income and expenses.

Net insurance investment income (loss)

Net insurance investment income (loss) comprises investment income and loss from assets held in respect of Desjardins Group’s insurance activities that are within the scope of IFRS 17.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

l) Segregated funds

Certain insurance contracts allow contract holders to invest in segregated funds held by the life and health insurance subsidiary for their benefit. All risks and rewards of ownership of these investments accrue to the contract holders, even though these investments are held by this subsidiary. Accordingly, the investments held on behalf of segregated fund holders are presented under “Segregated fund net assets” in the Combined Balances Sheets. They are classified as at fair value through profit or loss. The other financial instruments included in segregated fund net assets are recognized at amortized cost. In addition, if a segregated fund controls a mutual fund in which it has invested, such mutual fund is consolidated in segregated fund net assets and a liability to holders of redeemable units in an underlying fund is recognized and classified as at amortized cost.

The group segregated fund liabilities are recognized at amortized cost in accordance with IFRS 9. They are recognized under “Segregated fund net liabilities for investment contracts” in the Combined Balance Sheets.

For variable annuity contracts offered through individual segregated funds, the life and health insurance subsidiary offers minimum guarantees for death benefits, maturity value and withdrawals during the payout period. The individual segregated fund liabilities are recognized in accordance with IFRS 17 and the contracts are classified as contracts with direct participation features. The liabilities associated with these guarantees and the obligation to the holders of such contracts, which corresponds to the individual segregated fund net assets, are recognized under “Insurance contract liabilities” in the Combined Balance Sheets.

Net income on investments held on behalf of individual segregated fund holders is recognized under “Net insurance investment income (loss)” in the Combined Statements of Income and a corresponding amount is recognized under “Net insurance finance income (expenses)”. Net income on investments held on behalf of group segregated fund holders is recognized under “Net other investment income (loss)” in the Combined Statements of Income.

The life and health subsidiary earns income in the form of segregated fund management fees. For group segregated funds, this income is recognized under “Management and custodial service fees” in the Combined Statements of Income, while for individual segregated funds, it is recognized under “Insurance revenue”.

m) Provisions and contingent liabilities

Provisions are liabilities of uncertain timing or amount. A provision is recognized when Desjardins Group has an obligation (legal or constructive) as a result of a past event, the settlement of which should result in an outflow of resources embodying economic benefits, and when a reliable estimate can be made of the amount of the obligation. The amount of the obligation is discounted where the effect of the time value of money is material.

Provisions are based on management’s best estimate of the amounts required to settle the obligations on the reporting date, taking into account the relevant uncertainties and risks. Management must make significant judgments in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflow of resources. Desjardins Group regularly examines the measurement of provisions and makes, on a quarterly basis, the adjustments required based on new available information. Actual results may differ materially from these forecasts.

Charges to and reversals of provisions are recognized in profit or loss under the items corresponding to the nature of the expenditures covered.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Desjardins Group or an obligation that arises from a past event and for which an outflow of resources embodying economic benefits is not probable or cannot be estimated reliably.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

n) Derivative financial instruments and hedging activities

Derivative financial instruments

Derivative financial instruments are financial contracts whose value depends on assets, interest rates, foreign exchange rates or financial indexes. The vast majority of Desjardins Group's derivative financial instruments are negotiated by mutual agreement with the counterparty and include forward exchange contracts, currency swaps, interest rate swaps, credit default swaps, total return swaps, forward rate agreements, as well as currency, interest rate and stock index options. Other transactions are carried out as part of regulated trades and consist mainly of futures. The types of contracts used are defined in Note 21, "Derivative financial instruments and hedging activities".

Derivative financial instruments, including embedded derivatives which are required to be accounted for separately, are recognized at fair value on the Combined Balance Sheets. Changes in fair value of embedded derivatives required to be accounted for separately are recognized under "Net other investment income (loss)" in the Combined Statements of Income.

Hybrid financial instruments

When a hybrid contract contains a host that is an asset within the scope of IFRS 9, the entire hybrid contract is classified and recognized based on the characteristics of the hybrid contract.

An embedded derivative is separated from the host and accounted for separately as a derivative when the host is not an asset within the scope of IFRS 9 and the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid contract is not measured at fair value with changes in fair value recognized in the Combined Statements of Income.

Objectives of holding derivatives

Desjardins Group uses derivative financial instruments for trading or asset-liability management purposes.

Derivative financial instruments held for trading purposes are used to meet the needs of members and clients, and to allow Desjardins Group to generate income on its own trading activities.

Derivative financial instruments held for asset-liability management purposes are used to manage current and expected risks related to market risk. They enable Desjardins Group to transfer, modify or reduce the interest rate and foreign currency exposures of assets and liabilities recorded in the Combined Balance Sheets, as well as firm commitments and forecasted transactions.

Hedging activities

Desjardins Group elected to continue applying the requirements of IAS 39 for hedge accounting (including the requirements related to the interest rate benchmark reform) instead of adopting the provisions of IFRS 9.

Desjardins Group mainly designates its derivative financial instruments as part of a fair value or cash flow hedging relationship.

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

Desjardins Group may also use derivative financial instruments as an economic hedge for certain transactions in situations where the hedging relationship does not qualify for hedge accounting or where it elects not to apply hedge accounting.

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

NOTE 2 – ACCOUNTING POLICIES *(continued)*

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

Fair value hedges

In a fair value hedge transaction, changes in fair value of the hedging derivative financial instrument are recognized under “Net other investment income (loss)” in the Combined Statements of Income, as are changes in fair value of the hedged asset or liability attributable to the hedged risk. The gain or loss attributable to the hedged risk is applied to the carrying amount of the hedged item. When the changes in fair value of the hedging derivative financial instrument and the hedged item do not entirely offset each other, the resulting amount, which represents the ineffective portion of the relationship, is recognized under “Net other investment income (loss)” in the Combined Statements of Income.

When a fair value hedging relationship is discontinued, hedge accounting is discontinued prospectively. The hedged item is no longer adjusted to reflect the fair value impact of the designated risk. Previously recorded adjustments to the hedged item are amortized using the effective interest method and are recognized in net interest income, in the Combined Statements of Income, following the underlying instrument, over the remaining life of the hedged item. However, if the hedged item ceased to exist, the adjustments for the impact of the designated risk are immediately recognized under “Net other investment income (loss)” in the Combined Statements of Income.

Cash flow hedges

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

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

Interest rate benchmark reform (“IRBR”)

Desjardins Group applies the relief measures, which allow maintaining hedge accounting during the period of uncertainty preceding the replacement of current interest rate benchmarks by an alternative rate. The application of these relief measures is based on the presumption that current interest rate benchmarks designated in hedging relationships remain unchanged and the use of the exception to the requirement to cease hedge accounting when a hedging relationship does not meet the ranges established to determine the effectiveness of hedging relationships. The application of these relief measures will end at the earlier of: when the uncertainty arising from interest rate benchmark reform is no longer present; and when the hedging relationship is discontinued.

o) Financial guarantees

A financial guarantee is a contract that could contingently require Desjardins Group to make specified payments to the guaranteed party to repay a loss that such party incurred as a result of a default by a specified third party to make a payment upon maturity in accordance with the original or modified terms and conditions of a debt security.

Financial guarantees are initially recognized as liabilities in the Combined Financial Statements for an amount corresponding to the fair value of the commitment resulting from the issuance of the guarantee. After initial recognition, except in cases where it must be measured at fair value through profit or loss, the guarantee is measured at the higher of the following amounts:
(i) The amount initially recorded less, when appropriate, accumulated amortization recognized in the Combined Statements of Income;
(ii) The amount of the allowance for credit losses.

If a financial guarantee meets the definition of a derivative, it is measured at fair value through profit or loss at each reporting date and presented as a derivative financial instrument. Guarantees presented as derivative financial instruments are a type of over-the-counter credit derivative under which one party transfers to another party the credit risk of an underlying financial instrument.

The carrying amount of guarantees does not reflect the maximum potential amount of future payments under guarantees. Desjardins Group considers the difference between these two amounts as off-balance sheet credit instruments.

p) Reserves

Reserves included in equity are mainly from the caisses. They are based on the balance of the reserves as at December 31 of the prior year and the surplus earnings distribution plans for such year, which must be approved by the general meeting of each caisse within the first four months following year end.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

The stabilization reserve consists of amounts appropriated from the surplus earnings for a year by the Federation. Amounts appropriated to that reserve are essentially used to pay interest on F capital shares issued by the Federation.

The reserve for future member dividends is made up of amounts appropriated by the caisses. Amounts appropriated to this reserve are used to pay member dividends and to appropriate amounts to the Community Development Fund.

The general reserve is essentially made up of amounts appropriated by the caisses and the Federation. This reserve can only be used to eliminate a deficit and, when surplus earnings and the stabilization reserve are not sufficient, to pay interest on F capital shares.

Other reserves are mainly made up of amounts appropriated by the caisses that can only be taken into account in the calculation of the distribution plan when the amounts previously appropriated to these reserves are realized by the caisses.

q) Revenue recognition

In addition to the items mentioned in section a), “Financial assets and liabilities”, the specific recognition criteria that follow must also be met before revenue can be recognized.

Recognition criteria

Revenue is recognized when Desjardins Group has transferred control of a good or service (the performance obligation is satisfied). Management must use its judgment to determine when performance obligations are satisfied and establish the transaction price and the amounts allocated to such obligations.

Net interest income

Interest income and expense are mainly earned or incurred by the Personal and Business Services segment and the Other category. They are recognized using the effective interest method for all financial instruments measured at “Amortized cost”, for interest-bearing financial assets “Classified as at fair value through other comprehensive income” and for financial instruments included in the “At fair value through profit or loss” class.

The effective interest method is used in the calculation of the amortized cost of a financial asset or liability and in the allocation of interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

When calculating the effective interest rate, Desjardins Group estimates cash flows considering all contractual terms of the financial instruments, but it does not consider future credit losses. The calculation includes transaction costs and income between parties to the contract as well as premiums or discounts. Transaction costs and income that form an integral part of the effective rate of the contract, such as file setup fees and finders’ fees, are assimilated to supplemental interest.

For financial assets that are not considered credit-impaired (Stages 1 and 2), interest income is calculated on the gross carrying amount of the financial instrument. For credit-impaired financial assets (Stage 3), interest income is calculated by applying the effective interest rate to the amortized cost of the asset, which corresponds to the gross carrying amount less the allowance for expected credit losses.

Service charges, commissions, brokerage fees and other

Desjardins Group earns revenue from service charges, commissions and brokerage fees related to the broad range of services and products it provides its members and clients.

Service charges, commissions, brokerage fees and investment fund fees are recognized once the service has been provided or the product has been delivered. This income is recognized under “Deposit and payment service charges” and “Brokerage and investment fund services” in the Combined Statements of Income.

Loan syndication fees are recognized as revenue when the syndication agreement is signed unless the yield on the loan retained by Desjardins Group is less than the yield of other comparable lending institutions that participate in the financing. In such instances, an appropriate portion of the fees is deferred using the effective interest method. This income is recognized under “Lending fees and credit card service revenues” in the Combined Statements of Income.

Commissions and costs arising from the negotiation, or the participation thereto, of a transaction on behalf of a third party—such as the arrangement of share or other securities acquisitions or business purchases or sales—are recognized at the outcome of the underlying transactions. Income from such commissions is recognized under “Brokerage and investment fund services” in the Combined Statements of Income. Income from lending fees and credit card service revenue is recorded under “Lending fees and credit card service revenues” in the Combined Statements of Income.

Portfolio management fees and fees for other services are recognized based on the applicable service contracts, pro rata over the period during which the service is provided. Portfolio management income is recorded under “Management and custodial service fees” in the Combined Statements of Income.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

Asset management fees related to investment funds are recognized pro rata over the period during which the service is provided. The same principles are applied to wealth management, financial planning and custodial services that are provided on an ongoing basis over a long period of time. Asset management income is recognized under "Management and custodial service fees" in the Combined Statements of Income.

Dividend income is recognized when Desjardins Group's right to receive payment of the dividend is established.

r) Assets under management and assets under administration

Assets under management and assets under administration are held by and for the benefit of clients. These assets are therefore excluded from the Combined Balance Sheets of Desjardins Group. Income from these management services is recognized under "Management and custodial service fees" in the Combined Statements of Income when the service is provided.

s) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities measured at historical cost are translated at the exchange rate prevailing at the transaction date, while those that are measured at fair value are translated at the exchange rate prevailing at the date fair value was determined. Income and expenses are translated at the average exchange rate for the year. Realized and unrealized gains and losses resulting from the translation are recognized under "Foreign exchange income (loss)" in the Combined Statements of Income. However, the following items are presented in other comprehensive income in the Combined Statements of Comprehensive Income:

- Translation gains and losses on financial assets "Designated as at fair value through other comprehensive income".
- Gains and losses on derivatives designated as cash flow hedging instruments.

t) Income taxes on surplus earnings

The income tax expense on surplus earnings recognized in the Combined Statements of Income comprises the current and deferred tax expense on operating surplus earnings as well as the income tax consequences of remuneration on capital stock and dividends when certain conditions are met. The total income tax expense includes the income tax expense on surplus earnings recognized in the Combined Statements of Income as well as current and deferred taxes on items recognized outside profit or loss directly in the Combined Statements of Comprehensive Income or the Combined Statements of Changes in Equity.

The total income tax expense is based on the expected tax treatment of the transactions. To determine the current and deferred portions of income taxes on surplus earnings, management must make judgments to establish the assumptions concerning the dates on which deferred income tax assets and liabilities will be reversed. Significant judgment must be used to interpret the relevant tax legislation in order to determine the income tax expense. If Desjardins Group's interpretation differs from that of taxation authorities or if the reversal dates do not correspond with the forecasted dates, the provision for income taxes on surplus earnings may increase or decrease in subsequent years.

u) Member dividends

The board of directors of each caisse recommends for approval the surplus earnings distribution plan at the annual general meeting of members, which is held in the four months following year-end. The amount of member dividends to be paid is part of this plan. Member dividends take into consideration the financial framework for the appropriation of surplus earnings in relation with the Desjardins Group Integrated Financial Plan, which provides for member dividends based on Desjardins Group's financial capacity and capitalization. The difference between the amount of member dividends actually paid following the general meetings held by the caisses, and the estimated amount is charged to combined profit or loss for the year in which the payments are made.

Member dividends are calculated based on average balances maintained in the following product families: Accounts, Loans and Lines of Credit, Savings and Investments and Funds. For credit card volumes, member dividends are calculated based on net purchases for the relevant year. For the Insurance product family, member dividends are calculated based on the premium paid for the relevant year. Lastly, for certain activities relating to Desjardins Securities Inc. (Desjardins Signature Service, Securities Brokerage, Desjardins Online Brokerage), the calculation is based on commissions and fees for the relevant year. Member dividends are recognized under "Member dividends" in the Combined Statements of Income.

v) Employee benefits

Short-term benefits

Short-term benefits include salaries and commissions, social security contributions and certain bonuses payable within 12 months after the reporting date. An expense is recorded for these benefits in the period during which the services giving right to them were rendered.

Post-employment benefits

Pension and post-retirement benefit plans

Desjardins Group offers to a majority of its employees a defined benefit pension plan and a defined benefit supplemental pension plan. It also offers a post-retirement benefit plan that provides medical, dental and life insurance to retiring employees and their dependents.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

The cost of these plans is recognized in the Combined Statements of Income and includes current service cost, past service cost and net interest on net defined benefit plan assets and liabilities. Past service cost resulting from a plan amendment or curtailment is immediately recognized in the Combined Statements of Income.

Remeasurements of net defined benefit plan assets and liabilities are recognized in items of other comprehensive income that will not be reclassified subsequently to the Combined Statements of Income and are immediately reclassified to undistributed surplus earnings. These remeasurements include actuarial gains and losses and the difference between the actual return on plan assets and the interest income generated by such assets, which is recognized in the Combined Statements of Income. Actuarial gains and losses result from changes in actuarial assumptions used to determine the defined benefit plan obligation and experience gains and losses on such obligation.

Net defined benefit plan assets and liabilities are equal to the present value of the plans' obligation, calculated using the projected unit credit method, less the fair value of plan assets. The value of any net defined benefit plan asset is, when appropriate, limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the pension plans.

The net assets of certain pension plans are recognized under "Net defined benefit plan assets" in the Combined Balance Sheets. The net liabilities of certain pension plans and the net liabilities of other post-retirement benefit plans are recognized under "Net defined benefit plan liabilities" in the Combined Balance Sheets.

IMPACT OF CHANGES IN ACCOUNTING POLICIES

Adoption of IFRS 17, "Insurance Contracts"

On January 1, 2022, the transition date, the insurance subsidiaries applied IFRS 17 retrospectively unless it was impracticable to do so, in which case the modified retrospective approach or the fair value approach was applied. In all cases, the net difference related to the transition was recognized in equity.

The insurance subsidiaries applied the retrospective approach to all insurance contracts and reinsurance contracts held to which the premium allocation approach has been applied as if IFRS 17 had always been applied.

Impracticable retrospective approach

Management exercised its judgment and considered that the retrospective approach was impracticable, without undue cost or effort, for the groups of long-term insurance contracts and long-term reinsurance contracts held as well as claims assumed in acquisitions, notably for the following reasons:

- since the initial recognition of the contracts, the judgments and assumptions required to measure insurance contracts in accordance with IFRS 17 were not available in the actuarial valuation systems with reasonable effort;
- the effort required to aggregate the information at the level of the groups that should have been established under IFRS 17 was too significant;
- the information available to allocate acquisition costs and other attributable costs for each of the groups under IFRS 17 was limited or inexistent, as this level of detail was not required and did not exist.

Modified retrospective approach

IFRS 17 requires that insurance contracts acquired in a business combination be recognized as if the entity issued these contracts at the acquisition date. However, the property and casualty insurance subsidiaries have chosen to apply the modified retrospective approach to claims assumed in the acquisition of the Canadian property and casualty insurance operations of State Farm as applying retrospectively the standard was impracticable. Under the modified retrospective approach, assumed claims incurred before the acquisition of the contracts in a business combination have to be recognized and measured as a liability for incurred claims. In applying the modified retrospective approach, the property and casualty insurance subsidiaries used reasonable and supportable information that was available at the transition date.

Fair value approach

At the transition date, the life and health insurance subsidiary applied the fair value approach to all its groups of insurance contracts and reinsurance contracts held other than those to which the premium allocation approach has been applied.

In accordance with the fair value approach, the life and health insurance subsidiary determined the contractual service margin of the liability for remaining coverage at the transition date as the difference between the fair value of the groups of insurance contracts and the fulfilment cash flows measured at that date. To determine fair value, the requirements in IFRS 13, "Fair Value Measurement", were applied. In the absence of an observable market, a valuation technique based on the present value of expected cash flows was used to measure the fair value of insurance contracts and reinsurance contracts held.

As permitted when the fair value approach is used, the life and health insurance subsidiary did not limit the composition of groups to contracts issued one year or less apart. Upon transition, each portfolio comprises only one group.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

In applying the fair value approach, the life and health insurance subsidiary:
- used only reasonable and supportable information that was available at the transition date;
- adjusted the assumptions relating to expected future cash flows and the risk adjustment for non-financial risk from the perspective of market participants;
- included profit margins beyond the risk adjustment for non-financial risk to reflect what a market participant would require to assume insurance contract obligations;
- excluded future renewals and new business that would be outside the contractual boundary of contracts under IFRS 17.

Judgments made in applying the fair value approach

Applying the fair value approach also required management to make certain judgments. The following judgments are key items in establishing the fair value of insurance contracts and reinsurance contracts held at the transition date:
- the adjustments required to reflect the perspective of market participants are not different from the vision of the life and health insurance subsidiary;
- the weighted average cost of capital of the life and health insurance subsidiary was used as discount rate;
- the capital to remunerate was determined based on the internal target regulatory capital ratio defined by the life and health insurance subsidiary;
- the required rate of return on capital is based on the required rate of return required by management on the various products of the life and health insurance subsidiary.

Impact

As at January 1, 2022 – Transition date

Overall, adopting IFRS 17 increased equity by $172 million as at January 1, 2022. Undistributed surplus earnings and reserves increased by an aggregate amount of $562 million, while accumulated other comprehensive income decreased by $448 million as a result of discontinuing the overlay approach. The non-controlling interests' share increased by $58 million.

In addition, adopting IFRS 17 led to the reclassification of assets and liabilities resulting from changes in the aggregation of certain assets and liabilities, the reclassification of certain insurance contract liabilities amounting to $1,354 million as investment contracts recognized under "Other assets – Other" and the separate presentation of an amount of $18,628 million in segregated fund net liabilities for investment contracts.

As at January 1, 2023

The requirements in IFRS 17 permit revising the designation or classification of financial assets recognized in accordance with IFRS 9 held in respect of insurance activities at the date of initial application of IFRS 17. Desjardins Group chose to not restate the comparative figures in its Combined Financial Statements to reflect the changes in designations or classifications for these financial assets that were made as at January 1, 2023. These changes had a net unfavourable impact of $80 million on equity. These changes are detailed below.

NOTE 2 – ACCOUNTING POLICIES *(continued)*

New financial asset designations

The insurance subsidiaries chose to revise, on an instrument-by-instrument basis at the date of adoption of IFRS 17 as at January 1, 2023, the classification of certain financial assets recognized under IFRS 9, including certain financial assets that were not held in respect of insurance activities. However, only financial assets held in respect of insurance activities as at such date were eligible for a reassessment of their business model. The following table presents the changes in measurement categories that were made.

	Measurement categories under IFRS 9		Carrying amount	
	Before adopting IFRS 17	After adopting IFRS 17	Before adopting IFRS 17	After adopting IFRS 17
Financial assets				
Cash and deposit with financial institutions	Designated as at fair value through profit or loss[1]	Classified as at fair value through profit or loss[2]	$ 420	$ 420
	Designated as at fair value through profit or loss[1]	Classified as at fair value through other comprehensive income	868	868
Securities	Designated as at fair value through profit or loss[1]	Classified as at fair value through profit or loss[2]	$ 54	$ 54
	Designated as at fair value through profit or loss[1]	Classified as at fair value through other comprehensive income	1,119	1,119
	Classified as at fair value through other comprehensive income	Designated as at fair value through profit or loss[3]	953	953
	Classified as at fair value through profit or loss	Designated as at fair value through other comprehensive income[4]	979	979
Loans	Amortized cost	Designated as at fair value through profit or loss[3]	$ 1,782	$ 1,671

(1) The designation of certain financial assets as at fair value through profit or loss was cancelled as the condition for such designation was no longer met.

(2) The assessment of the business model of certain financial assets held in respect of insurance activities was revised, as collecting contractual cash flows was no longer integral to achieving the objective of the business model.

(3) Certain financial assets held in respect of insurance activities were designated as at fair value through profit or loss to eliminate or significantly reduce an accounting inconsistency with insurance contract liabilities.

(4) Certain equity instruments were designated as at fair value through other comprehensive income to mitigate volatility in the Combined Statements of Income.

FUTURE ACCOUNTING CHANGES

Accounting standards and amendments issued by the IASB, but not effective as at December 31, 2023, do not have a significant impact on Desjardins Group's financial statements. Regulatory authorities have stated that early adoption of these standards and amendments will not be permitted, unless they indicate otherwise.

NOTE 3 – INTEREST RATE BENCHMARK REFORM

Progress and risks arising from the interest rate benchmark reform

The IRBR is a global initiative that includes Canada and is being led by the central banks and regulatory authorities. The objective is to improve benchmark indexes by making sure they comply with robust international standards. Interest rate benchmarks are used in transactions on over-the-counter derivative financial instruments, securities, loans and other variable-rate instruments, among others.

To ensure a smooth transition from interest rate benchmarks to risk-free rates, Desjardins Group has set up an IRBR working group comprising members having diverse fields of expertise and coming from various sectors affected by the reform (the "Desjardins IRBR Working Group"). The mandate of the Desjardins IRBR Working Group is to analyze all aspects of this reform, identify and mitigate the risks it poses, as well as coordinate and execute a transition plan.

Desjardins Group is exposed to several risks in relation to IRBR, including interest, market, reputation and operational risks, which mainly arise from updating systems and processes, modifying contractual clauses and managing the transition with respect to members' and clients' needs.

The plan of the Desjardins IRBR Working Group is intended to ensure that the recommendations from the various relevant authorities with respect to the deployment schedule for the key transitional measures are implemented, including the integration of contractual clauses required in connection with the reform.

Subsequently, on May 16, 2022, Refinitiv Benchmark Services (UK) Limited (RBSL), the administrator of the Canadian Dollar Offered Rate (CDOR), announced that it would cease publishing all tenors of CDOR after June 28, 2024. This announcement triggered the two-stage transition period recommended by the Canadian Alternative Reference Rate (CARR) Working Group in its December 2021 White Paper. At the end of the first stage of the transition plan, which occurred on June 30, 2023, the CARR Working Group expected that CDOR would be replaced by the Canadian Overnight Repo Rate Average (CORRA) for new derivative products (except in certain specific circumstances) and for securities. At the end of the second stage of the transition plan, which should occur on June 28, 2024, CDOR-based loan contracts will have to have transitioned to the CORRA rate or any alternative reference rate available at the cessation date. For certain maturities, the use of Term CORRA, which has been available since September 5, 2023, is restricted to loans and derivative financial instruments associated with ancillary hedging strategies. On July 27, 2023, the CARR Working Group announced that lenders would no longer be able to offer new CDOR loans after November 1, 2023.

The Desjardins IRBR Working Group has integrated the impact of these announcements into its transition plan related to the discontinuation of CDOR, including the impact on hedging relationships. The work of the Desjardins IRBR Working Group continues in accordance with the timeline set out in the Desjardins Group's transition plan.

The following table presents quantitative information about exposures for financial instruments and commitments subject to the reform that have yet to transition to risk-free benchmark rates and mature after June 28, 2024[1].

As at December 31, 2023	CDOR Maturing after June 28, 2024
Non-derivative financial assets[2]	$ 10,176
Non-derivative financial liabilities[3]	3,491
Derivative financial instruments[4][5]	225,751
Loan commitments[6]	10,303

(1) This table excludes exposures to interest rate benchmarks for which no cessation plans have been announced, including EURIBOR (Euro Interbank Offered Rate) and BBSW (Australian Bank Bill Swap Rate).
(2) Non-derivative assets include the gross carrying amount of loans and the carrying amount of securities.
(3) Non-derivative financial liabilities include the carrying amount of deposits, commitments related to securities sold short and subordinated notes.
(4) Derivative financial instruments include the notional amount of interest rate contracts, foreign exchange contracts and other derivative contracts.
(5) Includes $32,024 million of derivative financial instruments designated as part of fair value hedging relationships and $31,371 million of derivative financial instruments designated as part of cash flow hedging relationships.
(6) Includes loan commitments for which it is possible to draw amounts in several currencies.

NOTE 4 – CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

CLASSIFICATION AND CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

The following tables present the carrying amount of financial assets and liabilities according to their classification in the classes defined in the financial instrument standards.

	At fair value through profit or loss		At fair value through other comprehensive income			
As at December 31, 2023	**Classified as at fair value through profit or loss**	**Designated as at fair value through profit or loss**	**Classified as at fair value through other comprehensive income[1]**	**Designated as at fair value through other comprehensive income**	**Amortized cost[1]**	**Total**
Financial assets						
Cash and deposits with financial institutions	$ 589	$ —	$ 2,132	$ —	$ 6,266	$ 8,987
Securities	17,674	18,953	50,180	1,512	46	88,365
Securities borrowed or purchased under reverse repurchase agreements	—	—	—	—	13,678	13,678
Loans	—	1,704	—	—	264,231	265,935
Segregated fund net assets	24,860	—	—	—	(106)	24,754
Other financial assets						
Derivative financial instruments[2]	5,861	—	—	—	—	5,861
Amounts receivable from clients, brokers and financial institutions	—	—	—	—	2,801	2,801
Other	—	—	—	—	2,167	2,167
Total financial assets	$ 48,984	$ 20,657	$ 52,312	$ 1,512	$ 289,083	$ 412,548
Financial liabilities						
Deposits[3]	$ —	$ 1,317	$ —	$ —	$ 278,012	$ 279,329
Other financial liabilities						
Commitments related to securities sold short	11,686	—	—	—	—	11,686
Commitments related to securities lent or sold under repurchase agreements	—	—	—	—	12,032	12,032
Derivative financial instruments[2]	6,626	—	—	—	—	6,626
Amounts payable to clients, brokers and financial institutions	—	—	—	—	9,350	9,350
Segregated fund net liabilities for investment contracts	—	—	—	—	21,233	21,233
Other	75	—	—	—	6,927	7,002
Subordinated notes	—	—	—	—	2,954	2,954
Total financial liabilities	$ 18,387	$ 1,317	$ —	$ —	$ 330,508	$ 350,212

(1) As at December 31, 2023, the allowance for credit losses on securities at “Amortized cost” was immaterial, and the allowance for credit losses on securities “Classified as at fair value through other comprehensive income” totalled $18 million. Detailed information on the allowance for credit losses on loans is presented in Note 8, “Loans and allowance for credit losses”.

(2) Include derivative financial instruments designated as hedging instruments amounting to $298 million in assets and $650 million in liabilities. Detailed information on derivatives designated as hedging instruments is presented in Note 21, “Derivative financial instruments and hedging activities”.

(3) The maturity amount that Desjardins Group will be contractually required to pay to holders of deposits designated as at fair value through profit or loss fluctuates and will differ from the fair value of such deposits as at the reporting date.

NOTE 4 – CARRYING AMOUNT OF FINANCIAL INSTRUMENTS *(continued)*

CLASSIFICATION AND CARRYING AMOUNT OF FINANCIAL INSTRUMENTS *(continued)*

As at December 31, 2022 Restated (Note 2)	At fair value through profit or loss: Classified as at fair value through profit or loss	At fair value through profit or loss: Designated as at fair value through profit or loss	At fair value through other comprehensive income: Classified as at fair value through other comprehensive income[1]	At fair value through other comprehensive income: Designated as at fair value through other comprehensive income	Amortized cost[1]	Total
Financial assets						
Cash and deposits with financial institutions	$ —	$ 949	$ 258	$ —	$ 7,706	$ 8,913
Securities	16,025	17,962	51,193	65	50	85,295
Securities borrowed or purchased under reverse repurchase agreements	—	—	—	—	17,024	17,024
Loans	—	—	—	—	249,670	249,670
Segregated fund net assets	21,374	—	—	—	(18)	21,356
Other financial assets						
Clients' liability under acceptances	—	—	—	—	25	25
Derivative financial instruments[2]	5,723	—	—	—	—	5,723
Amounts receivable from clients, brokers and financial institutions	—	—	—	—	3,486	3,486
Other	—	—	—	—	1,894	1,894
Total financial assets	$ 43,122	$ 18,911	$ 51,451	$ 65	$ 279,837	$ 393,386
Financial liabilities						
Deposits[3]	$ —	$ 745	$ —	$ —	$ 259,091	$ 259,836
Other financial liabilities						
Acceptances	—	—	—	—	25	25
Commitments related to securities sold short	9,859	—	—	—	—	9,859
Commitments related to securities lent or sold under repurchase agreements	—	—	—	—	24,565	24,565
Derivative financial instruments[2]	6,691	—	—	—	—	6,691
Amounts payable to clients, brokers and financial institutions	—	—	—	—	8,978	8,978
Segregated fund net liabilities for investment contracts	—	—	—	—	17,826	17,826
Other	95	—	—	—	5,472	5,567
Subordinated notes	—	—	—	—	2,928	2,928
Total financial liabilities	$ 16,645	$ 745	$ —	$ —	$ 318,885	$ 336,275

(1) As at December 31, 2022, the allowance for credit losses on securities at "Amortized cost" was insignificant, and the allowance for credit losses on securities "Classified as at fair value through other comprehensive income" totalled $10 million. Detailed information on the allowance for credit losses on loans is presented in Note 8, "Loans and allowance for credit losses".

(2) Include derivative financial instruments designated as hedging instruments amounting to $198 million in assets and $967 million in liabilities. Detailed information on derivatives designated as hedging instruments is presented in Note 21, "Derivative financial instruments and hedging activities".

(3) The maturity amount that Desjardins Group will be contractually required to pay to holders of deposits designated as at fair value through profit or loss fluctuates and will differ from the fair value of such deposits as at the reporting date.

The insurance subsidiaries chose to revise the accounting classification under IFRS 9 of certain financial assets as at January 1, 2023, the date of adoption of IFRS 17. For more information, refer to Note 2, "Accounting policies". During the years ended December 31, 2023 and 2022, there were no other material reclassifications of financial instruments.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS

FAIR VALUE HIERARCHY

Fair value measurement is determined using the following three-level fair value hierarchy:
- Level 1 – Measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques based primarily on observable market data;
- Level 3 – Valuation techniques not based primarily on observable market data.

Transfers between levels

Transfers between hierarchy levels for instruments measured at fair value are made at the reporting date.

HIERARCHY OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following tables present the hierarchy for financial instruments measured at fair value in the Combined Balance Sheets.

As at December 31, 2023	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Cash and deposits with financial institutions	$ 127	$ 462	$ —	$ 589
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	8,191	—	—	8,191
Provincial governmental entities and municipal corporations in Canada	15,021	608	—	15,629
School or public corporations in Canada	12	68	—	80
Foreign public administrations	201	—	—	201
Other debt securities	—	7,228	407	7,635
Equity securities	2,411	242	2,238	4,891
	25,836	8,146	2,645	36,627
Loans				
Residential mortgages	—	—	1,102	1,102
Business and government	—	—	602	602
	—	—	1,704	1,704
Segregated fund net assets	7,953	16,252	655	24,860
Derivative financial instruments				
Interest rate contracts	—	475	—	475
Foreign exchange contracts	—	831	—	831
Other contracts	—	4,555	—	4,555
	—	5,861	—	5,861
Total financial assets at fair value through profit or loss	33,916	30,721	5,004	69,641
Financial assets at fair value through other comprehensive income				
Cash and deposits with financial institutions	35	2,097	—	2,132
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	5,775	6,446	—	12,221
Provincial governmental entities and municipal corporations in Canada	24,601	3,815	—	28,416
Foreign public administrations	334	—	—	334
Other debt securities	—	9,209	—	9,209
Equity securities	1,427	—	85	1,512
	32,137	19,470	85	51,692
Total financial assets at fair value through other comprehensive income	32,172	21,567	85	53,824
Total financial assets	$ 66,088	$ 52,288	$ 5,089	$ 123,465
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Deposits	$ —	$ 1,317	$ —	$ 1,317
Other liabilities				
Commitments related to securities sold short	11,174	512	—	11,686
Other	—	—	75	75
	11,174	1,829	75	13,078
Derivative financial instruments				
Interest rate contracts	—	797	—	797
Foreign exchange contracts	—	1,421	—	1,421
Other contracts	—	4,408	—	4,408
	—	6,626	—	6,626
Total financial liabilities	$ 11,174	$ 8,455	$ 75	$ 19,704

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

HIERARCHY OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(continued)*

As at December 31, 2022 Restated (Note 2)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Cash and deposits with financial institutions	$ 71	$ 878	$ —	$ 949
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	7,426	—	—	7,426
Provincial governmental entities and municipal corporations in Canada	12,389	595	—	12,984
School or public corporations in Canada	11	69	—	80
Foreign public administrations	629	—	—	629
Other debt securities	1	6,810	504	7,315
Equity securities	3,551	99	1,903	5,553
	24,007	7,573	2,407	33,987
Segregated fund net assets	7,211	13,565	598	21,374
Derivative financial instruments				
Interest rate contracts	—	662	—	662
Foreign exchange contracts	—	924	—	924
Other contracts	—	4,137	—	4,137
	—	5,723	—	5,723
Total financial assets at fair value through profit or loss	31,289	27,739	3,005	62,033
Financial assets at fair value through other comprehensive income				
Cash and deposits with financial institutions	9	249	—	258
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	7,074	6,076	—	13,150
Provincial governmental entities and municipal corporations in Canada	26,753	3,550	—	30,303
Foreign public administrations	25	—	—	25
Other debt securities	—	7,664	51	7,715
Equity securities	—	—	65	65
	33,852	17,290	116	51,258
Total financial assets at fair value through other comprehensive income	33,861	17,539	116	51,516
Total financial assets	$ 65,150	$ 45,278	$ 3,121	$ 113,549
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Deposits	$ —	$ 745	$ —	$ 745
Other liabilities				
Commitments related to securities sold short	8,836	1,023	—	9,859
Other	—	—	95	95
	8,836	1,768	95	10,699
Derivative financial instruments				
Interest rate contracts	—	1,460	—	1,460
Foreign exchange contracts	—	1,192	—	1,192
Other contracts	—	4,039	—	4,039
	—	6,691	—	6,691
Total financial liabilities	$ 8,836	$ 8,459	$ 95	$ 17,390

During the years ended December 31, 2023 and 2022, no material transfers attributable to changes in the observability of market data were made between Level 1 and Level 2 of the hierarchy for instruments measured at fair value. Transfers of financial instruments into or out of Level 3 reflect changes in the availability of observable inputs due to changes in market conditions.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

HIERARCHY OF FINANCIAL INSTRUMENTS WHOSE CARRYING AMOUNT DOES NOT EQUAL FAIR VALUE

The carrying amount of certain financial instruments measured at amortized cost does not equal fair value. The following tables present those instruments by hierarchy level.

As at December 31, 2023	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Securities	**$ 46**	**$ 39**	**$ —**	**$ 39**	**$ —**
Loans	**264,231**	**261,276**	**—**	**—**	**261,276**
Financial liabilities					
Deposits	**278,012**	**277,978**	**—**	**277,978**	**—**
Subordinated notes	**2,954**	**2,882**	**—**	**2,882**	**—**
Other liabilities – Other	**1,762**	**1,721**	**—**	**1,721**	**—**

As at December 31, 2022 Restated (Note 2)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Securities	$ 50	$ 44	$ —	$ 44	$ —
Loans	249,670	241,159	—	—	241,159
Financial liabilities					
Deposits	259,091	255,831	—	255,831	—
Subordinated notes	2,928	2,859	—	2,859	—
Other liabilities – Other	1,564	1,499	—	1,499	—

FAIR VALUE OF FINANCIAL INSTRUMENTS CATEGORIZED WITHIN LEVEL 3

Valuation process for financial instruments categorized within Level 3

Desjardins Group has implemented various key controls and procedures to ensure that financial instruments categorized within Level 3 are appropriately and reliably measured. The financial governance framework provides for independent monitoring and segregation of duties in that respect.

The most significant financial instruments categorized within Level 3 that are held by Desjardins Group are mortgage bonds, equity securities, loans and the financial liability related to contingent considerations resulting from a price adjustment clause for certain property and casualty insurance contracts acquired.

For mortgage bonds and loans, Desjardins Group developed a list of parameters based on comparable inputs that is reviewed annually and adjusted based on market trends. Tests are performed quarterly to ensure that the rates used by the system are consistent with this list and evolve reasonably.

Desjardins Group measures the majority of equity securities and other debt securities based on net values published by the fund administrator. If needed, these values are adjusted based on more recent information, when such information is available and appropriate. Certain equity securities are measured using a model based on expected future cash flow discounting. These models are examined and approved by Desjardins Group.

In connection with the acquisition of the Canadian businesses of State Farm Mutual Automobile Insurance Company (State Farm), Desjardins Group recognized a contingent consideration resulting from the price adjustment clause of the agreement. Under such clause, State Farm will compensate Desjardins Group for 95% of the unfavourable development of the provision for claims and adjustment expenses related to the property and casualty insurance contracts transferred as part of the acquisition, while Desjardins Group will give State Farm 90% of the favourable development of such provision.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

FAIR VALUE OF FINANCIAL INSTRUMENTS CATEGORIZED WITHIN LEVEL 3 *(continued)*

Changes in fair value of financial instruments categorized within Level 3

The following tables present the changes in fair value of financial instruments categorized within Level 3 of the hierarchy, namely financial instruments whose fair value is determined using valuation techniques not based mainly on observable market data.

For the year ended December 31, 2023	Balance as at December 31, 2022 as reported	Impact of changes in accounting policies (Note 2)	Balance as at January 1, 2023 (restated)	Realized gains / losses recognized in profit or loss[1]	Unrealized gains / losses recognized in profit or loss[2]	Unrealized gains / losses recognized in other comprehensive income[3]	Purchases / Issuances / Other	Sales / Settlements / Other	Balance at end of year
Financial assets									
Financial assets at fair value through profit or loss									
Securities									
Other debt securities									
Mortgage bonds	$ 397	$ 51	$ 448	$ —	$ 5	$ —	$ —	$ (194)	$ 259
Other	107	—	107	—	(1)	—	50	(8)	148
Equity securities	1,903	—	1,903	24	59	—	302	(50)	2,238
	2,407	51	2,458	24	63	—	352	(252)	2,645
Loans									
Residential mortgages	—	1,062	1,062	—	19	—	83	(62)	1,102
Business and government	—	609	609	—	20	—	15	(42)	602
	—	1,671	1,671	—	39	—	98	(104)	1,704
Segregated fund net assets	598	—	598	(1)	—	—	210	(152)	655
Total financial assets at fair value through profit or loss	3,005	1,722	4,727	23	102	—	660	(508)	5,004
Financial assets at fair value through other comprehensive income									
Securities									
Other debt securities									
Mortgage bonds	51	(51)	—	—	—	—	—	—	—
Equity securities	65	—	65	—	—	20	—	—	85
Total financial assets at fair value through other comprehensive income	116	(51)	65	—	—	20	—	—	85
Total financial assets	$ 3,121	$ 1,671	$ 4,792	$ 23	$ 102	$ 20	$ 660	$ (508)	$ 5,089
Financial liabilities									
Financial liabilities at fair value through profit or loss									
Other liabilities – Other									
Financial liability related to the contingent consideration	$ 95	$ —	$ 95	$ —	$ 40	$ —	$ —	$ (60)	$ 75
Total financial liabilities	$ 95	$ —	$ 95	$ —	$ 40	$ —	$ —	$ (60)	$ 75

(1) Realized gains or losses on financial assets classified or designated as at fair value through profit or loss are presented under “Net insurance investment income (loss)” and “Net other investment income (loss)” in the Combined Statements of Income.

(2) Unrealized gains or losses on financial assets classified or designated as at fair value through profit or loss are presented under “Net insurance investment income (loss)” and “Net other investment income (loss)”, while unrealized gains or losses on financial liabilities “Classified as at fair value through profit or loss” are recognized under “Other income – Other” in the Combined Statements of Income.

(3) Unrealized gains or losses on financial assets “Classified as at fair value through other comprehensive income” are recognized under “Net unrealized gains (losses)” on debt securities at fair value through other comprehensive income, while unrealized gains or losses on financial assets “Designated as at fair value through other comprehensive income” are recognized under “Net change in gains and losses on equity securities designated as at fair value through other comprehensive income” in the Combined Statements of Comprehensive Income.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

FAIR VALUE OF FINANCIAL INSTRUMENTS CATEGORIZED WITHIN LEVEL 3 *(continued)*

Changes in fair value of financial instruments categorized within Level 3 *(continued)*

For the year ended December 31, 2022 Restated (Note 2)	Balance at beginning of year	Realized gains / losses recognized in profit or loss[1]	Unrealized gains / losses recognized in profit or loss[2]	Unrealized gains / losses recognized in other comprehensive income[3]	Purchases / Issuances / Other	Sales / Settlements / Other	Balance at end of year
Financial assets							
Financial assets at fair value through profit or loss							
Securities							
Other debt securities							
Mortgage bonds	$ 508	$ —	$ (33)	$ —	$ —	$ (78)	$ 397
Other	92	—	6	—	24	(15)	107
Equity securities	1,428	9	124	—	460	(118)	1,903
	2,028	9	97	—	484	(211)	2,407
Segregated fund net assets	360	1	8	—	263	(34)	598
Total financial assets at fair value through profit or loss	2,388	10	105	—	747	(245)	3,005
Financial assets at fair value through other comprehensive income							
Securities							
Other debt securities							
Mortgage bonds	64	—	—	(2)	—	(11)	51
Equity securities	69	—	—	(4)	—	—	65
Total financial assets at fair value through other comprehensive income	133	—	—	(6)	—	(11)	116
Total financial assets	$ 2,521	$ 10	$ 105	$ (6)	$ 747	$ (256)	$ 3,121
Financial liabilities							
Financial liabilities at fair value through profit or loss							
Other liabilities – Other							
Financial liability related to the contingent consideration	$ 147	$ —	$ 35	$ —	$ —	$ (87)	$ 95
Total financial liabilities	$ 147	$ —	$ 35	$ —	$ —	$ (87)	$ 95

(1) Realized gains or losses on financial assets classified or designated as at fair value through profit or loss are presented under “Net insurance investment income (loss)” and “Net other investment income (loss)” in the Combined Statements of Income.

(2) Unrealized gains or losses on financial assets classified or designated as at fair value through profit or loss are presented under “Net insurance investment income (loss)” and “Net other investment income (loss)”, while unrealized gains or losses on financial liabilities “Classified as at fair value through profit or loss” are recognized under “Other income – Other”, respectively, in the Combined Statements of Income.

(3) Unrealized gains or losses on financial assets “Classified as at fair value through other comprehensive income” are recognized under “Net unrealized gains (losses)” on debt securities at fair value through other comprehensive income, while unrealized gains or losses on financial assets “Designated as at fair value through other comprehensive income” are recognized under “Net change in gains and losses on equity securities designated as at fair value through other comprehensive income” in the Combined Statements of Comprehensive Income.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

Valuation techniques and inputs used to measure the fair value of financial instruments categorized within Level 3

The following tables present the main techniques and unobservable inputs used to measure the fair value of the significant financial instruments categorized within Level 3 as well as the impact of changing unobservable inputs to reflect one or several reasonably possible assumptions on the fair value of financial instruments categorized within Level 3.

As at December 31, 2023	Fair value	Main valuation techniques	Unobservable inputs	Input value ranges	Sensitivity[C]
Financial assets					
Securities					
Mortgage bonds			Credit spread[A,B]	**0 bp to 6 bp**	— [D]
	$ 259	Discounted cash flows	Comparable inputs[A,B]	**58 bp to 66 bp**	
Equity securities and other debt securities	**78**	Discounted cash flows	Discount rate[A,B]	**5.8% to 9.0%**	— [D]
	2,114	Adjusted net value	Adjusted net value	**-** [1]	— [D]
	85	Market price of comparable instruments	Enterprise value/revenues ratios	**-** [1]	— [D]
			Discount rate[A,B]	**8.0% to 14.0%**	
	191	Discounted cash flows	Liquidity premium[A,B]	**10.0% to 40.0%**	**12**
Loans	**1,704**	Discounted cash flows	Comparable inputs[A,B]	**10 bp to 123 bp**	**10**
Segregated fund net assets	**655**	Adjusted net value	Adjusted net value	**-** [1]	— [D]
Other financial assets	**3**				
Total financial assets	**$ 5,089**				
Financial liabilities					
Other liabilities – Other					
Financial liability related to the contingent consideration	**75**	Actuarial techniques[2]	Provision for claims and adjustment expenses	**-** [1]	— [D]
Total financial liabilities	**$ 75**				

As at December 31, 2022	Fair value	Main valuation techniques	Unobservable inputs	Input value ranges	Sensitivity[C]
Financial assets					
Securities					
Mortgage bonds			Credit spread[A,B]	0 bp to 15 bp	— [D]
	$ 448	Discounted cash flows	Comparable inputs[A,B]	56 bp to 71 bp	
Equity securities and other debt securities	91	Discounted cash flows	Discount rate[A,B]	6.4% to 8.8%	— [D]
	1,760	Adjusted net value	Adjusted net value	- [1]	— [D]
	65	Market prices of comparable instruments	Enterprise value/revenues ratios	- [1]	— [D]
			Discount rate[A,B]	9.5% to 12.5%	
	156	Discounted cash flows	Liquidity premium[A,B]	10.0% to 40.0%	8
Segregated fund net assets	598	Adjusted net value	Adjusted net value	- [1]	— [D]
Other financial assets	3				
Total financial assets	$ 3,121				
Financial liabilities					
Other liabilities – Other					
Financial liability related to the contingent consideration	95	Actuarial techniques[2]	Provision for claims and adjustment expenses	- [1]	— [D]
Total financial liabilities	$ 95				

(1) Due to the nature of these financial instruments, no input value range is presented.

(2) The actuarial techniques used to prospectively measure the liability for incurred claims are in accordance with Canadian accepted actuarial practices. For more details about such practices, refer to the "Estimates of future cash flows – Property and casualty insurance activities" section of Note 17, "Insurance and reinsurance contracts".

Fair value sensitivity to changes in unobservable inputs

(A) An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.

(B) There is no predictable relationship between this input and other material unobservable inputs.

(C) Represents the increase or decrease in fair value resulting from a reasonably possible change in the unobservable input.

(D) No sensitivity analysis is presented when the impact of changing unobservable inputs to reflect one or several reasonably possible assumptions does not materially change the fair value of the financial instruments categorized within this level or due to the nature of the valuation technique used.

NOTE 6 – OFFSETTING FINANCIAL ASSETS AND LIABILITIES

A financial asset and a financial liability must be offset in the Combined Balance Sheets when, and only when, Desjardins Group has a legally enforceable and unconditional right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Desjardins Group has a legally enforceable and unconditional right to set off a financial asset and a financial liability when such right is enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Securities borrowed or purchased under reverse repurchase agreements and commitments related to securities lent or sold under repurchase agreements are subject to master netting agreements or similar agreements that do not meet the criteria for offsetting in the Combined Balance Sheets as they give a right to set off that is enforceable only in the event of default, insolvency or bankruptcy. However, when such transactions are carried out with clearing houses, the criteria for offsetting in the Combined Balance Sheets are met.

In addition, over-the-counter derivatives subject to International Swaps and Derivatives Association's master netting agreements do not meet the criteria for offsetting in the Combined Balance Sheets as they also give a right to set off that is enforceable only in the event of default, insolvency or bankruptcy. As part of these transactions, Desjardins Group pledges and receives assets as collateral to manage credit risk in accordance with the terms and conditions of the credit support annex.

Exchange-traded derivatives are also subject to master netting agreements entered into directly with stock exchanges or clearing houses and indirectly through brokers. Master netting agreements entered into directly with stock exchanges and clearing houses meet the criteria for offsetting in the Combined Balance Sheets, unlike those entered into indirectly through brokers, as they give a right to set off that is enforceable only in the normal course of business.

Certain amounts receivable from clients, brokers and financial institutions as well as certain amounts payable to clients, brokers and financial institutions are subject to master netting agreements that meet the criteria for offsetting in the Combined Balance Sheets.

The following tables present information about financial assets and liabilities that are set off and not set off in the Combined Balance Sheets and are subject to a master netting agreement or a similar agreement.

As at December 31, 2023	Gross recognized amounts	Set off amounts	Net amounts presented in the Combined Balance Sheets[2]	Associated amounts not set off in the Combined Balance Sheets[1]		Residual amounts not set off
				Financial instruments[3]	Financial collateral held / pledged	
Financial assets						
Securities borrowed or purchased under reverse repurchase agreements	$ 23,038	$ 9,360	$ 13,678	$ 6,995	$ 6,683	$ —
Derivative financial instruments	5,744	—	5,744	1,345	4,191	208
Amounts receivable from clients, brokers and financial institutions and other	87	71	16	8	—	8
Total financial assets	$ 28,869	$ 9,431	$ 19,438	$ 8,348	$ 10,874	$ 216
Financial liabilities						
Commitments related to securities lent or sold under repurchase agreements	$ 21,392	$ 9,360	$ 12,032	$ 6,995	$ 5,017	$ 20
Derivative financial instruments	2,447	—	2,447	1,345	413	689
Amounts payable to clients, brokers and financial institutions and other	165	71	94	8	—	86
Total financial liabilities	$ 24,004	$ 9,431	$ 14,573	$ 8,348	$ 5,430	$ 795

(1) Any over-collateralization is excluded from the table.

(2) The difference between the net amounts presented in this table and balances appearing in the Combined Balance Sheets represents financial assets and liabilities that are not subject to master netting agreements or similar agreements.

(3) Carrying amount of financial assets and liabilities that are subject to a master netting agreement or similar agreement but that do not meet offsetting criteria.

NOTE 6 – OFFSETTING FINANCIAL ASSETS AND LIABILITIES *(continued)*

As at December 31, 2022 Restated (Note 2)	Gross recognized amounts	Set off amounts	Net amounts presented in the Combined Balance Sheets[2]	Associated amounts not set off in the Combined Balance Sheets[1]		Residual amounts not set off
				Financial instruments[3]	Financial collateral held / pledged	
Financial assets						
Securities borrowed or purchased under reverse repurchase agreements	$ 24,233	$ 7,209	$ 17,024	$ 5,767	$ 11,218	$ 39
Derivative financial instruments	5,663	—	5,663	1,452	3,960	251
Amounts receivable from clients, brokers and financial institutions and other	66	28	38	5	—	33
Total financial assets	$ 29,962	$ 7,237	$ 22,725	$ 7,224	$ 15,178	$ 323
Financial liabilities						
Commitments related to securities lent or sold under repurchase agreements	$ 31,774	$ 7,209	$ 24,565	$ 5,767	$ 18,788	$ 10
Derivative financial instruments	2,862	—	2,862	1,452	783	627
Amounts payable to clients, brokers and financial institutions and other	66	28	38	5	—	33
Total financial liabilities	$ 34,702	$ 7,237	$ 27,465	$ 7,224	$ 19,571	$ 670

(1) Any over-collateralization is excluded from the table.

(2) The difference between the net amounts presented in this table and balances appearing in the Combined Balance Sheets represents financial assets and liabilities that are not subject to master netting agreements or similar agreements.

(3) Carrying amount of financial assets and liabilities that are subject to a master netting agreement or similar agreement but that do not meet offsetting criteria.

NOTE 7 – SECURITIES

MATURITIES OF SECURITIES

The following tables present an analysis of the maturities of Desjardins Group's securities.

As at December 31, 2023	Terms to maturity						
	Under 1 year	1 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years	No specific maturity	Total
Financial assets							
Financial assets at fair value through profit or loss							
Securities							
Debt securities issued or guaranteed by:							
Canadian governmental entities	$ 1,928	$ 2,278	$ 999	$ 1,760	$ 1,226	$ —	$ 8,191
Provincial governmental entities and municipal corporations in Canada	1,366	1,924	1,787	2,406	8,146	—	15,629
School or public corporations in Canada	—	2	3	6	69	—	80
Foreign public administrations	96	52	—	1	52	—	201
Other debt securities	798	675	635	1,377	4,148	2	7,635
Equity securities	—	—	14	32	—	4,845	4,891
Total financial assets at fair value through profit or loss	4,188	4,931	3,438	5,582	13,641	4,847	36,627
Financial assets at fair value through other comprehensive income							
Securities							
Debt securities issued or guaranteed by:							
Canadian governmental entities	1,896	7,198	2,056	540	531	—	12,221
Provincial governmental entities and municipal corporations in Canada	1,967	7,749	8,092	10,599	9	—	28,416
Foreign public administrations	99	108	127	—	—	—	334
Other debt securities	3,186	1,863	3,220	883	57	—	9,209
Equity securities	—	—	—	—	—	1,512	1,512
Total financial assets at fair value through other comprehensive income	7,148	16,918	13,495	12,022	597	1,512	51,692
Financial assets at amortized cost							
Securities							
Debt securities issued or guaranteed by:							
Provincial governmental entities and municipal corporations in Canada	1	2	3	3	1	—	10
Foreign public administrations	—	—	1	—	31	—	32
Other debt securities	1	1	—	2	—	—	4
Total financial assets at amortized cost	2	3	4	5	32	—	46
Total securities	$ 11,338	$ 21,852	$ 16,937	$ 17,609	$ 14,270	$ 6,359	$ 88,365

NOTE 7 – SECURITIES *(continued)*

MATURITIES OF SECURITIES *(continued)*

As at December 31, 2022	Terms to maturity: Under 1 year	1 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years	No specific maturity	Total
Financial assets							
Financial assets at fair value through profit or loss							
Securities							
Debt securities issued or guaranteed by:							
Canadian governmental entities	$ 2,053	$ 1,505	$ 1,133	$ 2,000	$ 735	$ —	$ 7,426
Provincial governmental entities and municipal corporations in Canada	904	2,102	1,527	2,312	6,139	—	12,984
School or public corporations in Canada	—	2	6	—	72	—	80
Foreign public administrations	234	3	17	338	37	—	629
Other debt securities	537	948	940	1,361	3,527	2	7,315
Equity securities	—	—	—	42	—	5,511	5,553
Total financial assets at fair value through profit or loss	3,728	4,560	3,623	6,053	10,510	5,513	33,987
Financial assets at fair value through other comprehensive income							
Securities							
Debt securities issued or guaranteed by:							
Canadian governmental entities	1,793	6,418	4,589	350	—	—	13,150
Provincial governmental entities and municipal corporations in Canada	1,510	7,384	7,683	13,182	544	—	30,303
Foreign public administrations	20	5	—	—	—	—	25
Other debt securities	2,999	1,101	2,705	867	43	—	7,715
Equity securities	—	—	—	—	—	65	65
Total financial assets at fair value through other comprehensive income	6,322	14,908	14,977	14,399	587	65	51,258
Financial assets at amortized cost							
Securities							
Debt securities issued or guaranteed by:							
Provincial governmental entities and municipal corporations in Canada	1	2	2	4	1	—	10
Foreign public administrations	—	—	1	1	34	—	36
Other debt securities	—	1	1	2	—	—	4
Total financial assets at amortized cost	1	3	4	7	35	—	50
Total securities	$ 10,051	$ 19,471	$ 18,604	$ 20,459	$ 11,132	$ 5,578	$ 85,295

EQUITY INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Desjardins Group designated certain equity instruments at fair value through other comprehensive income. Equity securities held in respect of insurance activities were designated in that category to mitigate volatility in the Combined Statements of Income. The following table presents the fair value of those instruments held as at December 31, 2023 and dividend income recognized on those instruments during the year then ended.

As at December 31, 2023	Fair value	Dividends recognized during the year
Securities held in respect of insurance activities		
Equity securities		
Common shares	**$ 845**	**$ 11**
Preferred shares	**582**	**25**
	1,427	**36**
Other securities	**85**	**—**
Total securities designated as at fair value through other comprehensive income	**$ 1,512**	**$ 36**

During the year, Desjardins Group disposed of, as part of the normal application of its investment strategy, certain securities designated as at fair value through other comprehensive income. At the time of disposal, the fair value of these investments was $813 million and the cumulative loss was $4 million. Dividend income related to these securities recognized in the Combined Statement of Income for the year was $24 million.

NOTE 8 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

EXPOSURE TO CREDIT RISK OF LOANS AND OFF-BALANCE SHEET ITEMS

The following tables present the gross carrying amount of loans and the exposure amount for off-balance sheet items for which Desjardins Group estimates an allowance for expected credit losses, according to credit quality and the impairment model stage in which they are classified. For more information on credit quality according to risk levels, see table 28, “Probabilities of default of retail clients by risk level”, and Table 29, “Probabilities of default businesses, financial institutions and sovereign borrowers by risk level”, in section 4.0, “Risk Management”, of the 2023 Annual Management’s Discussion and Analysis.

Loans

	Non-credit impaired		Credit-impaired[1]	
As at December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Residential mortgages				
Excellent	$ 51,993	$ 10	$ —	$ 52,003
Very low	69,332	332	—	69,664
Low	34,631	2,054	—	36,685
Moderate	1,931	2,796	—	4,727
High	2	1,023	—	1,025
Default	—	277	375	652
Total residential mortgages subject to expected credit losses	$ 157,889	$ 6,492	$ 375	$ 164,756
Residential mortgages at fair value through profit or loss[2]				1,102
Total gross residential mortgages	$ 157,889	$ 6,492	$ 375	$ 165,858
Allowance for credit losses	(45)	(33)	(24)	(102)
Total net residential mortgages	$ 157,844	$ 6,459	$ 351	$ 165,756
Consumer, credit card and other personal loans				
Excellent	$ 5,069	$ —	$ —	$ 5,069
Very low	6,590	2	—	6,592
Low	7,858	1,224	—	9,082
Moderate	1,101	814	—	1,915
High	8	1,305	—	1,313
Default	—	44	224	268
Total gross consumer, credit card and other personal loans	$ 20,626	$ 3,389	$ 224	$ 24,239
Allowance for credit losses	(130)	(281)	(140)	(551)
Total net consumer, credit card and other personal loans	$ 20,496	$ 3,108	$ 84	$ 23,688
Business and government loans				
Acceptable risk				
Investment grade	$ 25,102	$ 95	$ —	$ 25,197
Other than investment grade	42,287	3,859	—	46,146
Under watch	1,425	2,097	—	3,522
Default	—	186	1,365	1,551
Total business and government loans subject to expected credit losses	$ 68,814	$ 6,237	$ 1,365	$ 76,416
Business and government loans at fair value through profit or loss[2]				602
Total gross business and government loans	$ 68,814	$ 6,237	$ 1,365	$ 77,018
Allowance for credit losses	(115)	(81)	(331)	(527)
Total net business and government loans	$ 68,699	$ 6,156	$ 1,034	$ 76,491
Total gross loans	$ 247,329	$ 16,118	$ 1,964	$ 267,115
Allowance for credit losses	(290)	(395)	(495)	(1,180)
Total net loans	$ 247,039	$ 15,723	$ 1,469	$ 265,935

(1) As at December 31, 2023, 96.8% of credit-impaired loans were fully or partially secured, generally by immovable, movable or other security. Additional information on collateral held as security and other credit enhancements is presented in the “Credit Risk Mitigation” section of the Management's Discussion and Analysis.

(2) Loans at fair value through profit or loss are not subject to expected credit losses.

NOTE 8 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

EXPOSURE TO CREDIT RISK OF LOANS AND OFF-BALANCE SHEET ITEMS *(continued)*

Loans (*continued*)

As at December 31, 2022 Restated (Note 2)	Non-credit impaired Stage 1	Non-credit impaired Stage 2	Credit-impaired[1] Stage 3	Total
Residential mortgages				
Excellent	$ 53,229	$ 11	$ —	$ 53,240
Very low	67,594	783	—	68,377
Low	29,688	2,997	—	32,685
Moderate	1,741	2,460	—	4,201
High	1	809	—	810
Default	—	124	245	369
Total gross residential mortgages	$ 152,253	$ 7,184	$ 245	$ 159,682
Allowance for credit losses	(58)	(43)	(16)	(117)
Total net residential mortgages	$ 152,195	$ 7,141	$ 229	$ 159,565
Consumer, credit card and other personal loans				
Excellent	$ 5,547	$ 1	$ —	$ 5,548
Very low	6,576	9	—	6,585
Low	7,544	1,243	—	8,787
Moderate	975	852	—	1,827
High	8	1,218	—	1,226
Default	—	68	170	238
Total gross consumer, credit card and other personal loans	$ 20,650	$ 3,391	$ 170	$ 24,211
Allowance for credit losses	(140)	(302)	(91)	(533)
Total net consumer, credit card and other personal loans	$ 20,510	$ 3,089	$ 79	$ 23,678
Business and government loans[2]				
Acceptable risk				
Investment grade	$ 22,624	$ 189	$ —	$ 22,813
Other than investment grade	35,686	4,286	—	39,972
Under watch	1,475	1,700	—	3,175
Default	—	101	776	877
Total gross business and government loans	$ 59,785	$ 6,276	$ 776	$ 66,837
Allowance for credit losses	(114)	(67)	(204)	(385)
Total net business and government loans	$ 59,671	$ 6,209	$ 572	$ 66,452
Total gross loans and acceptances	$ 232,688	$ 16,851	$ 1,191	$ 250,730
Allowance for credit losses	(312)	(412)	(311)	(1,035)
Total net loans and acceptances	$ 232,376	$ 16,439	$ 880	$ 249,695

(1) As at December 31, 2022, 94.5% of credit-impaired loans were fully or partially secured, generally by immovable, movable or other security. Additional information on collateral held as security and other credit enhancements is presented in the “Credit Risk Mitigation” section of the Management's Discussion and Analysis.

(2) Includes clients' liability under acceptances.

NOTE 8 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

EXPOSURE TO CREDIT RISK OF LOANS AND OFF-BALANCE SHEET ITEMS *(continued)*

Off-balance sheet items[1]

As at December 31, 2023	Non-credit impaired		Credit-impaired	
	Stage 1	Stage 2	Stage 3	Total
Residential mortgages, consumer, credit card and other personal loans				
Excellent	$ 48,395	$ 1	$ —	$ 48,396
Very low	24,051	13	—	24,064
Low	6,963	745	—	7,708
Moderate	328	492	—	820
High	5	286	—	291
Default	—	9	48	57
Total	$ 79,742	$ 1,546	$ 48	$ 81,336
Allowance for credit losses	(43)	(23)	—	(66)
Total, net of allowance for credit losses	$ 79,699	$ 1,523	$ 48	$ 81,270
Business and government				
Acceptable risk				
Investment grade	$ 35,776	$ 40	$ —	$ 35,816
Other than investment grade	14,194	1,059	—	15,253
Under watch	346	371	—	717
Default	—	5	219	224
Total	$ 50,316	$ 1,475	$ 219	$ 52,010
Allowance for credit losses	(20)	(7)	—	(27)
Total, net of allowance for credit losses	$ 50,296	$ 1,468	$ 219	$ 51,983
Total off-balance sheet items	$ 130,058	$ 3,021	$ 267	$ 133,346
Allowance for credit losses	(63)	(30)	—	(93)
Total off-balance sheet items, net of allowance for credit losses	$ 129,995	$ 2,991	$ 267	$ 133,253

As at December 31, 2022	Non-credit impaired		Credit-impaired	
	Stage 1	Stage 2	Stage 3	Total
Residential mortgages, consumer, credit card and other personal loans				
Excellent	$ 49,665	$ 5	$ —	$ 49,670
Very low	21,946	40	—	21,986
Low	6,511	931	—	7,442
Moderate	315	576	—	891
High	5	262	—	267
Default	—	—	44	44
Total	$ 78,442	$ 1,814	$ 44	$ 80,300
Allowance for credit losses	(31)	(9)	—	(40)
Total, net of allowance for credit losses	$ 78,411	$ 1,805	$ 44	$ 80,260
Business and government				
Acceptable risk				
Investment grade	$ 30,908	$ 150	$ —	$ 31,058
Other than investment grade	12,894	1,134	—	14,028
Under watch	300	248	—	548
Default	—	9	118	127
Total	$ 44,102	$ 1,541	$ 118	$ 45,761
Allowance for credit losses	(11)	(2)	—	(13)
Total, net of allowance for credit losses	$ 44,091	$ 1,539	$ 118	$ 45,748
Total off-balance sheet items	$ 122,544	$ 3,355	$ 162	$ 126,061
Allowance for credit losses	(42)	(11)	—	(53)
Total off-balance sheet items, net of allowance for credit losses	$ 122,502	$ 3,344	$ 162	$ 126,008

[1] Loan commitments for which Desjardins Group estimates an allowance for expected credit losses comprise credit commitments and documentary letters of credit, while financial guarantees for which it estimates an allowance for expected credit losses comprise guarantees and standby letters of credit.

NOTE 8 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

ALLOWANCE FOR CREDIT LOSSES

The following tables present the changes in the balance of the allowance for expected credit losses on loans and off-balance sheet items.

For the year ended December 31, 2023	Non-credit impaired Stage 1	Non-credit impaired Stage 2	Credit-impaired Stage 3	Allowance for credit losses
Residential mortgages				
Balance at beginning of year[1]	**$ 59**	**$ 44**	**$ 16**	**$ 119**
Provision for credit losses				
Transfers to[2]:				
Stage 1	**40**	**(38)**	**(2)**	**—**
Stage 2	**(11)**	**16**	**(5)**	**—**
Stage 3	**—**	**(4)**	**4**	**—**
Net remeasurement due to transfers[3]	**(15)**	**13**	**18**	**16**
Changes in risks, parameters and models[4]	**(41)**	**11**	**2**	**(28)**
New originations or acquisitions[5]	**22**	**—**	**—**	**22**
Derecognition and maturities[6]	**(7)**	**(8)**	**(9)**	**(24)**
Net drawdowns (repayments)[7]	**1**	**(1)**	**—**	**—**
	(11)	**(11)**	**8**	**(14)**
Write-offs and recoveries	**—**	**—**	**—**	**—**
Balance at end of year	**$ 48**	**$ 33**	**$ 24**	**$ 105**
Consumer, credit card and other personal loans				
Balance at beginning of year	**$ 170**	**$ 310**	**$ 91**	**$ 571**
Provision for credit losses				
Transfers to[2]:				
Stage 1	**259**	**(249)**	**(10)**	**—**
Stage 2	**(110)**	**153**	**(43)**	**—**
Stage 3	**(1)**	**(54)**	**55**	**—**
Net remeasurement due to transfers[3]	**(45)**	**62**	**200**	**217**
Changes in risks, parameters and models[4]	**(181)**	**149**	**293**	**261**
New originations or acquisitions[5]	**99**	**—**	**—**	**99**
Derecognition and maturities[6]	**(21)**	**(62)**	**(151)**	**(234)**
Net drawdowns (repayments)[7]	**—**	**(5)**	**—**	**(5)**
	—	**(6)**	**344**	**338**
Write-offs and recoveries	**—**	**—**	**(295)**	**(295)**
Balance at end of year	**$ 170**	**$ 304**	**$ 140**	**$ 614**
Business and government				
Balance at beginning of year[1]	**$ 125**	**$ 69**	**$ 204**	**$ 398**
Provision for credit losses				
Transfers to[2]:				
Stage 1	**58**	**(51)**	**(7)**	**—**
Stage 2	**(35)**	**43**	**(8)**	**—**
Stage 3	**(2)**	**(8)**	**10**	**—**
Net remeasurement due to transfers[3]	**(11)**	**24**	**138**	**151**
Changes in risks, parameters and models[4]	**(78)**	**19**	**78**	**19**
New originations or acquisitions[5]	**101**	**—**	**—**	**101**
Derecognition and maturities[6]	**(31)**	**(14)**	**(28)**	**(73)**
Net drawdowns (repayments)[7]	**8**	**6**	**(15)**	**(1)**
	10	**19**	**168**	**197**
Write-offs and recoveries	**—**	**—**	**(41)**	**(41)**
Balance at end of year	**$ 135**	**$ 88**	**$ 331**	**$ 554**
Total balances at end of year	**$ 353**	**$ 425**	**$ 495**	**$ 1,273**
Composed of:				
Loans	**$ 290**	**$ 395**	**$ 495**	**$ 1,180**
Off-balance sheet items[8]	**63**	**30**	**—**	**93**

(1) The new designation of certain residential mortgages and business and government loans described in Note 2, “Accounting policies” had an insignificant impact on the balance at beginning of year.

(2) Represent transfers between stages before the remeasurement of expected credit losses.

(3) Represents the remeasurement of the allowance for expected credit losses resulting from transfers between stages.

(4) Represent the change in the allowance due to changes in risks resulting from changes in forward-looking information, risks levels, parameters and models, after transfers between stages.

(5) Represent the increase in the allowance for new originations or acquisitions during the year, including loans that were derecognized and for which a new asset was recognized following a modification of terms.

(6) Represent mainly the decrease in the allowance for fully repaid loans, including loans that were derecognized and for which a new asset was recognized following a modification of terms.

(7) Represent changes in the allowance attributable to drawdowns and repayments on outstanding loans.

(8) The allowance for credit losses on off-balance sheet items is presented under “Other liabilities – Other” in the Combined Balance Sheets.

NOTE 8 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

ALLOWANCE FOR CREDIT LOSSES *(continued)*

For the year ended December 31, 2022	Non-credit impaired Stage 1	Non-credit impaired Stage 2	Credit-impaired Stage 3	Allowance for credit losses
Residential mortgages				
Balance at beginning of year	$ 73	$ 73	$ 20	$ 166
Provision for credit losses				
Transfers to[1]:				
Stage 1	74	(71)	(3)	—
Stage 2	(15)	20	(5)	—
Stage 3	—	(3)	3	—
Net remeasurement due to transfers[2]	(34)	23	13	2
Changes in risks, parameters and models[3]	(69)	17	(2)	(54)
New originations or acquisitions[4]	40	—	—	40
Derecognition and maturities[5]	(12)	(14)	(7)	(33)
Net drawdowns (repayments)[6]	2	(1)	—	1
Other	—	—	(2)	(2)
	(14)	(29)	(3)	(46)
Write-offs and recoveries	—	—	(1)	(1)
Balance at end of year	$ 59	$ 44	$ 16	$ 119
Consumer, credit card and other personal loans				
Balance at beginning of year	$ 158	$ 265	$ 80	$ 503
Provision for credit losses				
Transfers to[1]:				
Stage 1	304	(295)	(9)	—
Stage 2	(131)	169	(38)	—
Stage 3	(1)	(46)	47	—
Net remeasurement due to transfers[2]	(35)	62	156	183
Changes in risks, parameters and models[3]	(192)	217	143	168
New originations or acquisitions[4]	119	—	—	119
Derecognition and maturities[5]	(43)	(56)	(69)	(168)
Net drawdowns (repayments)[6]	(9)	(6)	(2)	(17)
	12	45	228	285
Write-offs and recoveries	—	—	(217)	(217)
Balance at end of year	$ 170	$ 310	$ 91	$ 571
Business and government				
Balance at beginning of year	$ 112	$ 82	$ 179	$ 373
Provision for credit losses				
Transfers to[1]:				
Stage 1	73	(66)	(7)	—
Stage 2	(42)	56	(14)	—
Stage 3	(1)	(7)	8	—
Net remeasurement due to transfers[2]	(13)	31	69	87
Changes in risks, parameters and models[3]	(113)	(13)	27	(99)
New originations or acquisitions[4]	127	—	—	127
Derecognition and maturities[5]	(39)	(21)	(43)	(103)
Net drawdowns (repayments)[6]	21	7	(7)	21
	13	(13)	33	33
Write-offs and recoveries	—	—	(8)	(8)
Balance at end of year	$ 125	$ 69	$ 204	$ 398
Total balances at end of year	$ 354	$ 423	$ 311	$ 1,088
Composed of:				
Loans	$ 312	$ 412	$ 311	$ 1,035
Off-balance sheet items[7]	42	11	—	53

(1) Represent transfers between stages before the remeasurement of expected credit losses.

(2) Represents the remeasurement of the allowance for expected credit losses resulting from transfers between stages.

(3) Represent the change in the allowance due to changes in risk resulting from changes in forward-looking information, risk levels, parameters and models, after transfers between stages.

(4) Represent the increase in the allowance for new originations or acquisitions during the year, including loans that were derecognized and for which a new asset was recognized following a modification of terms.

(5) Represent mainly the decrease in the allowance for fully repaid loans, including loans that were derecognized and for which a new asset was recognized following a modification of terms.

(6) Represent changes in the allowance attributable to drawdowns and repayments on outstanding loans.

(7) The allowance for credit losses on off-balance sheet items is presented under “Other liabilities – Other” in the Combined Balance Sheets.

NOTE 8 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

KEY DATA AND ASSUMPTIONS

Estimating the allowance for expected credit losses is based on a set of assumptions and methodologies specific to credit risk and changes in economic conditions and therefore requires significant judgment to be exercised. The main items requiring significant judgment that affected its measurement are the following:

- Changes in the borrowers' credit risk rating (or PD);
- Determination of significant increases in credit risk;
- Incorporation of forward-looking information.

The macroeconomic environment, which is notably characterized by high interest rates, growing geopolitical tensions and persistent inflation, still gives rise to uncertainty. Therefore, management has to continue making particularly complex judgments to estimate the allowance for credit losses in such situation.

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

Changes in the borrowers' credit risk rating or probability of default

The borrowers' credit risk rating is the foundation of the credit risk assessment model. The rating of a borrower is directly related to its estimated PD. Many variables are taken into consideration in credit risk assessment models. For more information about these models, see section 4.0, "Risk Management", of the Management's Discussion and Analysis. Changes in the borrowers' credit risk rating have an impact on determining significant increases in credit risk, as this is mainly based on the change in the borrower's PD, and measuring the allowance for expected credit losses.

Changes in the borrowers' credit risk rating may increase or decrease the allowance for expected credit losses. Generally, a deterioration in a borrower's credit risk rating gives rise to an increase in the allowance, while an improvement results in a decrease in the allowance.

Determination of significant increases in credit risk

To determine whether, at the reporting date, credit risk has significantly increased since initial recognition, Desjardins Group bases its assessment on the change in default risk over the expected life of the financial instrument. As this assessment takes into account forward-looking information at time of granting and at the reporting date, a significant increase in credit risk may be caused by a deterioration in economic forecasts integrated into the prospective evaluation, a deterioration in the borrower's situation or a combination of both of these factors.

The determination of significant increases in credit risk since initial recognition may have a significant upward or downward impact on the allowance for expected credit losses as the amount of the allowance for expected credit losses for loans in Stage 1 is equal to 12-month expected credit losses, while the amount of the allowance for expected credit losses for loans in Stage 2 is equal to the lifetime expected credit losses.

Incorporation of forward-looking information

Desjardins Group uses three different scenarios to determine the allowance for expected credit losses, namely a base scenario, an upside scenario and a downside scenario. Projections for each scenario are provided for a four-year horizon. The macroeconomic variables projected under each scenario and the related probability of occurrence have a significant impact on determining significant increases in credit risk and measuring the allowance for credit losses for expected credit losses. The models vary depending on the portfolios and include one or several of the main variables presented in the table below. The macroeconomic variable projection and the determination of the probabilities of occurrence are reviewed quarterly.

The incorporation of forward-looking information may increase or decrease the allowance for expected credit losses. Generally, an improvement in the outlook will give rise to a decrease in the allowance, while a deterioration will result in an increase in the allowance.

NOTE 8 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

KEY DATA AND ASSUMPTIONS *(continued)*

Incorporation of forward-looking information *(continued)*

The macroeconomic scenarios developed for calculating the allowance for expected credit losses include the following value ranges over the projection horizon for the most significant variables for credit risk parameters:

	Base scenario		Upside scenario		Downside scenario	
As at December 31, 2023	**Next 12 months**	**Remaining forecast period**	**Next 12 months**	**Remaining forecast period**	**Next 12 months**	**Remaining forecast period**
Macroeconomic variables[1]						
Gross domestic product (annualized change)	**0.6 %**	**1.5 %**	**1.5 %**	**2.0 %**	**(2.0) %**	**1.1 %**
Unemployment rate (average)	**5.7 %**	**4.4 %**	**4.7 %**	**3.6 %**	**7.3 %**	**6.5 %**
Consumer Price Index (annualized change)	**2.1 %**	**2.0 %**	**2.7 %**	**2.0 %**	**1.2 %**	**1.8 %**
Housing prices (annualized change)	**1.0 %**	**3.4 %**	**5.7 %**	**3.8 %**	**(26.6) %**	**5.8 %**
Corporate credit spread[2] (average)	**177 bp**	**145 bp**	**125 bp**	**109 bp**	**274 bp**	**183 bp**
S&P/TSX stock index[2] (annualized change)	**3.9 %**	**5.8 %**	**22.6 %**	**7.1 %**	**(19.5) %**	**9.9 %**

	Base scenario		Upside scenario		Downside scenario	
As at December 31, 2022	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Macroeconomic variables[1]						
Gross domestic product (annualized change)	(0.5) %	1.8 %	1.6 %	2.1 %	(3.0) %	1.4 %
Unemployment rate (average)	5.1 %	4.5 %	4.0 %	3.2 %	7.3 %	7.3 %
Consumer Price Index (annualized change)	2.4 %	2.0 %	4.0 %	2.1 %	2.0 %	1.9 %
Housing prices (annualized change)	(8.6) %	2.1 %	(2.3) %	2.9 %	(27.6) %	4.1 %
Corporate credit spread[2] (average)	171 bp	123 bp	121 bp	95 bp	260 bp	161 bp
S&P/TSX stock index[2] (annualized change)	2.4 %	5.1 %	29.0 %	7.0 %	(16.2)%	6.7 %

(1) All macroeconomic variables relate to the Québec economy, unless otherwise noted.
(2) Macroeconomic variables related to the Canadian economy.

The base scenario forecasts that the slight recession that began in Québec in 2023 will continue in early 2024. The lagged effect of high interest rates continues to materialize, and quarterly decreases in real GDP are expected in several economies, including Canada and Québec. Under this scenario, the economic difficulties will lead to new increases in the unemployment rate, and the housing sector will remain affected. The Québec unemployment rate should increase to slightly over 5% and housing prices should decrease by approximately 2% during the first half of the year. This scenario forecasts that, if inflation continues to go down, the Bank of Canada could start lowering its policy interest rates in the second quarter of 2024. Overall, 6 25-basis-point decreases in Canadian policy interest rates are expected in 2024. Some additional decreases would follow in 2025. This will help accelerating economic growth. The unemployment rate should gradually converge to 4%, in the mid-term, in Québec.

In the downside scenario, economic growth would be more hardly affected by past interest rate increases. Inflation could go down faster in the short-term, which would make way for a faster interest rate reduction by central banks. In that scenario, the discount rate would end 2024 at 1.75% to help stimulating the economy. The unemployment rate would increase more significantly, possibly to over 8% in Québec. The downside scenario also assumes a more significant correction in average housing prices of approximately 20% compared to the previous peak.

NOTE 8 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

KEY DATA AND ASSUMPTIONS *(continued)*

Incorporation of forward-looking information *(continued)*

The upside scenario essentially assumes that the economy will be stronger than in the base scenario, helped by lower supply constraints and higher productivity. A quick end to the war in Ukraine would also be a favourable element. In this scenario, the unemployment rate could decrease to 3% in the coming years. Inflation would still be more persistent than under the base scenario. The return to the 2% inflation target would take more time and incite the Bank of Canada to reduce more gradually its policy interest rates in 2024 and 2025. The discount rate would be maintained at 3.25% in the years 2026-2028, which corresponds to the high end of the neutral rate range estimated by the Bank of Canada. Slightly higher interest rates under this scenario would contribute to limiting the rise in housing prices, which would still be a little stronger than under the base scenario.

The development of the economic outlook after December 31, 2023 will be considered in estimating the allowance for expected credit losses in future periods.

SENSITIVITY ANALYSIS OF THE ALLOWANCE FOR CREDIT LOSSES ON NON-CREDIT IMPAIRED LOANS

Scenarios

The amount of the allowance for expected credit losses depends on the probability of occurrence associated with each scenario. The following table compares the allowance for credit losses on non-credit impaired loans and off-balance sheet items at the reporting dates, which takes into account the probability weighting for the three scenarios, with the allowance for credit losses that would have been obtained if a weighting of 100% had been assigned to each scenario individually.

	Allowance for credit losses on non-credit impaired loans and off-balance sheet items	
	As at December 31, 2023	As at December 31, 2022
Under IFRS 9	**$ 778**	$ 777
Weighting of 100% assigned to the scenario:		
Base	**$ 649**	$ 653
Upside	**544**	523
Downside	**1,097**	1,122

Transfers between stages

The following table compares the allowance for credit losses on non-credit impaired loans and off-balance sheet items at the reporting dates with the allowance for credit losses that would have been obtained if all non-credit impaired loans had been included in Stage 1 of the impairment model.

	Allowance for credit losses on non-credit impaired loans and off-balance sheet items	
	As at December 31, 2023	As at December 31, 2022
Under IFRS 9	**$ 778**	$ 777
If all non-credit impaired loans and off-balance sheet items had been included in Stage 1	**$ 690**	$ 714

NOTE 9 – DERECOGNITION OF FINANCIAL ASSETS

FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

Loan securitization

As part of its liquidity and capital management strategy, Desjardins Group participates in the *National Housing Act* (NHA) Mortgage-Backed Securities Program. Under this program, Desjardins Group creates pools of residential mortgage loans insured by Canada Mortgage and Housing Corporation (CMHC) that back mortgage-backed securities. These mortgage-backed securities are issued under the *National Housing Act* (NHA MBSs) and give their holders a property right on the pools of loans backing them. Desjardins Group originates from time to time such securities and retains them as holder or transfers them from time to time to the Canada Housing Trust (CHT). The CHT funds these purchases by issuing Canada Mortgage Bonds (CMBs) to investors.

The terms and conditions of the program giving rise to the transfer of NHA MBSs to the CHT require that interest rate swaps be entered into by the CHT and Desjardins Group to allow the monthly receipt of all cash flows related to the mortgage loans underlying the NHA MBSs. Desjardins Group pays the CHT an amount corresponding to the interest payable to the holders of CMBs, the difference between these amounts being considered as excess interest margin. As part of these swaps, Desjardins Group must also create a separate account for reinvestment purposes (principal reinvestment account) for any principal payment received on mortgage loans in order to meet the obligations related to the repayment of CMBs at maturity.

However, in these transactions, Desjardins Group retains substantially all the risks, including prepayment and interest rate risks. These loans therefore continue to be recognized in the Combined Balance Sheets. Furthermore, Desjardins Group treats any transfers as collateralized financing transactions and recognizes a liability in that respect. Where applicable, this liability, which is equal to the consideration received for the sale of NHA MBSs that do not meet the derecognition criteria, is presented under “Deposits – Business and government” in the Combined Balance Sheets.

Securities lent or sold under repurchase agreements

As part of transactions involving securities lent or sold under repurchase agreements, Desjardins Group transfers financial assets under terms and conditions providing for their future repurchase. These financial assets remain recognized in the Combined Balance Sheets as Desjardins Group retains substantially all the risks and rewards related to these assets.

The following table presents the carrying amount and the fair value of financial assets transferred by Desjardins Group but not derecognized as well as the related liabilities recognized in the Combined Balance Sheets.

	As at December 31, 2023		As at December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets transferred but not derecognized				
Financial assets transferred through securitization transactions	**$ 14,440**	**$ 14,138**	$ 13,767	$ 13,293
Securities sold under repurchase agreements	**1,359**	**1,359**	3,294	3,294
Securities lent	**3**	**3**	1	1
	$ 15,802	**$ 15,500**	$ 17,062	$ 16,588
Related liabilities	**$ 15,239**	**$ 14,437**	$ 16,443	$ 15,330

NOTE 10 – SEGREGATED FUNDS

Segregated fund net assets

The following table presents the carrying amount of segregated fund net assets.

	As at December 31, 2023	As at December 31, 2022 Restated (Note 2)
Investments		
Bonds	**$ 1,352**	$ 1,176
Equity securities	**23,180**	19,966
Money market securities	**326**	232
Derivative financial instruments	**2**	—
Securities borrowed or purchased under reverse repurchase agreements	**3**	3
Other assets	**152**	190
Commitments related to securities lent or sold under repurchase agreements	**(13)**	(10)
Liability to holders of redeemable units in an underlying fund	**(148)**	(55)
Other liabilities	**(100)**	(146)
Total segregated fund net assets	**$ 24,754**	$ 21,356

Fair value of financial instruments

Segregated fund net assets include financial instruments recognized at fair value. Desjardins Group classifies these instruments using a three-level hierarchy that reflects the significance of the inputs used to measure them. A description of the three hierarchy levels and guidance on inputs used in fair value measurements are presented in Note 5, “Fair value of financial instruments”.

The carrying amount of certain financial instruments is a reasonable approximation of their fair value given their short-term maturity or their features. These financial instruments include the following items: “Securities borrowed or purchased under reverse repurchase agreements”, “Other assets”, “Commitments related to securities lent or sold under repurchase agreements”, "Liability to holders of redeemable units in an underlying fund" and “Other liabilities”.

The following tables present the financial instruments included in segregated fund net assets and recognized at fair value.

As at December 31, 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments				
Bonds	**$ 694**	**$ 658**	**$ —**	**$ 1,352**
Equity securities	**7,150**	**15,375**	**655**	**23,180**
Money market securities	**109**	**217**	**—**	**326**
Derivative financial instruments	**—**	**2**	**—**	**2**
Total financial instruments recognized at fair value	**$ 7,953**	**$ 16,252**	**$ 655**	**$ 24,860**

As at December 31, 2022 Restated (Note 2)	Level 1	Level 2	Level 3	Total
Investments				
Bonds	$ 539	$ 637	$ —	$ 1,176
Equity securities	6,569	12,799	598	19,966
Money market securities	103	129	—	232
Total financial instruments recognized at fair value	$ 7,211	$ 13,565	$ 598	$ 21,374

During the years ended December 31, 2023 and 2022, no material transfers attributable to changes in the observability of market data were made between levels of the hierarchy for instruments measured at fair value.

NOTE 10 – SEGREGATED FUNDS *(continued)*

Derecognition of financial assets

As part of transactions involving securities lent or sold under repurchase agreements, the segregated funds transfer financial assets under terms and conditions providing for their future repurchase. These assets remain recognized in the Combined Balance Sheets as the segregated funds retain substantially all the risks and rewards related to these assets.

As at December 31, 2023, the carrying amount of such transferred financial assets and related liabilities recognized in the Combined Balance Sheets was $13 million ($10 million as at December 31, 2022) and their fair value was the same.

Financial assets pledged and held as collateral

The carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities in the normal course of operations for the segregated funds amounted to $13 million as at December 31, 2023 ($10 million as at December 31, 2022). The fair value of the financial assets held as collateral that the segregated funds are permitted to sell or repledge in the absence of default totalled $3 million ($7 million as at December 31, 2022). No material financial assets held as collateral had been sold or repledged in 2023 and 2022. These financial assets were received as collateral in transactions involving securities borrowed or purchased under reverse repurchase agreements.

Financial instrument risks

Desjardins Group is not exposed to the risks related to financial instruments included in the assets held for segregated fund contract holders since such holders assume the risks and obtain the benefits arising from these financial instruments.

Segregated fund net liabilities – investment contracts

The following table presents the changes in segregated fund net liabilities – investment contracts.

	As at December 31, 2023	As at December 31, 2022 Restated (Note 2)
Balance at beginning – Segregated fund net liabilities - investment contracts	**$ 17,826**	$ 18,662
Additions		
Amounts received from contract holders	**3,786**	3,514
Net other investment income (loss)	**2,245**	—
Other	**13**	—
	6,044	3,514
Deductions		
Withdrawals and redemptions	**2,575**	2,382
Net investment losses	**—**	1,884
Management fees	**62**	53
Other	**—**	31
	2,637	4,350
Balance at end – Segregated fund net liabilities - investment contracts	**$ 21,233**	$ 17,826

NOTE 11 – LEASES

LEASES – AS LESSEE

The following table presents the carrying amount of right-of-use assets by class of underlying asset.

	As at December 31, 2023	As at December 31, 2022
Buildings	$ 469	$ 536
Other[1]	7	7
	$ 476	$ 543

(1) The "Other" category mainly comprises vehicles.

During fiscal 2023, Desjardins Group entered into leases that increased right-of-use assets by $110 million ($128 million in 2022).

The following table presents the depreciation of right-of-use assets by class of underlying asset.

	2023	2022
Buildings	$ 72	$ 71
Other[1]	2	3
	$ 74	$ 74

(1) The "Other" category mainly comprises vehicles.

The following table presents amounts recognized in the Combined Statements of Income for the years ended December 31.

	2023	2022
Interest expense on lease liabilities	$ 20	$ 19
Short-term leases	18	17
Variable lease payments not included in the measurement of the lease liability	58	51

LEASES – AS LESSOR

Operating leases

Lease income is presented in Note 12, "Property, plant and equipment and investment property", and includes mainly fixed lease payments.

For the years ended December 31, lease payments to be received under non-cancellable operating leases for premises are as follows:

	2023	2022
Under 1 year	$ 84	$ 88
1 to 2 years	70	75
Over 2 to 3 years	63	69
Over 3 to 4 years	45	51
Over 4 to 5 years	35	33
Over 5 years	224	244
Total future lease payments	$ 521	$ 560

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

The following tables present the changes in property, plant and equipment and investment property.

	PROPERTY, PLANT AND EQUIPMENT						INVESTMENT PROPERTY		
	Land	Buildings	Computer equipment	Furniture, fixtures and other	Leasehold improvements	Total	Land	Buildings	Total
Cost									
As at December 31, 2021	$ 108	$ 1,459	$ 524	$ 462	$ 689	$ 3,242	$ 238	$ 1,042	$ 1,280
Additions	—	44	143	26	51	264	—	48	48
Disposals	—	(14)	(44)	(24)	(26)	(108)	(2)	(25)	(27)
Other	(2)	(20)	5	5	—	(12)	—	—	—
As at December 31, 2022	$ 106	$ 1,469	$ 628	$ 469	$ 714	$ 3,386	$ 236	$ 1,065	$ 1,301
Additions	**—**	**51**	**80**	**24**	**33**	**188**	**—**	**72**	**72**
Disposals	**—**	**(7)**	**(74)**	**(73)**	**(29)**	**(183)**	**—**	**—**	**—**
Other	**(5)**	**(35)**	**3**	**(1)**	**1**	**(37)**	**2**	**13**	**15**
As at December 31, 2023	**$ 101**	**$ 1,478**	**$ 637**	**$ 419**	**$ 719**	**$ 3,354**	**$ 238**	**$ 1,150**	**$ 1,388**

	PROPERTY, PLANT AND EQUIPMENT						INVESTMENT PROPERTY		
	Land	Buildings	Computer equipment	Furniture, fixtures and other	Leasehold improvements	Total	Land	Buildings	Total
Accumulated depreciation									
As at December 31, 2021	$ —	$ 704	$ 314	$ 355	$ 338	$ 1,711	$ —	$ 354	$ 354
Depreciation	—	47	88	19	46	200	—	34	34
Disposals	—	(11)	(42)	(23)	(25)	(101)	—	(16)	(16)
Other	—	(12)	—	1	—	(11)	—	—	—
As at December 31, 2022	$ —	$ 728	$ 360	$ 352	$ 359	$ 1,799	$ —	$ 372	$ 372
Depreciation	**—**	**41**	**93**	**22**	**48**	**204**	**—**	**35**	**35**
Disposals	**—**	**(36)**	**(70)**	**(40)**	**(26)**	**(172)**	**—**	**—**	**—**
Other	**—**	**(24)**	**(4)**	**2**	**—**	**(26)**	**—**	**7**	**7**
As at December 31, 2023	**$ —**	**$ 709**	**$ 379**	**$ 336**	**$ 381**	**$ 1,805**	**$ —**	**$ 414**	**$ 414**

	PROPERTY, PLANT AND EQUIPMENT						INVESTMENT PROPERTY		
	Land	Buildings	Computer equipment	Furniture, fixtures and other	Leasehold improvements	Total	Land	Buildings	Total
Net carrying amount									
As at December 31, 2023	**$ 101**	**$ 769**	**$ 258**	**$ 83**	**$ 338**	**$ 1,549**	**$ 238**	**$ 736**	**$ 974**
As at December 31, 2022	$ 106	$ 741	$ 268	$ 117	$ 355	$ 1,587	$ 236	$ 693	$ 929

As at December 31, 2023, an amount of $24 million ($14 million as at December 31, 2022) included in the buildings balance represented costs related to buildings under construction. In addition, Desjardins Group had commitments amounting to $145 million ($95 million as at December 31, 2022) related to buildings.

As at December 31, 2023, the fair value of investment property was $1,935 million ($1,925 million as at December 31, 2022). Investment property is categorized within Level 3 of the fair value hierarchy as defined in Note 5, “Fair value of financial instruments”, as it is measured using techniques that are not primarily based on observable market inputs. The fair value of investment property is determined annually by management, mainly by using the work of independent real estate appraisers with recognized and relevant professional qualifications and any other significant information that may be deemed relevant. These appraisers use a range of valuation methods, including normalized net income direct discounting and cash flow discounting. These techniques, which are based on observable and unobservable inputs, involve estimating capitalization rates and adjusted net operating income, in the case of the normalized net income direct discounting method, and estimating discount and capitalization rates and applicable future cash flows, in the case of the cash flow discounting method.

For the year ended December 31, 2023, lease income from investment property amounted to $152 million ($143 million in 2022). Amounts recognized in profit or loss for operating expenses related to investment property that generated lease income during the year totalled $99 million ($99 million in 2022), while no amount has been recognized for those that did not generate lease income. These amounts are presented under “Net insurance investment income (loss)” and “Net other investment income (loss)” in the Combined Statements of Income.

NOTE 13 – GOODWILL AND INTANGIBLE ASSETS

GOODWILL

The following table presents goodwill allocated to groups of cash-generating units (CGU or groups of CGUs).

	Personal and Business Services segment	Property and Casualty Insurance segment	Wealth Management and Life and Health Insurance segment	Total
Cost				
As at December 31, 2021	$ 35	$ 100	$ 22	$ 157
Acquisitions / Additions	—	—	—	—
As at December 31, 2022	$ 35	$ 100	$ 22	$ 157
Acquisitions / Additions[1]	**—**	**—**	**408**	**408**
Disposals / Retirements	**(2)**	**—**	**—**	**(2)**
As at December 31, 2023	**$ 33**	**$ 100**	**$ 430**	**$ 563**

(1) For more information, refer to Note 22, “Significant transactions”.

Impairment test results show that the recoverable amount of the groups of CGUs represented by each of these segments exceeds its carrying amount and, consequently, no goodwill impairment losses have been recognized for the year ended December 31, 2023 and prior years. Desjardins Group believes that no reasonably possible change in any of the key assumptions used in the impairment tests would cause the carrying amount of these groups of CGUs to exceed their recoverable amount.

For the Wealth Management and Life and Health Insurance segment, the recoverable amount of the group of CGUs has been determined based on a calculation of fair value less costs of disposal. For some CGUs in the group of CGUs, fair value has been determined using cash flow projections based on the budget and financial plan approved by the Board of Directors and covering a five-year period. The key assumptions used in the budget and financial plan are based on past performance and management's expectations of the evolution of the market. The growth rate used to extrapolate cash flow projections beyond the five-year period ranged from 2% to 3.5%. In addition, the discount rates used to discount projected cash flows ranged from 8.8% to 12%. The discount rate used to calculate the present value of future cash flows considers the risks specific to the segment being measured. To determine the fair value of other CGUs in the group of CGUs, Desjardins Group applied price/earnings ratios and price/book value ratios. Observable inputs from comparable insurance companies, price/book value ratios ranging from 1.5x to 2x and a price/earnings ratio of 9.3x have been used to determine this value. Fair value calculations were also based on a multiple of assets under administration ranging from 1.0% to 3.7%, which resulted from recent transactions. Fair value measurements are categorized within Level 3 of the fair value hierarchy.

NOTE 13 – GOODWILL AND INTANGIBLE ASSETS *(continued)*

INTANGIBLE ASSETS

The following tables show changes in intangible assets.

	Software[1]	Distribution network[2]	Other	Total
Cost				
As at December 31, 2021	$ 928	$ 64	$ 34	$ 1,026
Acquisitions / Additions	299	1	1	301
Disposals / Retirements	(7)	—	(1)	(8)
Other	(7)	—	—	(7)
As at December 31, 2022	$ 1,213	$ 65	$ 34	$ 1,312
Acquisitions / Additions	**244**	**458**	**—**	**702**
Disposals / Retirements	**(65)**	**—**	**—**	**(65)**
Other	**3**	**(2)**	**—**	**1**
As at December 31, 2023	**$ 1,395**	**$ 521**	**$ 34**	**$ 1,950**

	Software[1]	Distribution network[2]	Other	Total
Accumulated amortization				
As at December 31, 2021	$ 520	$ 30	$ 8	$ 558
Amortization	98	2	—	100
Disposals / Retirements	(7)	—	—	(7)
Other	(2)	—	—	(2)
As at December 31, 2022	$ 609	$ 32	$ 8	$ 649
Amortization	**143**	**21**	**6**	**170**
Disposals / Retirements	**(56)**	**—**	**—**	**(56)**
Other	**1**	**—**	**—**	**1**
As at December 31, 2023	**$ 697**	**$ 53**	**$ 14**	**$ 764**

	Software[1]	Distribution network[2]	Other	Total
Net carrying amount				
As at December 31, 2023	**$ 698**	**$ 468**	**$ 20**	**$ 1,186**
As at December 31, 2022	$ 604	$ 33	$ 26	$ 663

(1) The "Software" category includes purchased software amounting to $457 million ($398 million in 2022) and internally developed software amounting to $241 million ($206 million in 2022).

(2) The "Distribution network" category mainly includes the amount related to the acquisition of insurance contract portfolios and a distribution network.

NOTE 14 – INTERESTS IN OTHER ENTITIES

SUBSIDIARIES

The following table presents the main subsidiaries included in the Group scope of Desjardins Group. These subsidiaries have been incorporated in Canada and their principal place of business is in this country. Unless otherwise noted, Desjardins Group (or the immediate parent company of an entity) owns 100% of the entity and 100% of the outstanding voting shares of each of the entities listed.

	Nature of operations
Desjardins Financial Holding Inc.	Holding company
Desjardins Financial Corporation Inc.	Holding company
Desjardins Global Asset Management Inc.	Asset management
Desjardins General Insurance Group Inc. (90%)	Property and casualty insurance
Property and casualty insurance subsidiaries[1]	Property and casualty insurance
Desjardins Financial Security Life Assurance Company	Life and health insurance and financial services
Desjardins Investments Inc.	Design, administration and distribution of insurance and savings products
Worldsource Group of Companies Inc.[2]	Independent insurance, mutual fund and securities distribution
Desjardins Trust Inc.	Asset custody and trust services
Desjardins Technology Group Inc.	Development and maintenance of Desjardins Group's technology
Desjardins Securities Inc.	Securities brokerage
9420-7404 Québec inc.	Real estate services

(1) Represents a group of six property and casualty insurance subsidiaries.

(2) For more information on this subsidiary, refer to Note 22, "Significant transactions".

Subsidiary that has material non-controlling interests

As at December 31, 2023 and 2022, Desjardins General Insurance Group Inc. is a subsidiary that has material non-controlling interests.

The following tables present summarized financial information about the subsidiary that has material non-controlling interests. This information is presented before eliminating intragroup accounts and transactions.

	As at December 31, 2023	As at December 31, 2022 Restated (Note 2)
Assets	**$ 13,454**	$ 12,810
Liabilities	**8,330**	7,883
Equity	**$ 5,124**	$ 4,927
Non-controlling interests	**$ 915**	$ 895

For the years ended December 31	**2023**	2022 Restated (Note 2)
Total net income	**$ 1,041**	$ 259
Net surplus earnings for the year after member dividends	**485**	(34)
Comprehensive income for the year	**534**	(75)
Share of net surplus earnings for the year after member dividends attributable to holders of non-controlling interests	**$ 71**	$ 18
Dividends / distributions paid to holders of non-controlling interests	**$ 56**	$ 80

For the years ended December 31	**2023**	2022
Cash flows from (used in) operating activities	**$ 920**	$ (409)
Cash flows from (used in) financing activities	**(192)**	(719)
Cash flows from (used in) investing activities	**(739)**	983
Net increase (decrease) in cash and cash equivalents	**$ (11)**	$ (145)

NOTE 14 – INTERESTS IN OTHER ENTITIES *(continued)*

CONSOLIDATED STRUCTURED ENTITY

Covered bonds

Under its covered bond program, Desjardins Group issues debt securities guaranteed by a pool of mortgage loans. CCDQ Covered Bond (Legislative) Guarantor Limited Partnership, a structured entity, is in place to guarantee principal and interest payments owing to the holders of the covered bonds issued by Desjardins Group. The operations of this entity are included in the Combined Financial Statements of Desjardins Group as this entity is controlled by Desjardins Group. Desjardins Group sold residential mortgage loans to this entity and granted it financing to facilitate the acquisition of these assets. The financing granted by Desjardins Group may reach a maximum amount equal to the outstanding loans held by this entity for purposes of guaranteeing the covered bonds issued. Under the terms and conditions of each of the issuance agreements, Desjardins Group has limited access to the assets that are legally owned by this structured entity. The assets, totalling $15,452 million as at December 31, 2023 ($13,216 million as at December 31, 2022), are presented under “Loans – Residential mortgages” in the Combined Balance Sheets, and the covered bonds, amounting to $12,922 million as at December 31, 2023 ($10,985 million as at December 31, 2022), are presented under “Deposits – Business and government”.

IMMATERIAL JOINT VENTURES AND ASSOCIATES

The following table presents the carrying amount as well as the share of net income and other comprehensive income of joint ventures and associates that are considered individually immaterial.

As at and for the years ended December 31	2023		2022	
	Joint ventures	Associates	Joint ventures	Associates
Carrying amount	**$ 1,241**	**$ 224**	$ 1,254	$ 203
Share of net income	**255**	**7**	57	5
Share of other comprehensive income	**3**	**—**	(5)	—

UNCONSOLIDATED STRUCTURED ENTITIES

Mutual funds

Desjardins Group holds interests in mutual fund units. Even though it holds, in certain cases, a significant exposure to or has the right to a significant share of variable returns as a result of the units it holds in these funds, these units do not give Desjardins Group power over the relevant activities of these funds. Accordingly, Desjardins Group does not control these funds, which are considered as unconsolidated structured entities.

The investments of these funds are made pursuant to a diversified investment policy, and the nature of the operations of these funds and their characteristics are comparable to those that are found under normal market terms for these types of funds. Desjardins Group’s maximum exposure to loss from its interests in these mutual funds is limited to the value of the investments in such funds.

NOTE 15 – OTHER ASSETS – OTHER

The following table presents the breakdown of “Other assets – Other”.

	As at December 31, 2023	As at December 31, 2022 Restated (Note 2)
Interest receivable	**$ 1,195**	$ 908
Accounts receivable	**927**	916
Prepaid expenses	**465**	388
Taxes receivable	**360**	799
Other	**421**	529
	$ 3,368	$ 3,540

NOTE 16 – DEPOSITS

Deposits consist of demand deposits (payable on demand), notice deposits (payable upon notice) and term deposits (payable on a fixed date). Demand deposits are interest-bearing or non-interest-bearing deposits, primarily accounts with chequing privileges, for which Desjardins Group does not have the right to require notice prior to withdrawal. Notice deposits are interest-bearing deposits, primarily savings accounts, for which Desjardins Group has the legal right to require notice prior to withdrawal. Term deposits are interest-bearing deposits, primarily fixed-term deposit accounts, guaranteed investment certificates or other similar instruments, with a term that generally varies from one day to 10 years and mature on a predetermined date.

The following table presents the breakdown of deposits.

	As at December 31, 2023				As at December 31, 2022			
	Payables on demand	**Payables upon notice**	**Payables on a fixed date**	**Total**	Payables on demand	Payables upon notice	Payables on a fixed date	Total
Individuals	**$ 65,675**	**$ 4,751**	**$ 81,093**	**$ 151,519**	$ 72,071	$ 5,495	$ 67,811	$ 145,377
Business and government	**51,259**	**281**	**75,679**	**127,219**	51,422	327	62,423	114,172
Deposit-taking institutions	**254**	**—**	**337**	**591**	193	—	94	287
	$ 117,188	**$ 5,032**	**$ 157,109**	**$ 279,329**	$ 123,686	$ 5,822	$ 130,328	$ 259,836

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS

COMPOSITION OF BALANCE SHEET BALANCES

Balance sheet summary

The following table presents the composition of insurance contract liabilities as well as reinsurance contract assets and liabilities.

	As at December 31, 2023			As at December 31, 2022		
	Life and health insurance activities	**Property and casualty insurance activities**	**Total**	Life and health insurance activities	Property and casualty insurance activities	Total
Insurance contract liabilities						
Insurance contract liabilities, excluding the asset for insurance acquisition cash flows[1]	**$ 25,817**	**$ 7,194**	**$ 33,011**	$ 23,233	$ 7,015	$ 30,248
Asset for insurance acquisition cash flows	**(50)**	**—**	**(50)**	(46)	—	(46)
	$ 25,767	**$ 7,194**	**$ 32,961**	$ 23,187	$ 7,015	$ 30,202
Reinsurance contract liabilities	**$ 38**	**$ —**	**$ 38**	$ 36	$ —	$ 36
Reinsurance contract assets	**$ 923**	**$ 753**	**$ 1,676**	$ 859	$ 763	$ 1,622

(1) The balance for life and health insurance includes an amount of $3,486 million ($3,458 million as at December 31, 2022) corresponding to the obligation to segregated fund holders and an amount of $602 million ($631 million as at December 31, 2022) related to segregated fund guarantees.

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Asset for insurance acquisition cash flows

The following table presents the changes in the asset for insurance acquisition cash flows during the years ended December 31.

	2023	2022
Net balance at beginning of year	**$ 46**	$ 42
Insurance acquisition cash flows incurred	**22**	20
Insurance acquisition cash flows transferred[1]	**(18)**	(16)
Net balance at end of year	**$ 50**	$ 46

(1) Insurance acquisition cash flows transferred are included under “Insurance acquisition cash outflows” in the cash flow section of the reconciliations of insurance contract liabilities.

The following tables present when the life and health insurance subsidiary expects to transfer the asset for insurance acquisition cash flows to include it in the measurement of the group of insurance contracts to which it relates.

	Timing						
As at December 31, 2023	**Under 1 year**	**1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 4 years**	**Over 4 to 5 years**	**Over 5 years**	**Total**
Asset for insurance acquisition cash flows	**$ 21**	**$ 11**	**$ 8**	**$ 5**	**$ 2**	**$ 3**	**$ 50**

	Timing						
As at December 31, 2022	Under 1 year	1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
Asset for insurance acquisition cash flows	$ 18	$ 10	$ 8	$ 5	$ 2	$ 3	$ 46

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Contracts initially recognized in the year – Life and health insurance activities

The following table presents the effect on issued insurance contract liabilities of the contracts other than those to which the premium allocation approach has been applied that were initially recognized in the years ended December 31.

	2023			2022		
	Profitable	**Onerous**	**Total**	Profitable	Onerous	Total
Estimates of the present value of future cash outflows						
Insurance acquisition cash flows	**$ 148**	**$ 79**	**$ 227**	$ 70	$ 96	$ 166
Claims, other insurance expenses and investment components	**617**	**1,319**	**1,936**	338	1,311	1,649
	$ 765	**$ 1,398**	**$ 2,163**	$ 408	$ 1,407	$ 1,815
Estimates of the present value of future cash inflows	**(845)**	**(1,404)**	**(2,249)**	(476)	(1,397)	(1,873)
Risk adjustment for non-financial risk	**24**	**35**	**59**	14	39	53
Contractual service margin	**56**	**—**	**56**	54	—	54
Increase in insurance contract liabilities resulting from onerous contracts	**$ —**	**$ 29**	**$ 29**	$ —	$ 49	$ 49

The following table presents the effect on reinsurance contract assets of the contracts other than those to which the premium allocation approach has been applied that were initially recognized in the years ended December 31.

	2023			2022		
	Net profit	**Net cost**	**Total**	Net profit	Net cost	Total
Estimates of the present value of future cash inflows	**$ 62**	**$ 64**	**$ 126**	$ 30	$ 68	$ 98
Estimates of the present value of future cash outflows	**(56)**	**(60)**	**(116)**	(27)	(65)	(92)
Risk adjustment for non-financial risk	**(6)**	**(8)**	**(14)**	(3)	(9)	(12)
Contractual service margin	**—**	**(2)**	**(2)**	—	(2)	(2)
(Increase) in reinsurance contract assets	**$ —**	**$ (6)**	**$ (6)**	$ —	$ (8)	$ (8)

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

INSURANCE AND REINSURANCE SERVICE RESULT

Insurance revenue

The following table presents the composition of insurance revenue recognized in the years ended December 31.

	2023			2022		
	Life and health insurance activities	Property and casualty insurance activities	Total	Life and health insurance activities	Property and casualty insurance activities	Total
Contracts other than those to which the premium allocation approach has been applied						
Amounts relating to the changes in the liability for remaining coverage						
Incurred claims and other expected insurance expenses	**$ 929**	**$ —**	**$ 929**	$ 843	$ —	$ 843
Change in the risk adjustment for non-financial risk for expired risks	**43**	**—**	**43**	40	—	40
Contractual service margin for services provided in the year	**222**	**—**	**222**	234	—	234
Recovery of insurance acquisition cash flows	**19**	**—**	**19**	8	—	8
	$ 1,213	**$ —**	**$ 1,213**	$ 1,125	$ —	$ 1,125
Contracts to which the premium allocation approach has been applied	**$ 2,620**	**$ 6,596**	**$ 9,216**	$ 2,420	$ 6,180	$ 8,600
Insurance revenue	**$ 3,833**	**$ 6,596**	**$ 10,429**	$ 3,545	$ 6,180	$ 9,725

Recognition in surplus earnings of the contractual service margin

The following tables present when the life and health insurance subsidiary expects to recognize in the Combined Statements of Income the remaining contractual service margin (CSM) at the reporting date.

	Timing							
As at December 31, 2023	**Under 1 year**	**1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 4 years**	**Over 4 to 5 years**	**Over 5 to 10 years**	**Over 10 years**	**Total**
Contractual service margin								
Insurance contracts	**$ 209**	**$ 194**	**$ 181**	**$ 168**	**$ 156**	**$ 621**	**$ 1,284**	**$ 2,813**
Reinsurance contracts	**(17)**	**(16)**	**(15)**	**(14)**	**(13)**	**(53)**	**(90)**	**(218)**

	Timing							
As at December 31, 2022	Under 1 year	1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 to 10 years	Over 10 years	Total
Contractual service margin								
Insurance contracts	$ 213	$ 198	$ 185	$ 172	$ 159	$ 635	$ 1,322	$ 2,884
Reinsurance contracts	(20)	(19)	(18)	(16)	(15)	(61)	(108)	(257)

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

INSURANCE FINANCE RESULT

Finance expenses and investment income

The following table presents insurance finance income (expenses) and the return on assets held in respect of insurance activities.

	2023			2022		
For the years ended December 31	**Life and health insurance activities**	**Property and casualty insurance activities**	**Total**	Life and health insurance activities	Property and casualty insurance activities	Total
Return on assets held in respect of insurance activities						
Net insurance investment income (loss)						
Insurance contracts	**$ 2,013**	**$ 560**	**$ 2,573**	$ (3,593)	$ (383)	$ (3,976)
For segregated fund holders	**398**	**—**	**398**	(395)	—	(395)
	$ 2,411	**$ 560**	**$ 2,971**	$ (3,988)	$ (383)	$ (4,371)
Net change in insurance investment gains and losses recognized in the Combined Statements of Comprehensive Income	**144**	**155**	**299**	(308)	(171)	(479)
	2,555	**715**	**3,270**	(4,296)	(554)	(4,850)
Net insurance and reinsurance finance income (expenses)						
Net insurance finance income (expenses)						
Capitalized interest	**(814)**	**(300)**	**(1,114)**	(155)	(130)	(285)
Effect related to changes in discount rates and other financial assumptions	**(675)**	**(43)**	**(718)**	3,583	355	3,938
Change in the fair value of underlying assets of insurance contracts with direct participation features:						
Insurance contracts	**(129)**	**—**	**(129)**	256	—	256
For segregated fund holders	**(398)**	**—**	**(398)**	395	—	395
Effect of financial risk mitigation	**41**	**—**	**41**	235	—	235
Other	**(65)**	**—**	**(65)**	55	—	55
	(2,040)	**(343)**	**(2,383)**	4,369	225	4,594
Net reinsurance finance income (expenses)						
Capitalized interest	**31**	**28**	**59**	15	11	26
Effect related to changes in discount rates and other financial assumptions	**45**	**3**	**48**	(190)	(36)	(226)
Other	**(4)**	**—**	**(4)**	(15)	—	(15)
	72	**31**	**103**	(190)	(25)	(215)
	$ (1,968)	**$ (312)**	**$ (2,280)**	$ 4,179	$ 200	$ 4,379
Total	**$ 587**	**$ 403**	**$ 990**	$ (117)	$ (354)	$ (471)
Composed of:						
Net insurance finance result in the Combined Statements of Income	**$ 443**	**$ 248**	**$ 691**	$ 191	$ (183)	$ 8
Net insurance finance result in the Combined Statements of Comprehensive Income	**144**	**155**	**299**	(308)	(171)	(479)

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Net insurance investment income (loss), excluding that for segregated fund holders

The following tables present the breakdown of insurance investment income (loss), excluding that for segregated fund holders, in accordance with the classification of financial assets and liabilities.

For the years ended December 31	2023			2022 Restated (Note 2)		
	Net interest and dividend income	Change in fair value and other	Total	Net interest and dividend income	Change in fair value and other	Total
Net insurance investment income (loss) on financial assets and liabilities						
Classified as at fair value through profit or loss	**$ 204**	**$ 217**	**$ 421**	$ 285	$ (971)	$ (686)
Designated as at fair value through profit or loss	**791**	**852**	**1,643**	585	(4,131)	(3,546)
Classified as at fair value through other comprehensive income	**244**	**(105)**	**139**	148	(69)	79
Designated as at fair value through other comprehensive income	**58**	**—**	**58**	—	—	—
At amortized cost and other	**52**	**260**	**312**	92	85	177
	$ 1,349	**$ 1,224**	**$ 2,573**	$ 1,110	$ (5,086)	$ (3,976)

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

RECONCILIATIONS OF INSURANCE CONTRACT ASSETS AND LIABILITIES

Reconciliations of insurance contract liabilities

The following tables present the reconciliation from the opening balance to the closing balance for the liability for remaining coverage and the liability for incurred claims.

Life and health insurance activities

	Remaining coverage		Incurred claims Contracts			
				To which the premium allocation approach has been applied		
As at December 31, 2023	Excluding the loss component	Loss component	Other than those to which the premium allocation approach has been applied	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Liability balance at beginning of year	$ 18,655	$ 94	$ 344	$ 4,032	$ 108	$ 23,233
Insurance revenue						
Contracts to which the fair value approach has been applied	(1,090)	—	—	—	—	(1,090)
Other contracts	(2,743)	—	—	—	—	(2,743)
	(3,833)	—	—	—	—	(3,833)
Insurance service expenses						
Incurred claims and other incurred insurance service expenses	—	(43)	904	1,931	(1)	2,791
Amortization of insurance acquisition cash flows	335	—	—	—	—	335
Changes related to incurred claims	—	—	—	9	(2)	7
Losses and reversals of losses on onerous contracts	—	74	—	—	—	74
	335	31	904	1,940	(3)	3,207
Insurance service result	(3,498)	31	904	1,940	(3)	(626)
Net insurance finance expenses (income)	1,786	3	13	230	8	2,040
Total items recognized in the Combined Statements of Income	$ (1,712)	$ 34	$ 917	$ 2,170	$ 5	$ 1,414
Investment components	(1,777)	—	700	1,077	—	—
Cash flows						
Premiums and other amounts received	6,341	—	—	—	—	6,341
Insurance acquisition cash outflows	(495)	—	—	—	—	(495)
Claims and other insurance service expenses paid (including investment components)	—	—	(1,623)	(3,045)	—	(4,668)
Total cash flows	$ 5,846	$ —	$ (1,623)	$ (3,045)	$ —	$ 1,178
Other changes	(18)	—	—	10	—	(8)
Liability balance at end of year	$ 20,994	$ 128	$ 338	$ 4,244	$ 113	$ 25,817

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of insurance contract liabilities *(continued)*

Life and health insurance activities *(continued)*

	Remaining coverage		Incurred claims Contracts			
				To which the premium allocation approach has been applied		
As at December 31, 2022	Excluding the loss component	Loss component	Other than those to which the premium allocation approach has been applied	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Liability balance at beginning of year	$ 22,162	$ 66	$ 342	$ 4,375	$ 161	$ 27,106
Insurance revenue						
Contracts to which the fair value approach has been applied	(1,104)	—	—	—	—	(1,104)
Other contracts	(2,441)	—	—	—	—	(2,441)
	(3,545)	—	—	—	—	(3,545)
Insurance service expenses						
Incurred claims and other incurred insurance service expenses	—	(46)	832	1,764	(7)	2,543
Amortization of insurance acquisition cash flows	310	—	—	—	—	310
Changes related to incurred claims	—	—	(2)	33	(28)	3
Losses and reversals of losses on onerous contracts	—	69	—	—	—	69
	310	23	830	1,797	(35)	2,925
Insurance service result	(3,235)	23	830	1,797	(35)	(620)
Net insurance finance expenses (income)	(4,049)	5	6	(313)	(18)	(4,369)
Total items recognized in the Combined Statements of Income	$ (7,284)	$ 28	$ 836	$ 1,484	$ (53)	$ (4,989)
Investment components	(1,621)	—	598	1,023	—	—
Cash flows						
Premiums and other amounts received	5,908	—	—	—	—	5,908
Insurance acquisition cash outflows	(507)	—	—	—	—	(507)
Claims and other insurance service expenses paid (including investment components)	—	—	(1,432)	(2,840)	—	(4,272)
Total cash flows	$ 5,401	$ —	$ (1,432)	$ (2,840)	$ —	$ 1,129
Other changes	(3)	—	—	(10)	—	(13)
Liability balance at end of year	$ 18,655	$ 94	$ 344	$ 4,032	$ 108	$ 23,233

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of insurance contract liabilities *(continued)*

Property and casualty insurance activities

	Remaining coverage		Incurred claims[1]		
As at December 31, 2023	**Excluding the loss component**	**Loss component**	**Estimates of the present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Liability balance at beginning of year	**$ 65**	**$ 278**	**$ 6,193**	**$ 479**	**$ 7,015**
Insurance revenue	**(6,596)**	**—**	**—**	**—**	**(6,596)**
Insurance service expenses					
Incurred claims and other incurred insurance service expenses	**—**	**(527)**	**4,966**	**146**	**4,585**
Amortization of insurance acquisition cash flows	**1,077**	**—**	**—**	**—**	**1,077**
Changes related to incurred claims[2]	**—**	**—**	**(265)**	**(143)**	**(408)**
Losses and reversals of losses on onerous contracts	**—**	**473**	**—**	**—**	**473**
	1,077	**(54)**	**4,701**	**3**	**5,727**
Insurance service result	**(5,519)**	**(54)**	**4,701**	**3**	**(869)**
Net insurance finance expenses (income)	**—**	**—**	**318**	**25**	**343**
Total items recognized in the Combined Statements of Income	**$ (5,519)**	**$ (54)**	**$ 5,019**	**$ 28**	**$ (526)**
Cash flows					
Premiums and other amounts received	**6,627**	**—**	**—**	**—**	**6,627**
Insurance acquisition cash outflows	**(1,061)**	**—**	**—**	**—**	**(1,061)**
Claims and other insurance service expenses paid (including investment components)	**—**	**—**	**(4,861)**	**—**	**(4,861)**
Total cash flows	**$ 5,566**	**$ —**	**$ (4,861)**	**$ —**	**$ 705**
Liability balance at end of year	**$ 112**	**$ 224**	**$ 6,351**	**$ 507**	**$ 7,194**

(1) Contracts assumed in the acquisition of the Canadian property and casualty insurance operations of State Farm are recognized and measured as liability for incurred claims.

(2) Represents changes related to claims incurred in prior years.

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of insurance contract liabilities *(continued)*

Property and casualty insurance activities *(continued)*

	Remaining coverage		Incurred claims[1]		
As at December 31, 2022	Excluding the loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Liability balance at beginning of year	$ 89	$ 62	$ 6,167	$ 465	$ 6,783
Insurance revenue	(6,180)	—	—	—	(6,180)
Insurance service expenses					
Incurred claims and other incurred insurance service expenses	—	(189)	4,691	149	4,651
Amortization of insurance acquisition cash flows	1,030	—	—	—	1,030
Changes related to incurred claims[2]	—	—	(280)	(119)	(399)
Losses and reversals of losses on onerous contracts	—	405	—	—	405
	1,030	216	4,411	30	5,687
Insurance service result	(5,150)	216	4,411	30	(493)
Net insurance finance expenses (income)	—	—	(209)	(16)	(225)
Total items recognized in the Combined Statements of Income	$ (5,150)	$ 216	$ 4,202	$ 14	$ (718)
Cash flows					
Premiums and other amounts received	6,198	—	—	—	6,198
Insurance acquisition cash outflows	(1,070)	—	—	—	(1,070)
Claims and other insurance service expenses paid (including investment components)	—	—	(4,176)	—	(4,176)
Total cash flows	$ 5,128	$ —	$ (4,176)	$ —	$ 952
Other changes	(2)	—	—	—	(2)
Liability balance at end of year	$ 65	$ 278	$ 6,193	$ 479	$ 7,015

(1) Contracts assumed in the acquisition of the Canadian property and casualty insurance operations of State Farm are recognized and measured as liability for incurred claims.

(2) Represents changes related to claims incurred in prior years.

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of insurance contract liabilities *(continued)*

The following tables present the reconciliation from the opening balance to the closing balance for the measurement components of the insurance contract liabilities for contracts to which the premium allocation approach has not been applied.

Life and health insurance activities

As at December 31, 2023	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Contracts to which the fair value approach has been applied	Other contracts	
Liability balance at beginning of year	$ 15,658	$ 720	$ 2,846	$ 38	$ 19,262
Changes that relate to current service					
Amount of the contractual service margin	—	—	(218)	(4)	(222)
Change in the risk adjustment for non-financial risk for expired risks	—	(42)	—	—	(42)
Experience adjustments	(27)	—	—	—	(27)
	(27)	(42)	(218)	(4)	(291)
Changes that relate to future service					
Changes in estimates that adjust the contractual service margin	(1)	(44)	45	—	—
Changes in estimates that result in losses or reversal of losses on onerous contracts	(18)	(2)	—	—	(20)
Contracts initially recognized in the year	(86)	59	—	56	29
	(105)	13	45	56	9
Insurance service result	(132)	(29)	(173)	52	(282)
Net insurance finance expenses (income)	1,676	77	47	3	1,803
Total items recognized in the Combined Statements of Income	$ 1,544	$ 48	$ (126)	$ 55	$ 1,521
Cash flows					
Premiums and other amounts received	2,645	—	—	—	2,645
Insurance acquisition cash outflows	(182)	—	—	—	(182)
Claims and other insurance service expenses paid (including investment components)	(1,623)	—	—	—	(1,623)
Total cash flows	$ 840	$ —	$ —	$ —	$ 840
Other changes	(8)	—	—	—	(8)
Liability balance at end of year	$ 18,034	$ 768	$ 2,720	$ 93	$ 21,615

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of insurance contract liabilities *(continued)*

Life and health insurance activities *(continued)*

As at December 31, 2022	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin: Contracts to which the fair value approach has been applied	Contractual service margin: Other contracts	Total
Liability balance at beginning of year	$ 19,002	$ 855	$ 2,895	$ —	$ 22,752
Changes that relate to current service					
Amount of the contractual service margin	—	—	(233)	(1)	(234)
Change in the risk adjustment for non-financial risk for expired risks	—	(40)	—	—	(40)
Experience adjustments	(19)	—	—	—	(19)
	(19)	(40)	(233)	(1)	(293)
Changes that relate to future service					
Changes in estimates that adjust the contractual service margin	(164)	20	160	(16)	—
Changes in estimates that result in losses or reversal of losses on onerous contracts	(3)	5	—	—	2
Contracts initially recognized in the year	(58)	53	—	54	49
	(225)	78	160	38	51
Changes that relate to past service					
Changes that relate to incurred claims	—	(2)	—	—	(2)
Insurance service result	(244)	36	(73)	37	(244)
Net insurance finance expenses (income)	(3,904)	(171)	37	1	(4,037)
Total items recognized in the Combined Statements of Income	$ (4,148)	$ (135)	$ (36)	$ 38	$ (4,281)
Cash flows					
Premiums and other amounts received	2,434	—	—	—	2,434
Insurance acquisition cash outflows	(198)	—	—	—	(198)
Claims and other insurance service expenses paid (including investment components)	(1,432)	—	—	—	(1,432)
Total cash flows	$ 804	$ —	$ —	$ —	$ 804
Other changes	—	—	(13)	—	(13)
Liability balance at end of year	$ 15,658	$ 720	$ 2,846	$ 38	$ 19,262

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of net reinsurance contract assets

The following tables present the reconciliation from the opening balance to the closing balance for the net asset for remaining coverage and the assets for amounts to be recovered on incurred claims.

Life and health insurance activities

	Remaining coverage		Incurred claims – Amounts to be recovered Contracts			
				To which the premium allocation approach has been applied		
As at December 31, 2023	**Excluding the loss-recovery component**	**Loss-recovery component**	**Other than those to which the premium allocation approach has been applied**	**Estimates of the present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Balance at beginning of year						
Asset	$ 610	$ 12	$ 19	$ 212	$ 6	$ 859
Liability	(38)	—	2	—	—	(36)
Net balance at beginning of year	$ 572	$ 12	$ 21	$ 212	$ 6	$ 823
Allocation of premiums paid	$ (263)	$ —	$ —	$ —	$ —	$ (263)
Amounts to be recovered from reinsurers						
Amounts for incurred claims and other incurred insurance service expenses	—	2	98	100	—	200
Changes related to incurred claims	—	—	—	(1)	—	(1)
Losses and (reversal of losses) on underlying onerous contracts	—	4	—	—	—	4
Impact of the change in the risk of non-performance by reinsurers	(2)	—	—	—	—	(2)
	(2)	6	98	99	—	201
Net reinsurance service income (expenses)	(265)	6	98	99	—	(62)
Net reinsurance finance income (expenses)	53	1	6	12	—	72
Total items recognized in the Combined Statements of Income	$ (212)	$ 7	$ 104	$ 111	$ —	$ 10
Investment components	(8)	—	8	—	—	—
Cash flows						
Premiums paid net of ceded commissions	246	—	—	—	—	246
Amounts recovered (including investment components)	—	—	(106)	(88)	—	(194)
Total cash flows	$ 246	$ —	$ (106)	$ (88)	$ —	$ 52
Net balance at end of year	$ 598	$ 19	$ 27	$ 235	$ 6	$ 885
Balance at end of year						
Asset	$ 637	$ 19	$ 26	$ 235	$ 6	$ 923
Liability	(39)	—	1	—	—	(38)
Net balance at end of year	$ 598	$ 19	$ 27	$ 235	$ 6	$ 885

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of net reinsurance contract assets *(continued)*

Life and health insurance activities *(continued)*

	Remaining coverage		Incurred claims – Amounts to be recovered Contracts			
				To which the premium allocation approach has been applied		
As at December 31, 2022	Excluding the loss-recovery component	Loss-recovery component	Other than those to which the premium allocation approach has been applied	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Balance at beginning of year						
Asset	$ 794	$ 2	$ 20	$ 209	$ 6	$ 1,031
Liability	(46)	—	1	—	—	(45)
Net balance at beginning of year	$ 748	$ 2	$ 21	$ 209	$ 6	$ 986
Allocation of premiums paid	$ (245)	$ —	$ —	$ —	$ —	$ (245)
Amounts to be recovered from reinsurers						
Amounts for incurred claims and other incurred insurance service expenses	—	—	89	99	2	190
Changes related to incurred claims	—	—	—	(2)	(2)	(4)
Losses and (reversal of losses) on underlying onerous contracts	—	10	—	—	—	10
Impact of the change in the risk of non-performance by reinsurers	5	—	—	—	—	5
	5	10	89	97	—	201
Net reinsurance service income (expenses)	(240)	10	89	97	—	(44)
Net reinsurance finance income (expenses)	(175)	—	—	(15)	—	(190)
Total items recognized in the Combined Statements of Income	$ (415)	$ 10	$ 89	$ 82	$ —	$ (234)
Investment components	(5)	—	5	—	—	—
Cash flows						
Premiums paid net of ceded commissions	244	—	—	—	—	244
Amounts recovered (including investment components)	—	—	(94)	(79)	—	(173)
Total cash flows	$ 244	$ —	$ (94)	$ (79)	$ —	$ 71
Net balance at end of year	$ 572	$ 12	$ 21	$ 212	$ 6	$ 823
Balance at end of year						
Asset	$ 610	$ 12	$ 19	$ 212	$ 6	$ 859
Liability	(38)	—	2	—	—	(36)
Net balance at end of year	$ 572	$ 12	$ 21	$ 212	$ 6	$ 823

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of net reinsurance contract assets *(continued)*

Property and casualty insurance activities

As at December 31, 2023	Remaining coverage – Excluding the loss-recovery component	Remaining coverage – Loss-recovery component	Incurred claims – Amounts to be recovered – Estimates of the present value of future cash flows	Incurred claims – Amounts to be recovered – Risk adjustment for non-financial risk	Total
Asset balance at beginning of year	**$ 78**	**$ 21**	**$ 618**	**$ 46**	**$ 763**
Allocation of premiums paid	**$ (306)**	**$ —**	**$ —**	**$ —**	**$ (306)**
Amounts to be recovered from reinsurers					
Amounts for incurred claims and other incurred insurance service expenses	**—**	**(53)**	**248**	**9**	**204**
Changes related to incurred claims[1]	**—**	**—**	**(7)**	**(13)**	**(20)**
Losses and (reversal of losses) on underlying onerous contracts	**—**	**55**	**—**	**—**	**55**
	—	**2**	**241**	**(4)**	**239**
Net reinsurance service income (expenses)	**(306)**	**2**	**241**	**(4)**	**(67)**
Net reinsurance finance income (expenses)	**—**	**—**	**29**	**2**	**31**
Total items recognized in the Combined Statements of Income	**$ (306)**	**$ 2**	**$ 270**	**$ (2)**	**$ (36)**
Cash flows					
Premiums paid net of ceded commissions	**335**	**—**	**—**	**—**	**335**
Amounts recovered	**—**	**—**	**(309)**	**—**	**(309)**
Total cash flows	**$ 335**	**$ —**	**$ (309)**	**$ —**	**$ 26**
Asset balance at end of year	**$ 107**	**$ 23**	**$ 579**	**$ 44**	**$ 753**

As at December 31, 2022	Remaining coverage – Excluding the loss-recovery component	Remaining coverage – Loss-recovery component	Incurred claims – Amounts to be recovered – Estimates of the present value of future cash flows	Incurred claims – Amounts to be recovered – Risk adjustment for non-financial risk	Total
Asset balance at beginning of year	$ 51	$ 1	$ 713	$ 52	$ 817
Allocation of premiums paid	$ (193)	$ —	$ —	$ —	$ (193)
Amounts to be recovered from reinsurers					
Amounts for incurred claims and other incurred insurance service expenses	—	(8)	176	8	176
Changes related to incurred claims[1]	—	—	(10)	(12)	(22)
Losses and (reversal of losses) on underlying onerous contracts	—	28	—	—	28
	—	20	166	(4)	182
Net reinsurance service income (expenses)	(193)	20	166	(4)	(11)
Net reinsurance finance income (expenses)	—	—	(23)	(2)	(25)
Total items recognized in the Combined Statements of Income	$ (193)	$ 20	$ 143	$ (6)	$ (36)
Cash flows					
Premiums paid net of ceded commissions	220	—	—	—	220
Amounts recovered	—	—	(238)	—	(238)
Total cash flows	$ 220	$ —	$ (238)	$ —	$ (18)
Asset balance at end of year	$ 78	$ 21	$ 618	$ 46	$ 763

[1] Represents changes related to claims incurred in prior years.

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of net reinsurance contract assets *(continued)*

The following tables present the reconciliation from the opening balance to the closing balance for the measurement components of the reinsurance contract assets for contracts to which the premium allocation approach has not been applied.

Life and health insurance activities

As at December 31, 2023	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin: Contracts to which the fair value approach has been applied	Contractual service margin: Other contracts	Total
Balance at beginning of year					
Asset	$ 304	$ 125	$ 256	$ 3	$ 688
Liability	(35)	3	(2)	—	(34)
Net balance at beginning of year	$ 269	$ 128	$ 254	$ 3	$ 654
Changes that relate to current service					
Amount of the contractual service margin	$ —	$ —	$ (20)	$ —	$ (20)
Change in the risk adjustment for non-financial risk for expired risks	—	(7)	—	—	(7)
Experience adjustments	(4)	—	—	—	(4)
	(4)	(7)	(20)	—	(31)
Changes that relate to future service					
Changes in estimates that adjust the contractual service margin	39	(13)	(19)	(7)	—
Changes in estimates that result in losses or reversal of losses on underlying onerous contracts	(3)	—	—	—	(3)
Contracts initially recognized in the year	(10)	14	—	2	6
	26	1	(19)	(5)	3
Impact of the change in the risk of non-performance from reinsurers	(2)	—	—	—	(2)
Net reinsurance service income (expenses)	20	(6)	(39)	(5)	(30)
Net reinsurance finance income (expenses)	39	15	5	—	59
Total items recognized in the Combined Statements of Income	$ 59	$ 9	$ (34)	$ (5)	$ 29
Cash flows					
Premiums paid net of ceded commissions	127	—	—	—	127
Amounts recovered (including investment components)	(105)	—	—	—	(105)
Total cash flows	$ 22	$ —	$ —	$ —	$ 22
Net balance at end of year	$ 350	$ 137	$ 220	$ (2)	$ 705
Balance at end of year					
Asset	$ 390	$ 134	$ 219	$ (1)	$ 742
Liability	(40)	3	1	(1)	(37)
Net balance at end of year	$ 350	$ 137	$ 220	$ (2)	$ 705

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reconciliations of net reinsurance contract assets *(continued)*

Life and health insurance activities *(continued)*

As at December 31, 2022	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin: Contracts to which the fair value approach has been applied	Contractual service margin: Other contracts	Total
Balance at beginning of year					
Asset	$ 553	$ 145	$ 165	$ —	$ 863
Liability	(48)	3	—	—	(45)
Net balance at beginning of year	$ 505	$ 148	$ 165	$ —	$ 818
Changes that relate to current service					
Amount of the contractual service margin	$ —	$ —	$ (24)	$ —	$ (24)
Change in the risk adjustment for non-financial risk for expired risks	—	(6)	—	—	(6)
Experience adjustments	(9)	—	—	—	(9)
	(9)	(6)	(24)	—	(39)
Changes that relate to future service					
Changes in estimates that adjust the contractual service margin	(117)	6	109	1	(1)
Changes in estimates that result in losses or reversal of losses on underlying onerous contracts	3	—	—	—	3
Contracts initially recognized in the year	(6)	12	—	2	8
	(120)	18	109	3	10
Impact of the change in the risk of non-performance by reinsurers	5	—	—	—	5
Net reinsurance service income (expenses)	(124)	12	85	3	(24)
Net reinsurance finance income (expenses)	(147)	(32)	4	—	(175)
Total items recognized in the Combined Statements of Income	$ (271)	$ (20)	$ 89	$ 3	$ (199)
Cash flows					
Premiums paid net of ceded commissions	128	—	—	—	128
Amounts recovered (including investment components)	(93)	—	—	—	(93)
Total cash flows	$ 35	$ —	$ —	$ —	$ 35
Net balance at end of year	$ 269	$ 128	$ 254	$ 3	$ 654
Balance at end of year					
Asset	$ 304	$ 125	$ 256	$ 3	$ 688
Liability	(35)	3	(2)	—	(34)
Net balance at end of year	$ 269	$ 128	$ 254	$ 3	$ 654

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

SIGNIFICANT JUDGMENTS, ASSUMPTIONS AND ESTIMATES

The measurement of insurance contract liabilities is based on estimates and assumptions. The main assumptions used are described in the following paragraphs.

Estimates of future cash flows – Life and health insurance activities

The assumptions used to determine the estimates of future cash flows are those that are the most likely in management's judgment. The model used considers that best estimate future cash flows give the same result as the probability-weighted mean of the full range of possible outcomes. Assumptions are determined from the perspective of the life and health insurance subsidiary based on situations existing at the reporting date.

The risks associated with the accuracy of the assumptions used to determine the estimates of future cash flows arise from the non-materialization of expected assumptions. The appointed actuary periodically carries out studies on the underwriting experience related to each assumption and modifies it, if appropriate, to take into account the current and future expected situation.

Mortality

The mortality assumptions are determined based on the result of annual studies and recent underwriting experience. When the results cannot serve as the sole source of reference due to their insufficient credibility, the mortality assumptions also take into account industry studies. The studies identify the factors applicable to the benchmark tables of the Canadian Institute of Actuaries (CIA), with tables ICA2014, GAC2012, CIP2014 and ICA 2004-2008 being the main tables used. Mortality assumptions vary based on gender, risk category, type of contract, insurance bands, age and end of term. For individual life insurance and annuity products, a future mortality improvement assumption is taken into account in accordance with the standards of the CIA.

For renewable term life insurance products, mortality considers a deterioration in its experience following the policy renewal. Selective lapse rates are therefore taken into consideration to modify mortality rates.

Morbidity

For morbidity assumptions, which relate to the occurrence of accidents and illnesses, the life and health insurance subsidiary uses industry-developed morbidity tables modified based on current data provided by its studies of its underwriting experience and those of the industry. These assumptions are mainly used for disability, critical illness and long-term care insurance products.

For disability and long-term care products, the assumption varies based on gender, risk category, type of contract, age and end of term. The life and health subsidiary uses assumptions to estimate the impact and the termination of the disability.

For critical illness, the assumption varies based on the illnesses covered, but also based on gender, age and end of term.

Contract cancellation rates

The life and health insurance subsidiary carries out an annual study of its underwriting experience with respect to individual insurance contract cancellation, as holders can cancel their contract before the expiry of their contractual coverage period by discontinuing premium payment without using the non-lapse options, if any. The contract cancellation rate assumptions are based on the recent underwriting experience of the life and health insurance subsidiary. These assumptions are adjusted on the basis of the industry's underwriting experience when the assumptions of the life and health insurance subsidiary are not sufficiently credible. The cancellation rate assumptions may vary based on the type of product, the duration of the contract, the age upon issuance and the premium payment method.

For lapse-supported products, such as term-to-100 life insurance and universal life insurance with level mortality costs, very low cancellation rates are used as a lower than expected experience could have an adverse impact on the life and health insurance subsidiary's underwriting experience. For lapse-sensitive products, such as renewable temporary insurance, the life and health subsidiary considers a significant increase in cancellation rate in certain periods to reflect the behaviour of insured persons observed after a significant premium increase or when certain contract options enable them to obtain benefits from cancelling the contract.

Expenses and taxes

The expense assumptions reflect the projected costs for managing and processing contracts in force, including indirect overhead expenses. The life and health insurance subsidiary carries out an annual study of expenses by major product family, and these expenses are projected using the expected rate of inflation and the expected development of blocks of business, when relevant.

Taxes reflect the assumptions relating to future premium taxes and taxes other than taxes on surplus earnings. The estimates of future cash flows do not take into account taxes on surplus earnings.

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Facts and circumstances indicating a group is onerous

Facts and circumstances indicating a group of insurance contracts is or becomes onerous are determined based on judgment and data analysis. Significant differences compared to budget, material changes in investments or pricing are indicators used by Desjardins Group.

Contract holder dividends

The estimates of future cash flows for life insurance contracts with participation features include estimated amounts representing future contract holder dividends. These estimated amounts are determined using the expected insurance results for this block of business, the expected returns on the underlying assets and the reasonable expectations of contract holders. Changes to the most likely assumptions would result in corresponding changes to contract holder dividends and an immaterial net change in the estimates for future cash flows related to individual life insurance contracts with participation features.

Estimates of future cash flows – Property and casualty insurance activities

Facts and circumstances indicating a group is onerous

For each portfolio and each geographic area, the facts and circumstances indicating that a group of insurance contracts is or becomes onerous are determined quantitatively and qualitatively. The quantitative analysis is based on estimated combined ratios, which represent the sum of the loss ratio and the other insurance service expense ratio. When these ratios exceed a predetermined threshold, this signals that there are facts and circumstances indicating that a group of insurance contracts might be onerous. Loss experience monitoring reports are also used to identify facts and circumstances when there are significant variances from budget. The qualitative analysis is based on the judgments made by the members of a committee coming from various sectors (pricing, actuarial services, finances) who meet quarterly to discuss observed trends.

Liability for remaining coverage

Expected claims are based on historical ratios by portfolio and geographic area, adjusted to reflect expected future conditions. Selecting adjustment factors for historical ratios is based on the items mentioned in the “Liability for incurred claims” below as well as other items also requiring judgment, such as considering catastrophes and seasonality. Some insurance service expenses that the property and casualty insurance subsidiaries will have to incur to settle claims are not included in expected claims. These costs are allocated between groups of insurance contracts based on the efforts required to settle claims.

Future premium receipts and expected other insurance service expenses, including insurance acquisition cash flows, if any, are also calculated by group of insurance contracts.

Liability for incurred claims

The liability for incurred claims includes the individual estimates of loss for each reported claim as well as a provision for claims incurred but not reported by the insured persons, for other insurance service expenses that will have to be incurred to settle those claims and for shortfalls in the estimates of losses for claims reported. The liability for incurred claims is estimated using appropriate actuarial techniques for loss prospective valuation in accordance with the CIA standards.

The main assumption underlying these methods is that past claims development can be used to project future claims development. An additional qualitative judgment is made to assess the extent by which past trends may not apply in the future and make the necessary adjustments or changes to adequately determine the liability for incurred claims that represents the probability-weighted mean of the possible outcomes for future claim payments. The assumptions used to develop this estimate are selected by risk category and geographic area. In addition, the estimates take into consideration various quantitative and qualitative factors, including the average settlement cost per claim, the average number of claims and claims severity and frequency trends, and other factors like inflation and changes in market factors, such as public behaviour towards claims and economic conditions, as well as internal factors, such as the composition of the portfolio of insurance contracts, the terms of those contracts and the claim handling procedures. A degree of judgment is also involved in assessing the extent to which external factors, such as court decisions and government legislation, can influence this estimate.

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Claims development

The following table provides information on the development of Desjardins Group's claims after risk mitigation using reinsurance contracts. It presents the estimated cash flows related to claims, including claims reported and claims incurred but not reported at the reporting date for each accident year.

	Accident years										
As at December 31, 2023	**2013 and prior**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
Estimates of cash flows related to claims												
At the end of the accident year		$ 1,447	$ 2,030	$ 2,242	$ 2,953	$ 3,512	$ 3,871	$ 3,444	$ 3,403	$ 4,503	$ 4,784	
1 year later		2,294	2,039	2,252	2,967	3,492	3,839	3,231	3,339	4,489		
2 years later		2,217	2,057	2,249	2,935	3,496	3,784	3,182	3,337			
3 years later		2,172	2,024	2,239	2,936	3,424	3,765	3,089				
4 years later		2,106	1,999	2,234	2,876	3,367	3,760					
5 years later		2,037	1,955	2,195	2,837	3,326						
6 years later		2,023	1,954	2,198	2,817							
7 years later		1,980	1,941	2,177								
8 years later		1,969	1,938									
9 years later		1,969										
Cumulative payments to date and net amounts payable	—	1,890	1,863	2,069	2,627	3,027	3,197	2,454	2,384	3,203	2,707	
Estimates of future cash flows related to outstanding claims	$ 211	$ 79	$ 75	$ 108	$ 190	$ 299	$ 563	$ 635	$ 953	$ 1,286	$ 2,077	$ 6,476
Net amounts payable												55
Adjustment to reflect the time value of money and risk adjustment for non-financial risk												(296)
Net liability for incurred claims												$ 6,235
of which:												
Insurance contract liabilities												$ 6,858
Reinsurance contract assets												623

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Adjustments to reflect the time value of money

The estimates of future cash flows have to be adjusted to reflect the time value of money and financial risks. The discount rates used to adjust future cash flows should be consistent with observable current market prices in active markets and reflect the characteristics of the cash flows of the insurance contract liabilities, in particular in terms of duration and liquidity. The discount rates used by the insurance subsidiaries for all their insurance contracts and reinsurance contracts held are determined using a top-down approach. Under that approach, the appropriate discount rates are determined based on a yield curve that reflects the expected returns of a reference portfolio of assets, adjusted to eliminate the factors that are not relevant to the insurance contract liabilities.

The insurance subsidiaries use various reference portfolios of assets for their various families of products. The reference portfolios of assets comprise a combination of government and corporate bonds consistent with the proportions held by the insurance subsidiaries. These assets have been selected to appropriately reflect the characteristics of the insurance contract liabilities. The yield curves have been adjusted to eliminate the factors that are not relevant to insurance contracts, such as credit risk. Adjustments are also made to reflect the differences between the liquidity characteristics of the insurance contract liabilities and those of the reference portfolio of assets.

Judgment is required in determining the yield curves to be used, as a result of the determination of the assets held in the reference portfolios, the risk-free rates, the adjustments for credit risk and the adjustments for liquidity. The life and health insurance subsidiary has determined that information observable on the market to establish yield curves are available for up to 30 years. Beyond that point, yield curves are established using a linear interpolation technique between the final observable point and the ultimate rate, which was set at 70 years.

For its insurance contracts with direct participation features, the life and health insurance subsidiary uses the same yield curves to discount all the cash flows of these contracts and uses stochastic modelling to take into account the variability of the cash flows that fluctuate based on the return of the underlying items.

The following tables present the yield curves used by the life and health insurance subsidiary for its various products based on their liquidity characteristics.

	Maturities						
As at December 31, 2023	**1 year**	**5 years**	**10 years**	**15 years**	**20 years**	**30 years**	**70 years Ultimate rate**
Yield curve used to discount estimates of future cash flows							
Least illiquid	**4.9%**	**3.4%**	**3.4%**	**3.5%**	**3.5%**	**3.2%**	**4.4%**
Most illiquid	**5.3%**	**4.3%**	**4.6%**	**4.8%**	**4.8%**	**4.7%**	**5.2%**

	Maturities						
As at December 31, 2022	1 year	5 years	10 years	15 years	20 years	30 years	70 years Ultimate rate
Yield curve used to discount estimates of future cash flows							
Least illiquid	5.0%	3.8%	3.8%	4.0%	4.0%	3.6%	4.4%
Most illiquid	5.3%	4.7%	4.9%	5.1%	5.2%	5.0%	5.2%

The following tables present the yield curves used by the property and casualty insurance subsidiaries.

	Maturities				
As at December 31, 2023	**1 year**	**3 years**	**5 years**	**10 years**	**15 years**
Yield curve to discount estimates of future cash flows					
Asset and liability for remaining coverage	**4.8%**	**3.8%**	**3.5%**	**3.7%**	**3.9%**
Asset and liability for incurred claims	**5.0%**	**4.3%**	**4.1%**	**4.6%**	**4.8%**

	Maturities				
As at December 31, 2022	1 year	3 years	5 years	10 years	15 years
Yield curve to discount estimates of future cash flows					
Asset and liability for remaining coverage	4.6%	4.0%	3.7%	3.9%	4.2%
Asset and liability for incurred claims	4.8%	4.5%	4.4%	4.8%	5.1%

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the insurance subsidiaries require for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risks when they fulfil insurance contracts. The risks to which the risk adjustment for non-financial risk relate are insurance risk and other non-financial risks, such as lapse risk and expenditure risk, which is the risk of an unexpected increase in administration expenses related to managing the contract. This adjustment also reflects the degree of risk aversion of the insurance subsidiaries and a benefit to reflect the degree of diversification the insurance subsidiaries consider when determining this compensation.

The risk adjustment for non-financial risk is determined at the consolidated level for each insurance subsidiary, net of reinsurance, and then allocated to each group of insurance contracts and each group of reinsurance contracts held based of their risk profile.

The risk adjustment for non-financial risk is discounted using the discount rates described in the “Adjustments to reflect the time value of money” section.

Life and health insurance activities

The risk adjustment for non-financial risk for life and health insurance contracts is determined using the quantile technique. This technique determines the risk adjustment for non-financial risk in such a way that the probability that the fulfilment cash flows are sufficient to meet the obligations relating to the fulfilment of insurance contracts is in an acceptable confidence interval for bearing the uncertainty. This approach requires the use of a model to generate a distribution of cash flow risks. The model used assumes that the uncertainty about future cash flows arising from insurance risks has a normal probability distribution and that the mean of the distribution represents to best estimate future cash flows. The overall solvency buffer calculated in accordance with regulatory capital requirements is used in the model as a point of reference for benchmarking the confidence level corresponding to the risk adjustment for non-financial risk. The intra-risk diversification and inter-risk diversification based on the risk characteristics associated with products are considered in applying the model. The life and health insurance subsidiary uses a confidence level of 81% (80% as at December 31, 2022).

Property and casualty insurance activities

The risk adjustment for non-financial risk is determined using the cost of capital method. Under this method, the development of the liability, the allocated capital and the cost of capital are individually projected by line of business. The capital allocated to lines of business to bear the risk corresponds to the aggregate of the operational target level of capital and the capital excluded from available capital by regulatory authorities. For a line of business, the risk adjustment for non-financial risk is calculated as the present value of the cost of capital of such line. The inter-line of business diversification and interinsurance risk diversification for the property and casualty insurance subsidiaries is considered in applying the cost of capital method. It is estimated that the result of the cost of capital method is equivalent to a confidence level of 90% (90% as at December 31, 2022) for all insurance contracts and reinsurance contracts held.

Contractual service margin

At the end of each period, the life and health insurance subsidiary recognizes in the Combined Statements of Income an amount of the CSM based on coverage units allocated to services provided. To determine this amount, the CSM at the reporting date is allocated equally to each remaining coverage unit.

Management has to make judgments to determine the appropriate coverage units that adequately reflect the quantity of insurance contract services provided over the insurance contract coverage period. The quantity of insurance contract services should consider the services arising from the insurance coverage as well as any investment-return services for insurance contracts without direct participation features and any investment-related services for insurance contracts with direct participation features. To determine the quantity of insurance contract services for the insurance coverage, the life and health insurance subsidiary uses the amount it expects the contract holder could claim if an insured event occurs.

The quantity of insurance contract services is determined based on:
- insured capital for individual insurance contracts;
- annuity payments for annuity contracts;
- guaranteed amounts for segregated fund contracts.

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

For investment-return services and investment-related services, the value of the holders' funds is used to determine the quantity of services provided.

The coverage period of an insurance contract is defined as the period in which services are provided to the insurance contract holder. The life and health insurance subsidiary considers the likelihood of occurrence of events only to the extent that they affect the expected coverage duration for the contracts. The coverage period is determined based on the expiration date of the contract adjusted for the likelihood of survival of a contract.

The life and health insurance subsidiary recognizes the CSM of reinsurance contracts held related to its individual insurance contracts in the Combined Statements of Income as services are received from the reinsurer. The quantity of services received is determined based on the insured capital of the insurance contracts ceded to the reinsurer and the duration of the reinsurance contract. The coverage units for proportional reinsurance contracts are based on the insurance coverage provided by the reinsurer. The life and health insurance subsidiary determines the quantity of services received using the nominal value of the insurance contracts ceded. The coverage period of these contracts is determined based on the coverage period of the underlying insurance contracts whose cash flows are within the boundary of the reinsurance contracts held.

RISK MANAGEMENT

Insurance risk

Insurance risk refers to the risk that events may turn out differently from the assumptions used when designing, pricing or measuring insurance product liabilities, and that profitability of these products may be affected.

The life and health insurance subsidiary is exposed to insurance risk through the products it sells. Depending on the insurance product, this subsidiary may be exposed to mortality risk, morbidity risk and lapse risk. All products sold expose this subsidiary to expenditure risk.

The property and casualty insurance subsidiaries underwrite automobile, home and commercial property insurance contracts to individuals and businesses. In the normal course of their operations, these subsidiaries are exposed to insurance risk, which includes several components: underwriting risk, catastrophe risk and reserve risk.

To manage insurance risk, the insurance subsidiaries apply stringent policies and criteria with respect to product and service development and pricing, and regularly carry out analyses to compare forecasts with actual results and revise pricing assumptions if needed.

In addition, for the life and health insurance subsidiary, certain products allow for price adjustments depending on whether assumptions materialize or not, which enables better risk control.

Furthermore, for property and casualty insurance subsidiaries, insurance risk is also managed through various aspects, including by actively and rigorously managing risk segmentation (through underwriting and pricing) and claims. With respect to catastrophes, the property and casualty insurance subsidiaries have established a governance structure to monitor the various risks caused by such events and use sophisticated tools to simulate the related financial losses and operational impact. Given the unpredictable nature of large-scale catastrophic events, the property and casualty insurance subsidiaries have a catastrophe reinsurance treaty, which is reviewed at least annually.

Use of reinsurance

In order to limit their losses, the life and health insurance and property and casualty insurance subsidiaries enter into reinsurance contracts for contracts with coverage in excess of certain maximum amounts that vary based on the nature of the activities. This reinsurance structure takes into account their respective risk profile and appetite. In addition, the property and casualty insurance subsidiaries purchase additional reinsurance protection with respect to large-scale catastrophic events. The retention and limit amounts selected for the property and casualty insurance subsidiaries' catastrophe treaty are subject to a detailed annual review based on these subsidiaries' various catastrophe models and the positioning of their competitors in the industry.

In connection with the acquisition of the Canadian businesses of State Farm, the property and casualty insurance subsidiaries signed a share reinsurance treaty under which, over a five-year period, all premiums and claims from new business and renewals to the acquired businesses occurring after the acquisitions are ceded using percentages decreasing from 90% for the 2015 accident year to 10% for the 2019 accident year. The development of these claims continues to be ceded based on the ceded percentage at the time the claim occurred until the final settlement of the claim. Pursuant to the terms and conditions of the reinsurance treaty, amounts payable and receivable under the treaty will be settled on a net basis.

In order to reduce reinsurance risk, the insurance subsidiaries do business with many reinsurers that meet financial strength criteria, most of which are governed by the same regulatory authorities as the subsidiaries. In addition, the solvency of the companies to which they cede a portion of their risks is periodically examined. As at December 31, 2023 and 2022, all reinsurers assessed by rating agencies had a rating of at least A-. As at December 31, 2023 and 2022, the maximum exposure to credit risk arising from reinsurance contracts approximated the carrying amount of reinsurance contract assets appearing on the Combined Balance Sheets.

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

The reinsurance contracts do not release these subsidiaries from their obligations toward their policyholders, but they mitigate the risks to which they are exposed. Under the share reinsurance treaty signed with State Farm on the acquisition, State Farm must hold investments in trust so that it can fulfill its reinsurance obligations.

Sensitivity of insurance contract liabilities to changes in assumptions – Life and health insurance activities

The following tables present, for the years ended December 31, the impact on the CSM, net surplus earnings for the year after member dividends and equity of the sensitivity of the life and health insurance contract liabilities to changes in best estimate underlying non-economic assumptions having an overall adverse impact.

	2023			
	CSM		Net surplus earnings and equity	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
2% increase in future mortality rates for insurance products	**$ (99)**	**$ (65)**	**$ 8**	**$ 4**
2% decrease in future mortality rates for annuity products	**(32)**	**(32)**	**(8)**	**(8)**
5% increase in future morbidity rates	**(71)**	**(45)**	**(29)**	**(30)**
10% adverse change in future contract cancellation rates	**(184)**	**(186)**	**28**	**27**
5% increase in future insurance service expenses	**(43)**	**(43)**	**(3)**	**(3)**

	2022			
	CSM		Net surplus earnings and equity	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
2% increase in future mortality rates for insurance products	$ (101)	$ (68)	$ 11	$ 7
2% decrease in future mortality rates for annuity products	(32)	(32)	(1)	(1)
5% increase in future morbidity rates	(72)	(44)	(29)	(31)
10% adverse change in future contract cancellation rates	(190)	(191)	34	34
5% increase in future insurance service expenses	(45)	(45)	(2)	(2)

Sensitivity of insurance contract liabilities to changes in assumptions – Property and casualty insurance activities

The following tables present, for the years ended December 31, the impact on net surplus earnings for the year after member dividends and equity of the sensitivity of the property and casualty insurance contract liabilities to changes in certain key assumptions.

		Impact on			
		Net surplus earnings after member dividends		Equity	
2023	**Changes in assumptions**	**Gross of reinsurance**	**Net of reinsurance**	**Gross of reinsurance**	**Net of reinsurance**
Future cash flows related to outstanding claims	**+5%**	**$ (252)**	**$ (231)**	**$ (252)**	**$ (231)**
Remaining coverage – Future cash flows related to expected claims	**+5%**	**(63)**	**(58)**	**(63)**	**(58)**

		Impact on			
		Net surplus earnings after member dividends		Equity	
2022	Changes in assumptions	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Future cash flows related to outstanding claims	+5%	$ (245)	$ (224)	$ (245)	$ (224)
Remaining coverage – Future cash flows related to expected claims	-5%	(85)	(80)	(85)	(80)

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Interest rate risk

The insurance subsidiaries are exposed to interest rate risk, which represents the potential impact of interest rate fluctuations on the Combined Statements of Income and equity. This risk arises from the net insurance and reinsurance contract liabilities of these subsidiaries and the portfolios of fixed-income assets they hold. The interest rate risk to which the insurance subsidiaries are exposed is mainly explained by fluctuations in the risk-free rate and gaps in asset-liability matching. Sound and prudent management is applied to minimize the negative impact of interest rate movements.

The interest rate risk management policy describes the techniques used to measure interest rate risk, the tolerated limits and the monitoring procedures to use in managing this risk. The policy sets out, in particular, the limit of the impact on surplus earnings of a change in interest rates. Management is responsible for applying the policy and ensures that there are practices in place to administer and monitor interest rate risk. If needed, it may apply rebalancing techniques to correct of improve the matching status.

In addition, a hedging program was implemented by the life and health insurance subsidiary to minimize the impact of interest rate fluctuations on guarantees under segregated fund contracts and minimum interest rate guarantees offered for some universal life insurance contracts.

As the life and health insurance subsidiary manages interest risk by examining insurance contracts in conjunction with financial assets held in respect of insurance activities, it analyzes and discloses its sensitivities on net basis.

The following table presents the impact of a change in interest rates on net insurance and reinsurance contract liabilities and financial assets held in respect of the insurance activities of the life and health subsidiary.

	As at December 31, 2023			As at December 31, 2022		
	CSM	**Net surplus earnings after member dividends**	**Equity**	CSM	Net surplus earnings after member dividends	Equity
Impact of a 1% increase in interest rates	**$ 29**	**$ (2)**	**$ (37)**	$ 7	$ 123	$ 12
Impact of a 1% decrease in interest rates	**(48)**	**(7)**	**30**	(28)	(156)	(26)

For the financial instruments of the life and health insurance subsidiary that are not held in respect of insurance activities, a 1% increase in interest rates would have an unfavourable impact of $1 million on net surplus earnings as at December 31, 2023 (unfavourable impact of $14 million as at December 31, 2022) as well as an unfavourable impact of $13 million on equity as at December 31, 2023 (unfavourable impact of $14 million as at December 31, 2022), while a 1% decrease in interest rates would have no impact on net surplus earnings as at December 31, 2023 (favourable impact of $13 million as at December 31, 2022) as well as a favourable impact of $12 million on equity as at December 31, 2023 (favourable impact of $13 million as at December 31, 2022).

The following table presents the impact of a change in interest rates on net insurance and reinsurance contract liabilities and financial assets held in respect of insurance activities of the property and casualty insurance subsidiaries.

	As at December 31, 2023		As at December 31, 2022	
	Net surplus earnings after member dividends	**Equity**	Net surplus earnings after member dividends	Equity
Impact of a 1% increase in interest rates				
Net insurance and reinsurance contract liabilities	**$ 138**	**$ 138**	$ 132	$ 132
Financial assets held in respect of insurance activities	**(114)**	**(196)**	(127)	(196)
Impact of a 1% decrease in interest rates				
Net insurance and reinsurance contract liabilities	**(147)**	**(147)**	(141)	(141)
Financial assets held in respect of insurance activities	**121**	**210**	135	210

As at December 31, 2023 and 2022, the financial instruments of the property and casualty insurance subsidiaries were all held in respect of insurance activities.

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Price risk

Price risk is the risk of potential loss resulting from a change in the fair value of assets that is not resulting from a change in interest or foreign exchange rates or in the credit quality of the counterparty.

The insurance subsidiaries are directly exposed to price risk through the investment portfolios they own, which include equity securities and derivative financial instruments. The life and health insurance subsidiary is also exposed through its insurance activities as the value of the liabilities for individual segregated fund insurance contracts and the liabilities for life insurance contracts with participation features is affected by market fluctuations.

This risk is managed through policies that define exposure limits for each type of investment as well as limits by issuer and diversification limits such as geographic limits. These limits are monitored by compliance officers under the supervision of the governance committee.

The risk arising from changes in the fair value of underlying elements, which affect the value of the liabilities for individual segregated fund insurance contracts and the liabilities for life insurance contracts with participation features of the life and health insurance subsidiary, is fully offset by changes in the fair value of the assets held, as this subsidiary's policy is to hold these specific investments.

For the risks related to minimum guarantees offered under individual segregated fund contracts, the life and health insurance subsidiary implemented a hedging program to minimize the impact of changes in markets on net surplus earnings after member dividends and the CSM.

As the life and health insurance subsidiary manages price risk by examining insurance contracts in conjunction with financial assets held in respect of insurance activities, it analyzes and discloses its sensitivities on net basis.

The following tables present the estimated impact of a change in stock markets and other markets on the CSM, net surplus earnings after member dividends and equity. This analysis assumes that all other assumptions remain unchanged.

Sensitivity – Life and health insurance activities – Market risks: Price risk

	As at December 31, 2023			As at December 31, 2022		
	CSM	Net surplus earnings after member dividends	Equity	CSM	Net surplus earnings after member dividends	Equity
Stock markets						
Impact of a 15% increase	**$ 10**	**$ 43**	**$ 162**	$ 8	$ 51	$ 143
Impact of a 15% decrease	**(33)**	**(43)**	**(162)**	(29)	(51)	(143)
Other markets						
Impact of a 10% increase	**(4)**	**76**	**76**	—	78	78
Impact of a 10% decrease	**4**	**(76)**	**(76)**	—	(78)	(78)

Sensitivity – Property and casualty insurance activities – Market risks: Price risk

	As at December 31, 2023		As at December 31, 2022	
	Net surplus earnings after member dividends	Equity	Net surplus earnings after member dividends	Equity
Impact of a 15% increase	**$ 215**	**$ 215**	$ 194	$ 194
Impact of a 15% decrease	**(215)**	**(215)**	(194)	(194)

NOTE 17 – INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Liquidity risk

The life and health insurance subsidiary manages liquidity risk in order to ensure that they have timely and cost-effective access to the funds needed to meet its financial obligations as they become due, in both routine and crisis situations. For this subsidiary, managing this risk involves maintaining a sufficient level of liquid securities, monitoring indicators and adopting a contingency plan to implement in the event of a liquidity crisis.

For the property and casualty insurance subsidiaries, managing this risk involves maintaining a sufficient level of liquid securities and spreading the collection of insurance premiums throughout the year, which generally supports a large portion of the cash outflows associated with claims and other expenses.

The liquidity risk management policy describes the principles and mechanisms that apply to liquidity risk management. The life and health insurance and property and casualty insurance subsidiaries have to, among other things, measure, monitor and control the main liquidity indicators that apply to them. This responsibility involves quarterly liquidity monitoring to identify a potential or actual lack of liquidity within the insurance subsidiaries.

The following table presents an analysis of future cash flows by estimated timing. The liability for remaining coverage for insurance contracts to which the premium allocation approach has been applied is excluded from this analysis.

	As at December 31, 2023			As at December 31, 2022		
	Insurance contracts	**Reinsurance contracts**	**Total**	Insurance contracts	Reinsurance contracts	Total
Under 1 year	**$ 2,462**	**$ 10**	**$ 2,472**	$ 2,328	$ 6	$ 2,334
1 to 2 years	**1,532**	**12**	**1,544**	1,430	9	1,439
Over 2 to 3 years	**1,368**	**14**	**1,382**	1,243	10	1,253
Over 3 to 4 years	**1,175**	**15**	**1,190**	1,065	12	1,077
Over 4 to 5 years	**1,023**	**18**	**1,041**	925	13	938
Over 5 years	**45,248**	**1,732**	**46,980**	40,767	1,531	42,298
Total	**$ 52,808**	**$ 1,801**	**$ 54,609**	$ 47,758	$ 1,581	$ 49,339

The following table presents the amounts that may be demanded by contract holders without notice and the carrying amount of the related portfolios.

	As at December 31, 2023		As at December 31, 2022	
	Amounts repayable on demand	**Carrying amount**	Amounts repayable on demand	Carrying amount
Insurance and reinsurance contract liabilities				
Life and health insurance activities	**$ 5,233**	**$ 14,758**	$ 5,102	$ 13,691
Total	**$ 5,233**	**$ 14,758**	$ 5,102	$ 13,691

Amounts repayable on demand include amounts in deposits, surrender values and values of the contract holders' account for universal life insurance funds, less redemption fees applicable at the reporting date. The net liabilities for segregated fund insurance contracts was excluded from this table as the repayable amount on demand is equal to its carrying amount.

NOTE 18 – EMPLOYEE BENEFITS – PENSION AND POST-RETIREMENT BENEFIT PLANS

CHARACTERISTICS OF THE DEFINED BENEFIT PLANS

Group pension plans

Group pension plans are plans whose risks are shared by entities under common control. Desjardins Group offers a majority of its employees group pension plans and group supplemental pension plans, which provide pension benefits in excess of statutory limits. The main group pension plan offered, the Desjardins Group Pension Plan (DGPP), is a funded defined benefit group plan. Participants and employers share the risks and costs related to the DGPP, including any deficit, on a prorata basis of 35% and 65%, respectively.

For the DGPP, benefits are determined on the basis of the number of years of membership and take into consideration the average salary of the employee's five most highly paid years, for years of service accumulated before 2013, and the eight most highly paid years, for years of service accumulated subsequently. Benefits are indexed annually using the consumer price index, up to a maximum of 3% for years of service accumulated before 2013 and 1% for a period of 10 years starting at age 65 for years of service accumulated subsequently.

The DGPP is governed by the *Supplemental Pension Plans Act* (SPPA). The SPPA requires that a retirement committee that assumes the role of administrator and trustee for the plan be formed. The Federation, through its Board of Directors, assumes the responsibilities of the DGPP's sponsor and ensures that the plan is well administered in accordance with the laws and regulations in effect. In addition, the Federation guarantees the obligations resulting from the participation in the plan of all the Desjardins Group employers. The Federation's Board of Directors, acting as the representative for all Desjardins Group employers, is the only governing body with the authority to amend or terminate the plan.

Group post-retirement benefit plan

For employees meeting certain criteria based on age and the number of years of participation in the plan, Desjardins Group also offers a post-retirement benefit plan that provides medical, dental and life insurance to retiring employees and their dependents through an unfunded defined benefit group plan.

Other plans

The other defined benefit plans offered are pension plans as well as another post-retirement benefit plan that provides medical, dental and life insurance plans whose risks are not shared by entities under common control.

Pension and post-retirement benefit plan risks

Defined benefit pension plans are plans for which Desjardins Group has formally committed to a level of benefits and therefore assumes actuarial and, when the plans are funded, investment risks. Since the terms of the pension plans are such that changes in salary levels will have an impact on the amount of future benefits, the cost of the benefits and the value of the defined benefit plan obligation are generally actuarially determined using various assumptions. Although management believes that the assumptions used in the actuarial valuation process are reasonable, there remains a degree of risk and uncertainty that may cause future actual results to materially differ from these assumptions, which could give rise to actuarial gains or losses.

Actuarial calculations are made based on management's best estimate assumptions primarily concerning the plan obligation discount rate, and also, but to a lesser extent, salary increases, the retirement age of employees, the mortality rate, the rate of increase in pension benefits and the members' future contributions that will be used to make up the deficit. The participants' estimated discounted contributions required to make up the deficit decrease the defined benefit plan obligation. A complete actuarial valuation is performed each year by a qualified actuary. The discount rates used have been determined by reference to the rates of high quality corporate bonds whose terms are consistent with those of the plans' cash flows.

The terms of the post-retirement benefit plans are such that changes in salary levels or healthcare costs will have an impact on the amount of future benefits. The cost of these benefits is accrued over a portion of the service lives of employees using accounting policies comparable to those used for defined benefit pension plans.

NOTE 18 – EMPLOYEE BENEFITS – PENSION AND POST-RETIREMENT BENEFIT PLANS *(continued)*

CHARACTERISTICS OF THE DEFINED BENEFIT PLANS *(continued)*

Risk management

To properly manage the DGPP's risks, the retirement Committee adopted a risk management policy to formalize the framework within which the DGPP's risks are managed and clarify the roles and responsibilities of the parties involved. In addition, delegated to its Investment Management Committee (“IMC”) certain powers and responsibilities. The content and accuracy of the risk register is reviewed at least once a year and presented to the IMC and the Retirement Committee, which make comments on them where applicable. The indicators included in the DGPP's risk register are subject to an ongoing oversight and quarterly disclosure through the risk management dashboard, which enables the IMC and the Retirement Committee to ensure that risks are effectively managed and controlled.

The IMC is also responsible for reviewing the investment policy and recommending any changes to it to the Retirement Committee, as well as for adopting any specific investment frameworks. It ensures that such frameworks, including the investment policy, are complied with. Each year, the IMC recommends the asset allocation strategy, adopts the corresponding investment plan and monitors it. It also analyzes investment opportunities presented to it and the related risks. The asset allocation strategy is developed based on strategic indicators representing risk factors, including interest rate risk. A risk factor-based allocation enables complying with risk tolerance in the short term, ensuring adequate risk taking considering the target return and satisfying systematically the plan's obligations.

The investment policy may be amended based on the long-term risk/return relationship on the markets, the DGPP's commitments and financial position, risk tolerance or the legislative environment. This policy provides for market risk mitigation mechanisms. Among other things, the policy establishes limits for each type of investments and limits for the allocation of assets between the various classes, as well as risk parameters for asset allocation. The actual mix of asset portfolios is regularly reviewed, and the rebalancing rules of the investment policy are applied when the actual allocation is outside the allowed limits. Foreign exchange risk is also controlled by the investment policy, which specifies hedging rules.

Funding requirements

The DGPP is funded by both employee and employer contributions, which are determined based on the financial position and the funding policy of the plan. Employers’ contributions must be equal to the amount that, added to the employees’ contributions, is sufficient to cover the value of the obligations that currently accrue in the plan, including fees paid by the plan as well as special contributions required to amortize any deficit and cover the stabilization provision. Employers’ contributions are determined using a percentage of the assessable payroll for their employees participating in the plan. The plan’s annual cost comprises contributions for current service, administrative management fees and special contributions required to fund the plans’ stabilization provision and deficit, if any.

Pursuant to the SPPA requirements, the DGPP’s minimum funding is determined on a going-concern basis. A stabilization provision must be funded through special current service contributions and special amortization payments. Funding and stabilization deficits must be funded over a maximum period of 10 years.

NOTE 18 – EMPLOYEE BENEFITS – PENSION AND POST-RETIREMENT BENEFIT PLANS *(continued)*

RECOGNIZED AMOUNTS

Change in net defined benefit plan assets and liabilities

Net defined benefit plan assets and liabilities are as follows:

	Group pension plans			Group post-retirement benefit plan	Other plans			
	Obligation	Fair value of assets	Total	Obligation	Obligation	Fair value of assets	Total	Total
As at December 31, 2021	$ 18,354	$ 18,199	$ 155	$ 754	$ 1,044	$ 967	$ 77	$ 986
Amounts recognized in the Combined Statements of Income								
Current service cost	430	—	430	4	35	—	35	469
Net interest expense/income	537	523	14	20	30	28	2	36
Past service cost	1	—	1	—	4	—	4	5
	968	523	445	24	69	28	41	510
Amounts recognized in the Combined Statements of Comprehensive Income								
Difference between the actual return on assets and interest income	—	(3,552)	3,552	—	—	(208)	208	3,760
Actuarial losses (gains) arising from changes in demographic assumptions	19	—	19	(34)	(3)	—	(3)	(18)
Actuarial losses (gains) arising from changes in financial assumptions	(4,959)	—	(4,959)	(174)	(289)	—	(289)	(5,422)
Experience (gains) losses	723	—	723	4	13	—	13	740
	(4,217)	(3,552)	(665)	(204)	(279)	(208)	(71)	(940)
Other changes								
Participants' contributions	280	280	—	—	—	—	—	—
Employers' contributions	—	522	(522)	—	—	21	(21)	(543)
Benefits paid	(652)	(645)	(7)	(24)	(33)	(20)	(13)	(44)
Other changes	(19)	(21)	2	2	3	1	2	6
	(391)	136	(527)	(22)	(30)	2	(32)	(581)
As at December 31, 2022	$ 14,714	$ 15,306	$ (592)	$ 552	$ 804	$ 789	$ 15	$ (25)
Amounts recognized in the Combined Statements of Income								
Current service cost	**261**	**—**	**261**	**2**	**24**	**—**	**24**	**287**
Net interest expense/income	**781**	**806**	**(25)**	**28**	**43**	**41**	**2**	**5**
Past service cost	**—**	**—**	**—**	**—**	**1**	**—**	**1**	**1**
	1,042	**806**	**236**	**30**	**68**	**41**	**27**	**293**
Amounts recognized in the Combined Statements of Comprehensive Income								
Difference between the actual return on assets and interest income	**—**	**544**	**(544)**	**—**	**—**	**35**	**(35)**	**(579)**
Actuarial losses (gains) arising from changes in demographic assumptions	**85**	**—**	**85**	**12**	**—**	**—**	**—**	**97**
Actuarial losses (gains) arising from changes in financial assumptions	**1,450**	**—**	**1,450**	**31**	**75**	**—**	**75**	**1,556**
Experience (gains) losses	**32**	**—**	**32**	**2**	**—**	**—**	**—**	**34**
	1,567	**544**	**1,023**	**45**	**75**	**35**	**40**	**1,108**
Other changes								
Participants' contributions	**289**	**289**	**—**	**—**	**—**	**—**	**—**	**—**
Employers' contributions	**—**	**539**	**(539)**	**—**	**—**	**15**	**(15)**	**(554)**
Benefits paid	**(667)**	**(667)**	**—**	**(25)**	**(32)**	**(29)**	**(3)**	**(28)**
Other changes	**4**	**(21)**	**25**	**—**	**—**	**(2)**	**2**	**27**
	(374)	**140**	**(514)**	**(25)**	**(32)**	**(16)**	**(16)**	**(555)**
As at December 31, 2023	**$ 16,949**	**$ 16,796**	**$ 153**	**$ 602**	**$ 915**	**$ 849**	**$ 66**	**$ 821**

NOTE 18 – EMPLOYEE BENEFITS – PENSION AND POST-RETIREMENT BENEFIT PLANS *(continued)*

RECOGNIZED AMOUNTS *(continued)*

For purposes of reporting on the balance sheet, net defined benefit plan assets and liabilities are presented separately.

	As at December 31, 2023	As at December 31, 2022
Net defined benefit plan assets	**$ 46**	$ 679
Net defined benefit plan liabilities	**867**	654
	$ 821	$ (25)

Allocation of the main group pension plan assets

The fair value of the main group pension plan assets is detailed as follows:

	As at December 31, 2023[1]		As at December 31, 2022[1]	
	Non-quoted in an active market	Quoted in an active market	Non-quoted in an active market	Quoted in an active market
Bonds				
Government of Canada	**$ —**	**$ 64**	$ —	$ 136
Provinces, municipal corporations and other public administrations	**132**	**6,451**	94	4,777
Other issuers	**3,531**	**—**	2,991	—
Shares	**218**	**3,451**	261	3,486
Real estate investments	**2,078**	**—**	2,239	—
Infrastructure investments	**2,458**	**—**	2,206	—
Cash and money market securities	**178**	**171**	143	200
Other	**3,179**	**25**	2,106	26
Total	**$ 11,774**	**$ 10,162**	$ 10,040	$ 8,625

(1) Commitments related to securities lent or sold under repurchase agreements deducted from the main group pension plan assets are excluded from the table.

As at December 31, 2023, the DGPP held eligible investments in money market securities issued by Desjardins Group entities and foreign exchange contracts whose counterparty is a Desjardins Group entity, having a total fair value of $123 million ($9 million as at December 31, 2022).

NOTE 18 – EMPLOYEE BENEFITS – PENSION AND POST-RETIREMENT BENEFIT PLANS *(continued)*

IMPACT ON CASH FLOWS

Principal actuarial assumptions

The principal actuarial assumptions used to measure the defined benefit plan obligation and cost are as follows:

	As at December 31, 2023		As at December 31, 2022	
	Group pension plans	Group post-retirement benefit plan	Group pension plans	Group post-retirement benefit plan
Discount rate for the obligation[1]	**4.65 %**	**4.65 %**	5.30 %	5.25 %
Discount rate for service cost[1]	**4.65**	**4.60**	5.25	5.25
Expected rate of salary increases	**3.00**	**3.00**	3.00	3.00
Rate used to calculate interest expense on the obligation and assets[1]	**5.24**	**5.22**	2.86	2.71
Rate used to calculate interest expense on service cost[1]	**5.24**	**5.21**	3.12	2.98
Estimated annual growth rate for covered healthcare cost	**—**	**3.50**	—	3.50

[1] Weighted average rate for all plans.

Sensitivity of key assumptions

Because of the long-term nature of employee benefits, there are significant uncertainties related to the recognition of balances surrounding the assumptions used. The following table shows the impact of a one percentage point change in key assumptions on the defined benefit plan obligation and cost, with all other assumptions remaining constant. In reality, there may be correlations between these assumptions. However, to show the impact of changes in assumptions, they have been modified on an individual basis.

	As at December 31, 2023		As at December 31, 2022	
	Change in obligation	Change in cost recognized	Change in obligation	Change in cost recognized
Group pension plans				
Discount rate				
1% increase	**$ (2,225)**	**$ (175)**	$ (1,655)	$ (209)
1% decrease	**2,972**	**280**	2,423	222
Expected rate of salary increases				
1% increase	**594**	**95**	432	55
1% decrease	**(504)**	**(41)**	(348)	(67)
Group post-retirement benefit plan				
Discount rate				
1% increase	**(67)**	**1**	(58)	3
1% decrease	**83**	**(2)**	71	(5)
Healthcare costs				
1% increase	**36**	**2**	30	2
1% decrease	**(31)**	**(1)**	(26)	(2)

Expected contributions for 2024

Desjardins Group expects to contribute $545 million to its defined benefit pension plans in the next year.

Pension plan obligation maturity profile

For fiscal 2023, the weighted average financial duration was approximately 16 years (14 years in 2022) for the main group pension plan and approximately 13 years (12 years in 2022) for the group post-retirement benefit plan.

NOTE 19 – OTHER LIABILITIES – OTHER

The following table presents the breakdown of “Other liabilities – Other”.

	As at December 31, 2023	As at December 31, 2022 Restated (Note 2)
Accounts payable and other accrued liabilities	**$ 4,181**	$ 3,537
Interest payable	**1,925**	1,237
Investment contract liabilities	**1,762**	1,564
Client contract liabilities	**543**	523
Member dividends payable	**418**	404
Taxes payable	**278**	157
Provisions for risks and expenses	**103**	288
Borrowings from financial institutions	**1**	14
Other	**1,458**	1,368
	$ 10,669	$ 9,092

NOTE 20 – SUBORDINATED NOTES

The subordinated notes presented in Desjardins Group’s Combined Balance Sheets comprise subordinated notes issued by the Federation. The subordinated notes of the Federation are direct unsecured obligations and are subordinated in right of payment to the claims of depositors and certain other creditors of the Federation. These claims extend to other entities included in the Desjardins Cooperative Group (as defined in the Act) in the event of the dissolution, insolvency, bankruptcy or liquidation of the Federation in accordance with applicable law.

Redemptions and cancellations of the notes are subject to the consent and approval of the applicable regulatory authorities. These notes comprise the following items:

	As at December 31, 2023[2]	As at December 31, 2022[2]
Subordinated notes of the Federation (par value of $1 billion) maturing issued on May 26, 2020 maturing in May 2030, bearing interest at an annual rate of 2.856% for the first 5 years, and for the following 5 years, at an annual rate equal to the 3-month bankers' acceptance plus 2.11%, redeemable at the option of the issuer starting in 2025[1]	**$ 977**	$ 964
Subordinated notes of the Federation (par value of $1 billion) issued on May 28, 2021 maturing in May 2031, bearing interest at an annual rate of 1.992% for the first 5 years, and for the following 5 years, at an annual rate equal to the 3-month bankers' acceptance plus 0.60%, redeemable at the option of the issuer starting in 2026[1]	**998**	998
Subordinated notes of the Federation (par value of $1 billion) issued on August 23, 2022 maturing in August 2032, bearing interest at an annual rate of 5.035% for the first 5 years, and for the following 5 years, at an annual rate equal to the Canadian Overnight Repo Rate Average (CORRA), compounded daily, plus 2.29%, redeemable at the option of the issuer starting in 2027[1]	**979**	966
	$ 2,954	$ 2,928

(1) These subordinated notes qualify as Non-Viability Contingent Capital (NVCC). Upon the occurrence of a trigger event, as defined in the regulations governing capital, these notes are automatically and immediately convertible into Class Z-Contingent capital shares of the Federation, the number of which will be equal to (i) the note value multiplied by 1.50 divided by (ii) the conversion price.

(2) The carrying amount of subordinated notes includes fair value adjustments when hedge accounting is applied.

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

DERIVATIVE FINANCIAL INSTRUMENTS

Desjardins Group's derivative financial instruments include the following types of contracts:

Interest rate contracts

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

Foreign exchange contracts

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

Other financial derivative contracts

Other derivative financial contracts used by Desjardins Group include total return swaps and stock index options, which are related to financial index transactions, as well as credit default swaps, which are used to manage the credit risk associated with assets and liabilities. Total return swaps are transactions in which one party agrees to pay to or receive from the other party the rate of return on an underlying asset, group of assets or index in exchange for a remuneration specified in the contract. Credit default swaps are transactions in which one of the parties agrees to pay interest to the other party who, in turn, undertakes to make a payment if a predetermined credit incident occurs.

Options

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

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(continued)*

MATURITIES AND FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The following table presents the maturities of the notional amounts and the fair value of derivative financial instruments recognized in the Combined Balance Sheets.

	Terms to maturity					Carrying amount of derivative financial instruments	
As at December 31, 2023	Under 1 year	1 to 3 years	Over 3 to 5 years	Over 5 years	Notional amount	Assets	Liabilities
Designated as hedging instruments[1]							
Fair value hedges							
Interest rate contracts / Interest rate risk							
Over-the-counter interest rate swaps	$ 694	$ 204	$ 366	$ 141	$ 1,405	$ 21	$ 31
Interest rate swaps traded through a clearing house	3,437	4,926	14,569	15,251	38,183	—	—
Average rate	*3.7 %*	*2.1 %*	*3.0 %*	*2.2 %*			
	4,131	5,130	14,935	15,392	39,588	21	31
Foreign exchange contracts / Currency risk							
Over-the-counter currency swaps	—	844	—	261	1,105	23	21
CAD-GBP average rate	—	*1.6886*	—	—			
CAD-NOK average rate	—	—	—	*0.1304*			
	—	844	—	261	1,105	23	21
Total – Fair value hedges	4,131	5,974	14,935	15,653	40,693	44	52
Cash flow hedges							
Interest rate contracts / Interest rate risk							
Over-the-counter interest rate swaps	828	—	22	30	880	4	19
Interest rate swaps traded through a clearing house	4,910	7,622	23,921	6,113	42,566	—	—
Average rate	*2.0 %*	*4.0 %*	*3.7 %*	*3.8 %*			
	5,738	7,622	23,943	6,143	43,446	4	19
Foreign exchange contracts / Currency risk							
Over-the-counter currency swaps	4,372	15,884	11,036	—	31,292	250	579
CAD-USD average rate	—	*1.3248*	*1.3248*	—			
CAD-EUR average rate	*1.4629*	*1.4629*	*1.4629*	—			
CAD-CHF average rate	—	—	*1.5749*	—			
CAD-JPY average rate	—	—	*0.0094*	—			
	4,372	15,884	11,036	—	31,292	250	579
Total – Cash flow hedges	10,110	23,506	34,979	6,143	74,738	254	598
Total – Designated as hedging instruments	$ 14,241	$ 29,480	$ 49,914	$ 21,796	$ 115,431	$ 298	$ 650

[1] Hedging instruments are presented under “Derivative financial instruments” in the Combined Balance Sheets.

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(continued)*

MATURITIES AND FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The following table presents the maturities of the notional amounts and the fair value of derivative financial instruments recognized in the Combined Balance Sheets *(continued)*.

	Terms to maturity					Carrying amount of derivative financial instruments	
As at December 31, 2023	Under 1 year	1 to 3 years	Over 3 to 5 years	Over 5 years	Notional amount	Assets	Liabilities
Trading purposes							
Interest rate contracts							
Over-the-counter contracts							
Interest rate swaps	$ 16,355	$ 5,825	$ 3,860	$ 4,415	$ 30,455	$ 351	$ 665
Forward rate agreements	1,977	—	—	—	1,977	48	33
Options purchased	271	432	281	15	999	21	—
Options written	243	364	222	15	844	—	23
Contracts traded through a clearing house							
Interest rate swaps	129,879	154,767	73,155	25,761	383,562	—	—
Exchange-traded contracts							
Futures	12,620	2,885	—	—	15,505	—	—
Options purchased	30,615	—	—	—	30,615	30	—
Options written	23,991	—	—	—	23,991	—	26
	215,951	164,273	77,518	30,206	487,948	450	747
Foreign exchange contracts							
Over-the-counter contracts							
Forward contracts	66,497	2,745	158	—	69,400	460	717
Currency swaps	3,892	—	313	422	4,627	76	54
Options purchased	1,476	553	39	—	2,068	22	—
Options written	1,790	510	279	—	2,579	—	50
Exchange-traded contracts							
Futures	3	—	—	—	3	—	—
	73,658	3,808	789	422	78,677	558	821
Other contracts[1]							
Over-the-counter contracts							
Swaps	—	60	—	73	133	—	—
Options purchased	10,662	17,723	13,507	129	42,021	4,555	—
Options written	9,568	18,474	12,238	160	40,440	—	4,408
Contracts traded through a clearing house							
Swaps	—	—	676	—	676	—	—
Exchange-traded-contracts							
Futures	988	—	—	—	988	—	—
Options purchased	1	—	—	—	1	—	—
	21,219	36,257	26,421	362	84,259	4,555	4,408
Total – Trading purposes	$ 310,828	$ 204,338	$ 104,728	$ 30,990	$ 650,884	$ 5,563	$ 5,976
Total derivative financial instruments before impact of master netting agreements	$ 325,069	$ 233,818	$ 154,642	$ 52,786	$ 766,315	$ 5,861	$ 6,626
Less:							
Impact of master netting agreements[2]	—	—	—	—	—	1,345	1,345
Total derivative financial instruments after impact of master netting agreements	$ 325,069	$ 233,818	$ 154,642	$ 52,786	$ 766,315	$ 4,516	$ 5,281

(1) Include contracts related to indexed term savings products.

(2) Impact of offsetting credit exposure when Desjardins Group holds master netting agreements without the intention of settling on a net basis or simultaneously.

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(continued)*

MATURITIES AND FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The following table presents the maturities of the notional amounts and the fair value of derivative financial instruments recognized in the Combined Balance Sheets *(continued)*.

	Terms to maturity					Carrying amount of derivative financial instruments	
As at December 31, 2022	Under 1 year	1 to 3 years	Over 3 to 5 years	Over 5 years	Notional amount	Assets	Liabilities
Designated as hedging instruments[1]							
Fair value hedges							
Interest rate contracts / Interest rate risk							
Over-the counter interest rate swaps	$ 286	$ 1,164	$ 304	$ 433	$ 2,187	$ 26	$ 91
Interest rate swaps traded through a clearing house	1,878	13,712	16,454	16,710	48,754	—	—
Average rate	*3.3 %*	*3.6 %*	*2.9 %*	*1.7 %*			
	2,164	14,876	16,758	17,143	50,941	26	91
Foreign exchange contracts / Currency risk							
Over-the-counter currency swaps	1,015	—	—	—	1,015	—	30
CAD-USD average rate	*1.3539*	—	—	—			
	1,015	—	—	—	1,015	—	30
Total – Fair value hedges	3,179	14,876	16,758	17,143	51,956	26	121
Cash flow hedges							
Interest rate contracts / Interest rate risk							
Over-the-counter interest rate swaps	577	2,172	8	294	3,051	24	98
Interest rate swaps traded through a clearing house	5,538	15,653	22,976	5,111	49,278	—	—
Average rate	*2.3 %*	*2.8 %*	*2.9 %*	*2.8 %*			
	6,115	17,825	22,984	5,405	52,329	24	98
Foreign exchange contracts / Currency risk							
Over-the-counter currency swaps	2,217	13,329	10,420	—	25,966	148	748
CAD-USD average rate	—	*1.3539*	*1.3539*	—			
CAD-EUR average rate	*1.4494*	*1.4494*	*1.4494*	—			
	2,217	13,329	10,420	—	25,966	148	748
Total – Cash flow hedges	8,332	31,154	33,404	5,405	78,295	172	846
Total – Designated as hedging instruments	$ 11,511	$ 46,030	$ 50,162	$ 22,548	$ 130,251	$ 198	$ 967

(1) Hedging instruments are presented under “Derivative financial instruments” in the Combined Balance Sheets.

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(continued)*

MATURITIES AND FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The following table presents the maturities of the notional amounts and the fair value of derivative financial instruments recognized in the Combined Balance Sheets *(continued)*.

	Terms to maturity					Carrying amount of derivative financial instruments	
As at December 31, 2022	Under 1 year	1 to 3 years	Over 3 to 5 years	Over 5 years	Notional amount	Assets	Liabilities
Trading purposes							
Interest rate contracts							
Over-the-counter contracts							
Interest rate swaps	$ 24,571	$ 17,330	$ 3,283	$ 4,095	$ 49,279	$ 567	$ 1,217
Forward rate agreements	2,064	—	—	—	2,064	13	20
Options purchased	3,231	338	140	15	3,724	29	—
Options written	3,196	364	137	15	3,712	—	32
Contracts traded through a clearing house							
Interest rate swaps	117,404	116,420	67,172	29,504	330,500	—	—
Exchange-traded contracts							
Futures	12,521	2,763	—	—	15,284	—	—
Options purchased	4,695	—	—	—	4,695	2	—
Options written	5,616	—	—	—	5,616	—	1
	173,298	137,215	70,732	33,629	414,874	611	1,270
Foreign exchange contracts							
Over-the-counter contracts							
Forward contracts	47,004	1,747	99	—	48,850	514	320
Currency swaps	8,196	432	52	500	9,180	229	63
Options purchased	1,030	332	—	—	1,362	34	—
Options written	1,502	345	53	—	1,900	—	32
Exchange-traded contracts							
Futures	—	—	—	—	—	—	—
	57,732	2,856	204	500	61,292	777	415
Other contracts[1]							
Over-the-counter contracts							
Swaps	—	—	60	75	135	—	—
Options purchased	8,325	20,116	11,643	1,191	41,275	4,137	—
Options written	8,261	19,711	11,111	1,113	40,196	—	4,039
Contracts traded through a clearing house							
Swaps	—	1	34	—	35	—	—
Exchange-traded-contracts							
Futures	975	—	—	—	975	—	—
Options purchased	1	1	—	—	2	—	—
	17,562	39,829	22,848	2,379	82,618	4,137	4,039
Total – Trading purposes	$ 248,592	$ 179,900	$ 93,784	$ 36,508	$ 558,784	$ 5,525	$ 5,724
Total derivative financial instruments before impact of master netting agreements	$ 260,103	$ 225,930	$ 143,946	$ 59,056	$ 689,035	$ 5,723	$ 6,691
Less:							
Impact of master netting agreements[2]	—	—	—	—	—	1,452	1,452
Total derivative financial instruments after impact of master netting agreements	$ 260,103	$ 225,930	$ 143,946	$ 59,056	$ 689,035	$ 4,271	$ 5,239

(1) Include contracts related to indexed term savings products.

(2) Impact of offsetting credit exposure when Desjardins Group holds master netting agreements without the intention of settling on a net basis or simultaneously.

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(continued)*

HEDGING ACTIVITIES

The manner in which Desjardins Group assesses market risks as well as the objectives, policies and methods it uses to manage them are presented in Section 4.0, “Risk Management”, of the Management’s Discussion and Analysis.

Fair value hedges

Fair value hedge transactions involve mostly the use of interest rate swaps to hedge the changes in fair value of a fixed-rate financial instrument caused by a change in interest rates on the market. In addition, when a financial instrument is denominated in a foreign currency, Desjardins Group may enter into fair value hedges by using currency swaps or cross-currency interest rate swaps. The change in fair value of hedging derivative financial instruments offsets the change in fair value of hedged items. Desjardins Group uses fair value hedge strategies for its loan, deposit and securities portfolios.

Cash flow hedges

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

Effectiveness assessment and sources of hedging relationship ineffectiveness

Desjardins Group assesses the effectiveness of a hedging relationship by comparing the change in fair value or cash flows of the hedging instrument with that of the hedged item attributable to the hedged risk to demonstrate the existence of a highly effective correlation between the two instruments. When derivative financial instruments are designated as hedging instruments for a currency risk, only the change in currency risk is taken into account to assess hedge effectiveness.

There is ineffectiveness when the change in fair value of the hedged item attributable to the hedged risk differs from the change in fair value of the hedging instrument. The main sources of ineffectiveness are a difference between the actual and expected repricing dates, a difference between the discounting factors used and a difference between the payment dates for the hedging instrument and the hedged item.

The following table presents information on the ineffectiveness of fair value hedges.

	As at December 31, 2023		As at December 31, 2022	
	Gains (losses) on hedging instruments used as the basis for calculating hedge ineffectiveness	**Hedge ineffectiveness recognized in profit or loss[1]**	Gains (losses) on hedging instruments used as the basis for calculating hedge ineffectiveness	Hedge ineffectiveness recognized in profit or loss[1]
Fair value hedges				
Interest rate contracts / Interest rate risk				
Over-the-counter interest rate swaps	**$ 19**	**$ —**	$ (72)	$ —
Interest rate swaps traded through a clearing house	**(420)**	**(17)**	1,253	(11)
Foreign exchange contracts / Currency risk				
Over-the-counter currency swaps	**32**	**(7)**	40	—
Total – Fair value hedges	**$ (369)**	**$ (24)**	$ 1,221	$ (11)

(1) The hedge ineffectiveness is recognized under “Net other investment income (loss)”.

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(continued)*

HEDGING ACTIVITIES *(continued)*

Effectiveness assessment and sources of hedging relationship ineffectiveness *(continued)*

The following tables present information on the ineffectiveness of cash flow hedges for the years ended December 31.

2023	Gains (losses) on hedging instruments used as the basis for calculating hedge ineffectiveness	Hedge ineffectiveness recognized in profit or loss[1]	Hedging gains (losses) recognized in other comprehensive income	Gains (losses) reclassified from the cash flow hedge reserve into profit or loss Active hedges[2]
Cash flow hedges				
Interest rate contracts / Interest rate risk				
Over-the-counter interest rate swaps	**$ 40**	**$ —**	**$ 40**	**$ 3**
Interest rate swaps traded through a clearing house	**364**	**—**	**359**	**202**
Foreign exchange contracts / Currency risk				
Over-the-counter currency swaps	**116**	**(2)**	**124**	**—**
Total – Cash flow hedges	**$ 520**	**$ (2)**	**$ 523**	**$ 205**

2022	Gains (losses) on hedging instruments used as the basis for calculating hedge ineffectiveness	Hedge ineffectiveness recognized in profit or loss[1]	Hedging gains (losses) recognized in other comprehensive income	Gains (losses) reclassified from the cash flow hedge reserve into profit or loss Active hedges[2]
Cash flow hedges				
Interest rate contracts / Interest rate risk				
Over-the-counter interest rate swaps	$ (394)	$ (12)	$ (629)	$ (77)
Interest rate swaps traded through a clearing house	(854)	(19)	(339)	75
Foreign exchange contracts / Currency risk				
Over-the-counter currency swaps	126	3	(253)	—
Total – Cash flow hedges	$ (1,122)	$ (28)	$ (1,221)	$ (2)

(1) The hedge ineffectiveness and reclassification adjustment are recognized under “Net other investment income (loss)” in the Combined Statements of Income.
(2) The reclassification adjustment is included under “Interest income – Loans” and “Interest expense – Deposits” in the Combined Statements of Income.

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(continued)*

HEDGING ACTIVITIES *(continued)*

Effectiveness assessment and sources of hedging relationship ineffectiveness *(continued)*

The following tables present the impact of hedge accounting on balances recognized in the Combined Balance Sheets and in accumulated other comprehensive income.

	Cash flow hedges			Fair value hedges			
As at December 31, 2023	**Balance of the cash flow hedge reserve**	**Balance of the reserve for discontinued hedges**	**Gains (losses) on hedged items used as the basis for calculating hedge ineffectiveness for the year**	**Carrying amount of the hedged item**	**Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item**	**Accumulated amount of fair value hedge adjustments for any hedged items that have ceased to be adjusted**	**Gains (losses) on hedged items used as the basis for calculating hedge ineffectiveness for the year**
Interest rate risk							
Assets							
Securities	**$ —**	**$ (2)**	**$ (1)**	**$ 22,375**	**$ —**	**$ —**	**$ 730**
Loans	**439**	**(1,126)**	**(527)**	**840**	**(36)**	**—**	**19**
Liabilities							
Deposits	**$ (9)**	**$ 430**	**$ 122**	**$ 15,199**	**$ 3**	**$ 237**	**$ (244)**
Subordinated notes	**—**	**—**	**—**	**1,401**	**38**	**2**	**(23)**
Currency risk							
Liabilities							
Deposits	**$ (110)**	**$ —**	**$ (124)**	**$ 1,105**	**$ (22)**	**$ (7)**	**$ (39)**

	Cash flow hedges			Fair value hedges			
As at December 31, 2022	Balance of the cash flow hedge reserve	Balance of the reserve for discontinued hedges	Gains (losses) on hedged items used as the basis for calculating hedge ineffectiveness for the year	Carrying amount of the hedged item	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	Accumulated amount of fair value hedge adjustments for any hedged items that have ceased to be adjusted	Gains (losses) on hedged items used as the basis for calculating hedge ineffectiveness for the year
Interest rate risk							
Assets							
Securities	$ (5)	$ —	$ 8	$ 22,425	$ —	$ —	$ (1,747)
Loans	(1,260)	(278)	1,597	1,044	(57)	—	(56)
Liabilities							
Deposits	$ 396	$ 276	$ (634)	$ 26,097	$ 586	$ (58)	$ 562
Subordinated notes	—	—	—	1,371	61	4	49
Currency risk							
Liabilities							
Deposits	$ (234)	$ —	$ (120)	$ 971	$ 37	$ (23)	$ (40)

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(continued)*

DERIVATIVE FINANCIAL INSTRUMENTS – CREDIT RISK

The credit risk associated with derivative financial instruments refers to the risk that a counterparty will fail to honour its contractual obligations toward Desjardins Group at a time when the fair value of the instrument is positive for Desjardins Group. The manner in which Desjardins Group assesses this risk as well as the objectives, policies and methods it uses to manage it are presented in Section 4.0, "Risk Management", of the Management's Discussion and Analysis. The shaded areas containing text and tables presented in that section are an integral part of these Combined Financial Statements.

Notional amount	Contract amount to which a rate or price is applied in order to calculate the exchange of cash flows.
Replacement cost	The cost of replacing, at current market rates, all contracts with a positive fair value, without taking into consideration the impact of netting agreements or any collateral which may be obtained.
Credit risk equivalent	The total of the replacement cost and future credit exposure, which is represented by the change in value determined using a formula prescribed by Basel III.
Risk-weighted balance	The balance weighted by the risks related to the creditworthiness of counterparties, determined using methods prescribed by Basel III.

The following table gives an overview of Desjardins Group's derivative financial instruments portfolio and related credit risk, before and after the impact of master netting agreements.

	As at December 31, 2023				As at December 31, 2022			
	Notional amount	**Replacement cost**	**Credit risk equivalent**	**Risk-weighted balance**	Notional amount	Replacement cost	Credit risk equivalent	Risk-weighted balance
Interest rate contracts								
Interest rate swaps	**$ 497,051**	**$ 376**	**$ 553**	**$ 1,817**	$ 483,049	$ 617	$ 340	$ 737
Forward rate agreements	**1,977**	**48**	**80**	**57**	2,064	—	32	18
Futures	**15,505**	**—**	**—**	**—**	15,284	13	1	—
Options purchased	**31,614**	**51**	**14**	**35**	8,419	31	15	45
Options written	**24,835**	**—**	**—**	**—**	9,328	—	—	—
	570,982	**475**	**647**	**1,909**	518,144	661	388	800
Foreign exchange contracts								
Forward agreements	**69,400**	**460**	**706**	**617**	48,850	514	836	741
Futures	**3**	**—**	**—**	**—**	—	—	—	—
Currency swaps	**37,024**	**349**	**454**	**335**	36,161	377	361	229
Options purchased	**2,068**	**22**	**143**	**318**	1,362	34	61	85
Options written	**2,579**	**—**	**—**	**—**	1,900	—	—	—
	111,074	**831**	**1,303**	**1,270**	88,273	925	1,258	1,055
Other contracts								
Swaps	**809**	**—**	**57**	**26**	170	—	2	3
Futures	**988**	**—**	**—**	**—**	975	—	—	—
Options purchased	**42,022**	**4,555**	**4,321**	**2,513**	41,277	4,137	3,554	3,054
Options written	**40,440**	**—**	**—**	**—**	40,196	—	—	—
	84,259	**4,555**	**4,378**	**2,539**	82,618	4,137	3,556	3,057
Total derivative financial instruments before impact of master netting agreements	**$ 766,315**	**$ 5,861**	**$ 6,328**	**$ 5,718**	$ 689,035	$ 5,723	$ 5,202	$ 4,912
Less:								
Impact of master netting agreements[1]	**—**	**1,345**	**—**	**39**	—	1,452	—	36
Total derivative financial instruments after impact of master netting agreements	**$ 766,315**	**$ 4,516**	**$ 6,328**	**$ 5,679**	$ 689,035	$ 4,271	$ 5,202	$ 4,876

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

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES *(continued)*

DERIVATIVE FINANCIAL INSTRUMENTS – CREDIT RISK *(continued)*

The following table presents derivative financial instruments by credit risk rating and type of counterparty.

	As at December 31, 2023		As at December 31, 2022	
	Replacement cost	Risk-weighted balance	Replacement cost	Risk-weighted balance
Credit risk rating[1]				
AAA, AA+, AA, AA-	**$ 2,448**	**$ 1,102**	$ 2,299	$ 972
A+, A, A-	**2,894**	**1,549**	2,501	1,257
BBB, B, BB-, BBB-	**221**	**414**	635	1,330
CCC, CC, C	**—**	**—**	—	—
Not rated	**298**	**2,653**	288	1,353
	5,861	**5,718**	5,723	4,912
Less:				
Impact of master netting agreements[2]	**1,345**	**39**	1,452	36
Total after impact of master netting agreements	**$ 4,516**	**$ 5,679**	$ 4,271	$ 4,876
Type of counterparty				
Financial institutions	**$ 5,279**	**$ 2,675**	$ 5,233	$ 2,928
Other	**582**	**3,043**	490	1,984
	5,861	**5,718**	5,723	4,912
Less:				
Impact of master netting agreements[2]	**1,345**	**39**	1,452	36
Total after impact of master netting agreements	**$ 4,516**	**$ 5,679**	$ 4,271	$ 4,876

(1) Credit risk ratings are established by recognized credit agencies. Non-rated counterparties are mainly members or clients of Desjardins Group. Although the table presents information by external rating, risk-weighted assets have been calculated using internal ratings.

(2) Impact of offsetting credit exposure when Desjardins Group holds master netting agreements without the intention of settling on a net basis or simultaneously.

NOTE 22 – SIGNIFICANT TRANSACTIONS

Year ended December 31, 2023

On March 1, 2023, through Worldsource Group of Companies Inc. (formerly 9479-5176 Québec Inc.), a wholly-owned indirect subsidiary of the Federation, Desjardins Group acquired, among others, all the outstanding shares of IDC Worldsource Insurance Network Inc., Worldsource Financial Management Inc. and Worldsource Securities Inc. (collectively designated as "Worldsource" hereinafter). Worldsource specializes in independent insurance, mutual fund and securities distribution operations. This acquisition enabled Desjardins Group to consolidate its independent distribution position across Canada and strengthen its growth strategy in the entire Canadian market.

The determination of the fair value of identifiable assets acquired and liabilities assumed as well as the transferred consideration was completed during the year ended December 31, 2023.

The fair value of identifiable assets acquired and liabilities assumed at the acquisition date is presented below.

	As at March 1, 2023
Identifiable net assets acquired	
Cash and deposits with financial institutions	$ 6
Amounts receivable from clients, brokers and financial institutions	254
Right-of-use assets	4
Property, plant and equipment	1
Intangible assets	442
Investments in companies accounted for using the equity method	2
Other assets – Other	30
Amounts payable to clients, brokers and financial institutions	(254)
Lease liabilities	(5)
Deferred tax liabilities	(104)
Other liabilities – Other	(34)
	342
Consideration	
Cash and cash equivalents acquired	6
Net cash used for the acquisition	743
Total consideration	$ 749
Goodwill resulting from the acquisition	$ 407

Goodwill is attributable to the synergies that should result from the acquisition of Worldsource by Desjardins Group. Goodwill is not tax deductible.

Since the acquisition, the contribution of the Worldsource operations to Desjardins Group's "Total net income" has been $409 million. If the acquisition had occurred at the beginning of the year, the contribution of Worldsource would have increased "Total net income" by $515 million for year ended December 31, 2023.

During the year ended December 31, 2023, closing fees of $2 million ($3 million during fiscal 2022) directly attributable to the acquisition have been recognized under "Non-interest expense – Other" in the Combined Statements of Income.

NOTE 23 – CAPITAL STOCK

AUTHORIZED

Capital stock comprises qualifying shares and capital shares.

The caisses may issue an unlimited number of qualifying shares with a par value of $5, redeemable at the option of the caisses in the cases set forth in the Act. Qualifying shares give their member holder one vote for the caisse that issued them, regardless of the number of qualifying shares of such caisse held.

The Federation may issue an unlimited number of F capital shares and contingent Z-capital shares (Z capital shares) with a par value of $10. These shares do not carry any voting rights. F capital shares may be issued only to members of Desjardins caisses in Québec, including their auxiliary members. Z capital shares may be issued to any person in accordance with the Act, but only for converting non-viability contingent capital instruments of the Federation or at the discretion of the Federation after such conversion. The Federation has the right, by resolution of the Board of Directors and with the authorization of the AMF, to redeem unilaterally, in whole or in part, F and Z capital shares if any, at any time. The Federation may also purchase, in whole or in part, F and Z capital shares, if any, by private agreement, at any time, with the authorization of the AMF. The interest rate on F and Z capital shares, if any, is determined by the Federation's Board of Directors, which approves annually the surplus earnings that may be allocated to the payment of interest on these capital shares. Interest is recognized under "Remuneration on capital stock" in the Combined Statements of Changes in Equity after approval. The repayment of principal and payment of interest are subject to compliance with certain conditions.

ISSUED AND PAID SHARES

	As at December 31, 2023	As at December 31, 2022
Qualifying shares	**$ 26**	$ 26
F capital shares	**4,705**	4,760
	$ 4,731	$ 4,786

NOTE 24 – SHARE CAPITAL

AUTHORIZED

There is an unlimited number of Class A preferred shares, offered only to members of CDO, non-voting, without par value, redeemable at the option of the issuer, i.e. CDO, at the paid-up amount plus declared and unpaid dividends, non-participating and non-cumulative.

There is an unlimited number of Class B preferred shares, non-voting, without par value, redeemable at the option of the issuer, i.e. CDO, at the paid-up amount plus declared and unpaid dividends, non-participating and non-cumulative. These shares may be issued in one or more series.

NOTE 25 – ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	As at December 31, 2023		As at December 31, 2022 Restated (Note 2)	
	Group’s share	Non-controlling interests’ share	Group’s share	Non-controlling interests' share
Items that will be reclassified subsequently to the Combined Statements of Income				
Net unrealized gains (losses) on debt securities classified as at fair value through other comprehensive income[1]	**$ (425)**	**$ (1)**	$ (1,237)	$ (13)
Net unrealized gains (losses) on derivative financial instruments designated as cash flow hedges	**(280)**	**—**	(815)	—
Share of associates and joint ventures accounted for using the equity method	**(3)**	**—**	(6)	—
Accumulated other comprehensive income	**$ (708)**	**$ (1)**	$ (2,058)	$ (13)

(1) Reflects an allowance for credit losses of $18 million as at December 31, 2023 ($10 million as at December 31, 2022) on securities classified as at fair value through other comprehensive income.

NOTE 26 – CAPITAL MANAGEMENT

The goal of capital management at Desjardins Group is to ensure the financial health and sustainability of the Desjardins Cooperative Group. To support maintaining a capital level and structure that enables preserving the trust of members and clients and optimizing the financial cost of capital, the organization set up a target capital structure that considers the banking industry regulatory requirements, Desjardins' ambitions with respect to maintaining its credit ratings as well as the risk profile of the organization and its components. The target structure is updated based on the evolution of the previously-mentioned factors and is approved annually by the Federation’s Board of Directors.

DESJARDINS GROUP’S INTEGRATED CAPITAL MANAGEMENT FRAMEWORK

The regulatory capital adequacy and composition of Desjardins Group as a whole are evaluated using the Capital Adequacy Guideline applicable to financial services cooperatives. In February 2023, the AMF issued an updated version of this guideline to reflect the Basel III regulatory reforms approved by the Basel Committee on Banking Supervision in 2017. The objectives of these reforms were essentially to reduce excessive variability of risk-weighted assets and improve the comparability and transparency of capital ratios reported by financial institutions. The updated version became effective in the first quarter of 2023.

The Capital Adequacy Guideline applicable to financial services cooperatives requires that a minimum amount of capital be maintained on a combined basis by all the Desjardins Group components. The holding company Desjardins Financial Corporation Inc. is subject to the guideline on capital adequacy requirements for life and health insurers issued by the AMF. Consequently, for purposes of calculating capital, the holding company Desjardins Financial Corporation Inc., which mainly holds the insurance companies, is deconsolidated and partly deducted from capital, in accordance with the significant investments rules set out in the Capital Adequacy Guideline applicable to financial services cooperatives.

Some subsidiaries included in the scope of Desjardins Group are subject to regulatory requirements issued by the AMF or other regulatory authorities. Most of these subsidiaries must comply with minimum capital requirements. Desjardins Group monitors and manages these entities’ capital requirements to ensure capital is effectively used and regulations are complied with on an ongoing basis.

Desjardins Group’s capital ratios are calculated according to the Capital Adequacy Guideline applicable to financial services cooperatives and are expressed as regulatory capital as a percentage of risk-weighted assets (RWA).

As it was designated by the AMF as a domestic systemically important financial institution, Desjardins Group is subject to an additional capital surcharge of 1.0% and must maintain a minimum Tier 1A capital ratio of 8.0%. Its Tier 1 capital ratio and total capital ratio must be above 9.5% and 11.5%, respectively. These ratios include a 2.5% capital conservation buffer. Desjardins Group is also subject to an RWA floor. When modeled RWA is less that RWA calculated using the Standardized Approach multiplied by a factor determined by the AMF, the difference is added to the denominator for regulatory capital ratios.

Desjardins Group is also required by the AMF to meet a minimum leverage ratio of 3.5%. This ratio is determined by dividing Tier 1 capital by the exposure measure. The exposure measure is independent from risk and includes: 1) on-balance sheet exposures; 2) securities financing transaction exposures; 3) derivative exposures; and 4) off-balance sheet exposures.

NOTE 26 – CAPITAL MANAGEMENT *(continued)*

Since April 1, 2022, Desjardins Group has to meet the requirements of the Total Loss Absorbing Capacity (TLAC) Guideline issued by the AMF. The TLAC ratio and TLAC leverage ratio are calculated in accordance with this guideline. The guideline applies to a resolution group deemed to be Desjardins Group excluding CDO. Desjardins Group is required to maintain a TLAC ratio of at least 21.5% and a TLAC leverage ratio of at least 6.75%.

REGULATORY CAPITAL

The regulatory capital of Desjardins Group differs from the equity disclosed in the Combined Balance Sheets. It comprises the following components:

(i) Tier 1 capital, which is designed to ensure going concern. It comprises two categories: Tier 1A (core capital) and Tier 1B (additional capital). Tier 1A capital consists, among other items, of eligible capital shares, reserves, undistributed surplus earnings and accumulated other comprehensive income. Tier 1B capital consists of non-controlling interests. Non-controlling interests are determined, in particular, based on the nature of the operations and the capitalization of the investee.

(ii) Tier 2 capital, which is designed to absorb losses in the event of a liquidation. It comprises subordinated notes qualified as Non-Viability Contingent Capital (NVCC), eligible qualifying shares and the eligible portion of the allowance for credit losses.

The following table presents the regulatory capital and available total loss absorbing capital (TLAC) balances, risk-weighted assets and regulatory ratios.

(in millions of dollars and as a percentage)	As at December 31, 2023	As at December 31, 2022
Capital and TLAC		
Tier 1A capital[1]	**$ 28,678**	$ 28,156
Tier 1 capital[1]	**28,678**	28,156
Total capital[1]	**30,745**	30,445
Available total loss absorbing capacity (TLAC)[2]	**40,137**	38,722
Risk-weighted assets[1]		
Credit risk	**115,313**	118,783
Market risk	**2,881**	3,959
Operational risk	**22,287**	15,114
Total risk-weighted assets before the capital floor	**140,481**	137,856
Transitional capital floor adjustment	**—**	1,455
Total risk-weighted assets	**$ 140,481**	$ 139,311
Total risk-weighted assets for TLAC ratio purposes[2]	**136,311**	134,880
Leverage ratio exposure[1]	**390,563**	371,598
TLAC leverage ratio exposure[2]	**383,474**	364,519
Ratios		
Tier 1A capital[1]	**20.4%**	20.2%
Tier 1 capital[1]	**20.4**	20.2
Total capital[1]	**21.9**	21.9
TLAC[2]	**29.4**	28.7
Leverage[1][3]	**7.3**	7.6
TLAC leverage[2][3]	**10.5**	10.6

(1) Comparative data are in accordance with the requirements of the Capital Adequacy Guideline in effect as at December 31, 2022.

(2) Data calculated at the resolution group level that is deemed to be Desjardins Group excluding CDO.

(3) In accordance with the temporary relief measures issued by the AMF in response to the impact of the COVID-19 pandemic, reserves with central banks were excluded from the leverage ratio exposure measure. These measures ceased to apply in the fourth quarter of 2023.

COMPLIANCE WITH REQUIREMENTS

Desjardins Group and all its components that are subject to regulatory requirements with respect to minimum capital were in compliance with said requirements as at December 31, 2023, as they were in the previous year.

NOTE 27 – NET INTEREST INCOME AND NET OTHER INVESTMENT INCOME (LOSS)

NET INTEREST INCOME

The following table presents the breakdown of net interest income according to the classification of financial assets and liabilities.

For the years ended December 31	2023	2022
Interest income on financial assets		
At amortized cost	**$ 12,183**	$ 8,403
At fair value through other comprehensive income	**1,764**	972
At fair value through profit or loss	**20**	10
	13,967	9,385
Interest expense on financial liabilities		
At amortized cost	**6,894**	3,038
At fair value through profit or loss	**40**	17
	6,934	3,055
	$ 7,033	$ 6,330

NET OTHER INVESTMENT INCOME (LOSS)

The following table presents the breakdown of investment income and loss by classification of financial assets and liabilities.

For the years ended December 31	2023			2022 Restated (Note 2)		
	Net Interest and dividend income	Change in fair value and other	Total	Net interest and dividend income	Change in fair value and other	Total
Net other investment income (loss) on financial assets and liabilities						
Classified as at fair value through profit or loss	**$ (246)**	**$ 362**	**$ 116**	$ (118)	$ (293)	$ (411)
Designated as at fair value through profit or loss	**—**	**(45)**	**(45)**	20	10	30
Classified as at fair value through other comprehensive income	**33**	**(82)**	**(49)**	—	(88)	(88)
At amortized cost and other	**(510)**	**2**	**(508)**	(33)	2	(31)
	$ (723)	**$ 237**	**$ (486)**	$ (131)	$ (369)	$ (500)

NOTE 28 – INCOME TAXES ON SURPLUS EARNINGS

INCOME TAXES ON SURPLUS EARNINGS FOR THE YEAR

The income tax expense recognized in the Combined Financial Statements for the years ended December 31 is detailed as follows:

	2023	2022 Restated (Note 2)
Combined Statements of Income		
Current income taxes		
Current income tax expense on surplus earnings	**$ 708**	$ 739
Adjustments for current tax of prior years	**(46)**	14
Current tax recovery on remuneration on capital stock	**(78)**	(69)
Tax recovery on member dividends	**(108)**	(106)
	476	578
Deferred income taxes		
Origination and reversal of temporary differences	**(54)**	(343)
Change in tax rates	**—**	1
Adjustments for deferred tax of prior years	**27**	(23)
	(27)	(365)
	$ 449	$ 213
Combined Statements of Comprehensive Income		
Current income taxes	**$ 134**	$ (355)
Deferred income taxes	**8**	(247)
	142	(602)
Total income tax expense	**$ 591**	$ (389)

Income taxes on surplus earnings presented in the Combined Statements of Income for the years ended December 31 are detailed as follows:

	2023	2022 Restated (Note 2)
Income taxes on surplus earnings	**$ 557**	$ 319
Tax recovery on member dividends	**(108)**	(106)
Income taxes on surplus earnings	**$ 449**	$ 213

TAX RATE RECONCILIATION

The income tax expense on surplus earnings recognized in the Combined Statements of Income for the years ended December 31 differs from the income tax expense determined using the Canadian statutory rate for the following reasons:

	2023	2022 Restated (Note 2)
Income taxes at the combined Canadian federal and provincial statutory rate of 26.67% (26.80% in 2022)	**$ 751**	$ 418
Tax recovery on member dividends	**(108)**	(106)
Small business deduction	**(7)**	(7)
Non-taxable investment income and other items	**(116)**	(27)
Change in tax rates	**—**	1
Non-deductible expenses	**17**	17
Adjustment for current and deferred tax of prior years	**(19)**	(9)
Current tax recovery on remuneration on capital stock	**(78)**	(69)
Other	**9**	(5)
	$ 449	$ 213

NOTE 28 – INCOME TAXES ON SURPLUS EARNINGS *(continued)*

DEFERRED INCOME TAXES

The deferred income tax sources are as follows:

	Combined Balance Sheets		Combined Statements of Income	
	As at December 31, 2023	As at December 31, 2022 Restated (Note 2)	**2023**	2022 Restated (Note 2)
Deferred tax assets				
Lease liabilities	**$ 146**	$ 162	**$ 16**	$ (7)
Insurance and reinsurance contract assets / liabilities	**100**	—	**(145)**	—
Allowance for credit losses	**196**	200	**4**	(6)
Net defined benefit plan liabilities	**228**	170	**69**	15
Tax losses[1]	**434**	410	**(22)**	(201)
Securities and other financial instruments	**174**	485	**9**	(33)
Investment contract liabilities	**—**	33	**33**	(23)
Other	**125**	115	**21**	(47)
	$ 1,403	$ 1,575	**$ (15)**	$ (302)
Deferred tax liabilities				
Property, plant and equipment, intangible assets and investment property	**$ 265**	$ 156	**$ 5**	$ 34
Right-of-use assets	**135**	152	**(17)**	4
Insurance and reinsurance contract assets / liabilities	**—**	45	**—**	(101)
Net defined benefit plan assets	**11**	178	**—**	—
	411	531	**(12)**	(63)
Net deferred income tax assets (liabilities)	**$ 992**	$ 1,044	**$ (27)**	$ (365)

(1) The recognition of the deferred tax asset arising from tax losses is supported by sufficient future taxable income against which such losses can be used.

For the purposes of presenting the Combined Balance Sheets, deferred tax assets and liabilities are measured by legal entities and presented as follows:

	As at December 31, 2023	As at December 31, 2022 Restated (Note 2)
Deferred tax assets[1]	**$ 1,244**	$ 1,267
Deferred tax liabilities[1]	**252**	223
	$ 992	$ 1,044

(1) Deferred income taxes will reverse mainly in the long term.

The amount of deductible temporary differences, tax losses without expiry dates, and tax credits for which no deferred tax assets have been recognized in the Combined Balance Sheets was $108 million ($111 million as at December 31, 2022).

NOTE 29 – COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

COMMITMENTS AND GUARANTEES

In the normal course of operations, Desjardins Group uses credit instruments and off-balance sheet guarantees to meet the financing needs of its members and clients. The following table shows the contractual amount of commitments as well as the maximum potential amount of future payments under the guarantees that Desjardins Group granted to third parties. The maximum credit risk associated with commitments corresponds to the full amount of additional credit that Desjardins Group could be required to grant if commitments were entirely used. The maximum credit risk associated with guarantees corresponds to the maximum cash outflows that Desjardins Group could be required to make in the event of a complete default by the parties to the guarantees, without taking into account the amounts it could possibly recover through collateral held, insurance policies or other credit risk mitigation methods. These commitments and guarantees do not necessarily represent future cash requirements since many of these instruments will expire or terminate without being funded. In both cases, the maximum risk of loss is substantially greater than the amount recognized in the Combined Balance Sheets.

The amounts shown in the following table represent the maximum exposure to credit risk for financial instruments whose maximum risk differs from the value recognized. Other financial instruments presented in the Combined Balance Sheets expose Desjardins Group to a credit risk. For such instruments, the maximum exposure to credit risk is equal to their carrying amount.

	As at December 31, 2023	As at December 31, 2022
Commitments		
Credit commitments	**$ 131,048**	$ 124,533
Indemnification commitments related to securities lending	**2,875**	3,385
Documentary letters of credit	**17**	18
Guarantees		
Guarantees and standby letters of credit	**2,281**	1,510

Credit commitments

Credit commitments represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. The primary purpose of these instruments is to ensure that members and clients have funds available, when necessary, for variable maturity terms and under specific conditions.

Indemnification commitments related to securities lending

As part of its asset custody operations, Desjardins Group enters into securities lending agreements with clients. Desjardins Group makes indemnification commitments to certain clients who lend securities to ensure that the fair value of the securities lent will be reimbursed in the event that the borrower does not return the borrowed securities and the fair value of assets held as collateral is insufficient to cover the fair value of the securities lent. These commitments usually mature before being used.

The borrower must secure the loan at all times with marketable securities generally issued by the federal or provincial governments and representing 102% of the contractual amount. There is a risk of loss if the borrower defaults on its commitments and the value of the collateral is not adequate to cover the amount of the loan. To limit this risk, the value of the collateral pledged by the borrower is adjusted on a daily basis, which ensures a sufficient coverage.

Documentary letters of credit

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

Guarantees and standby letters of credit

Guarantees and standby letters of credit represent irrevocable commitments by Desjardins Group to make payments in the event that a member or client cannot meet financial or performance obligations to third parties. Desjardins Group's policy with respect to collateral received for these instruments is generally the same as for loans. Guarantees and standby letters of credit for which payment depends on meeting a performance obligation are considered non-financial guarantees as the payment does not depend on a credit default on a debt security. Other guarantees and standby letters of credit are financial guarantees.

Other indemnification agreements

In the normal course of its operations, Desjardins Group enters into agreements containing indemnification provisions. These indemnifications are normally related to acquisition, disposal, service and lease contracts, clearing agreements and contracts entered into with directors or officers. Under these agreements, Desjardins Group may be liable for indemnifying a counterparty if certain events occur, such as amendments to statutes and regulations (including tax rules) as well as to disclosed financial positions, the existence of undisclosed liabilities, and losses resulting from third-party activities or as a result of third-party litigation. The indemnification provisions vary from one contract to the next. In several cases, no predetermined amount or limit is stated in the contract, and future events that would trigger a payment are difficult to foresee. Therefore, the maximum amount that Desjardins Group could be required to pay counterparties cannot be estimated. In the past, payments made under these indemnification agreements have been immaterial.

NOTE 29 – COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES *(continued)*

ASSETS PLEDGED AND HELD AS COLLATERAL

In the normal course of its operations, Desjardins Group enters into asset pledge agreements and receives from its members and clients assets as collateral that it is permitted to sell or repledge in the absence of default in accordance with the standardized terms and conditions for these types of transactions. Following are examples of terms and conditions for assets pledged as collateral:

- The risks and rewards of the assets pledged as collateral accrue to the borrower;
- Additional collateral is required when the market value of the transaction exceeds the threshold agreed upon with the borrower;
- The creditor's right to sell the assets or repledge them depends on the agreement under which the assets have been pledged as collateral;
- The assets pledged as collateral are returned to the borrower when mandatory terms and conditions are met. When the creditor is permitted to sell or repledge an asset held as collateral, a comparable asset is returned to the borrower.

The following table shows the carrying amount of Desjardins Group's financial assets pledged as collateral for liabilities or contingent liabilities as well as the fair value of assets from third parties held as collateral or repledged.

	As at December 31, 2023	As at December 31, 2022 Restated (Note 2)
Desjardins Group's financial assets pledged as collateral:		
Cash and deposits with financial institutions	**$ 458**	$ 589
Securities	**12,625**	21,507
Loans	**29,601**	26,681
	42,684	48,777
Assets from third parties:		
Assets held as collateral that may be sold or repledged	**23,176**	23,667
Less: Assets not sold or not repledged	**451**	1,980
	22,725	21,687
	$ 65,409	$ 70,464
Use of assets:		
Transactions involving commitments related to securities sold under repurchase agreements and securities lent and borrowed	**$ 20,851**	$ 30,670
Transactions involving commitments related to securities sold short	**11,716**	9,972
Securitization transactions	**14,440**	13,767
Covered bonds	**15,452**	13,216
Transactions on derivative financial instruments	**1,107**	603
Clearing systems, payment systems and depositories[1]	**1,263**	1,523
Transactions related to insurance contract liabilities[2]	**394**	533
Caisse network money supply from the Bank of Canada	**186**	180
	$ 65,409	$ 70,464

(1) In the normal course of its operations, Desjardins Group must pledge intraday collateral to the Bank of Canada for the use of the Large Value Transfer System. Such collateral is excluded as it is released back at the end of the daily settlement cycle.

(2) Represent securities pledged as collateral in connection with the reinsurance treaty that transferred, at the date of acquisition, the property and casualty insurance contract liabilities of the Canadian businesses of State Farm to Desjardins Group.

PRIVACY BREACH

On June 14, 2022, the Superior Court of Québec had approved the settlement agreement between Desjardins Group and the plaintiffs after class actions had been filed in connection with the privacy breach announced in June 2019. During the year ended December 31, 2023, the compensation payable under this settlement agreement related to loss time has been paid. The Combined Financial Statements reflect the financial impact of this settlement.

LITIGATION

In the normal course of its business, Desjardins Group is involved in various litigation matters and legal proceedings. It is not currently possible to predict the outcome of certain of these litigation matters and legal proceedings, the timing of such outcomes, or the potential impact on Desjardins Group's financial position. In management's opinion, the fair value of the contingent liabilities resulting from such litigation matters and legal proceedings, to the extent that it can be measured, could have an impact on Desjardins Group's profit or loss for a specific period, but would not have a significant adverse impact on its financial position.

NOTE 30 – FINANCIAL INSTRUMENT RISK MANAGEMENT

Desjardins Group is exposed to different types of financial instrument risks in the normal course of operations, such as credit risk, market risk and liquidity risk. The manner in which Desjardins Group assesses these risks as well as the objectives, policies and methods it uses to manage them are presented in Section 4.0, “Risk Management”, of the Management’s Discussion and Analysis. The shaded areas and tables marked with an asterisk (*) presented in that section are an integral part of these Combined Financial Statements. In addition, information on credit risk related to the recognition and measurement of expected credit losses are presented in these Combined Financial Statements, mainly in Note 2, “Accounting policies”, and in Note 8, “Loans and allowance for credit losses”.

CONTRACTUAL MATURITIES OF ON-BALANCE SHEET ITEMS AND OFF-BALANCE SHEET COMMITMENTS

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

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

Note 17, “Insurance and reinsurance contracts”, provides additional information on the contractual maturities of reinsurance contract assets and insurance contract liabilities.

NOTE 30 – FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

CONTRACTUAL MATURITIES OF ON-BALANCE SHEET ITEMS AND OFF-BALANCE SHEET COMMITMENTS *(continued)*

As at December 31, 2023	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No stated maturity	Total
Assets										
Cash and deposits with financial institutions	$ 7,388	$ 1,593	$ —	$ —	$ —	$ —	$ —	$ —	$ 6	$ 8,987
Securities										
Securities at fair value through profit or loss[1]	214	372	1,139	1,256	1,207	2,860	5,509	19,223	4,847	36,627
Securities at fair value through other comprehensive income[1]	867	1,658	1,682	1,473	1,468	8,221	22,192	12,619	1,512	51,692
Securities at amortized cost	1	—	—	—	1	1	6	37	—	46
Securities borrowed or purchased under reverse repurchase agreements	10,613	1,689	1,376	—	—	—	—	—	—	13,678
Loans										
Residential mortgages[2]	3,207	4,698	7,864	4,991	6,530	34,523	93,329	3,693	7,023	165,858
Consumer, credit card and other personal loans[2]	39	72	163	161	205	1,069	4,646	8,499	9,385	24,239
Business and government[2]	22,160	6,613	5,726	4,609	6,493	8,547	12,831	2,255	7,784	77,018
Allowance for credit losses	—	—	—	—	—	—	—	—	(1,180)	(1,180)
Segregated fund net assets	—	—	—	—	—	—	—	—	24,754	24,754
Derivative financial instruments	249	364	649	349	434	1,229	2,386	201	—	5,861
Amounts receivable from clients, brokers and financial institutions	2,345	19	—	—	—	—	—	—	437	2,801
Reinsurance contract assets	7	70	60	49	46	152	319	834	139	1,676
Right-of-use assets	—	—	—	—	—	—	—	—	476	476
Investment property	—	—	—	—	—	—	—	—	974	974
Property, plant and equipment	—	—	—	—	—	—	—	—	1,549	1,549
Goodwill	—	—	—	—	—	—	—	—	563	563
Intangible assets	—	—	—	—	—	—	—	—	1,186	1,186
Investments in companies accounted for using the equity method	—	—	—	—	—	—	—	—	1,477	1,477
Net defined benefit plan assets	—	—	—	—	—	—	—	—	46	46
Deferred tax assets	—	—	—	—	—	—	—	—	1,244	1,244
Other assets – Other	1,079	438	277	38	31	12	35	3	1,455	3,368
Total assets	$ 48,169	$ 17,586	$ 18,936	$ 12,926	$ 16,415	$ 56,614	$141,253	$ 47,364	$ 63,677	$422,940

For footnotes see next page.

NOTE 30 – FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

CONTRACTUAL MATURITIES OF ON-BALANCE SHEET ITEMS AND OFF-BALANCE SHEET COMMITMENTS *(continued)*

As at December 31, 2023	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No stated maturity	Total
Liabilities and equity										
Deposits										
Individuals[3]	$ 4,911	$ 6,288	$ 17,222	$ 6,685	$ 9,348	$ 19,596	$ 16,631	$ 422	$ 70,416	$151,519
Business and government[3]	19,455	8,816	4,469	2,587	4,254	9,712	21,016	5,585	51,325	127,219
Deposit-taking institutions[3]	314	1	5	7	7	3	—	—	254	591
Insurance contract liabilities	869	803	812	692	665	2,159	4,771	18,508	3,682	32,961
Commitments related to securities sold short[4]	69	72	623	99	66	817	3,691	6,229	20	11,686
Commitments related to securities lent or sold under repurchase agreements	11,681	351	—	—	—	—	—	—	—	12,032
Derivative financial instruments	510	480	653	393	441	1,422	2,487	240	—	6,626
Amounts payable to clients, brokers and financial institutions	5,056	2	—	—	—	—	—	—	4,292	9,350
Lease liabilities	7	12	17	20	18	66	169	244	—	553
Reinsurance contract liabilities	—	—	1	1	1	1	4	30	—	38
Segregated fund net liabilities for investment contracts	—	—	—	—	—	—	—	—	21,233	21,233
Net defined benefit plan liabilities	—	—	—	—	—	—	—	—	867	867
Deferred tax liabilities	—	—	—	—	—	—	—	—	252	252
Other liabilities	3,461	1,766	1,181	427	333	488	837	156	2,020	10,669
Subordinated notes	—	—	—	—	—	—	—	2,954	—	2,954
Total equity – Other	—	—	—	—	—	—	—	—	34,390	34,390
Total liabilities and equity	$ 46,333	$ 18,591	$ 24,983	$ 10,911	$ 15,133	$ 34,264	$ 49,606	$ 34,368	$188,751	$422,940
Off-balance sheet commitments										
Credit commitments[5]	$ 1,050	$ 1,046	$ 1,580	$ 1,739	$ 1,133	$ 4,886	$ 13,375	$ 774	$105,465	$131,048
Indemnification commitments related to securities lending	—	—	—	—	—	—	—	—	2,875	2,875
Documentary letters of credit	3	2	9	1	1	1	—	—	—	17
Guarantees and standby letters of credit	199	259	483	754	444	58	40	40	4	2,281

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

NOTE 30 – FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

CONTRACTUAL MATURITIES OF ON-BALANCE SHEET ITEMS AND OFF-BALANCE SHEET COMMITMENTS *(continued)*

As at December 31, 2022 Restated (Note 2)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No stated maturity	Total
Assets										
Cash and deposits with financial institutions	$ 7,900	$ 974	$ —	$ —	$ —	$ —	$ —	$ —	$ 39	$ 8,913
Securities										
Securities at fair value through profit or loss[1]	108	866	1,064	902	788	2,252	5,931	16,563	5,513	33,987
Securities at fair value through other comprehensive income[1]	554	1,646	1,613	1,640	869	5,792	24,093	14,986	65	51,258
Securities at amortized cost	—	—	—	—	1	1	6	42	—	50
Securities borrowed or purchased under reverse repurchase agreements	13,766	970	2,288	—	—	—	—	—	—	17,024
Loans										
Residential mortgages[2]	2,438	3,102	6,683	6,622	8,303	18,951	99,544	7,015	7,024	159,682
Consumer, credit card and other personal loans[2]	55	84	168	199	241	1,156	4,841	8,222	9,245	24,211
Business and government[2]	17,166	5,922	5,697	5,028	5,668	6,042	11,878	2,335	7,076	66,812
Allowance for credit losses	—	—	—	—	—	—	—	—	(1,035)	(1,035)
Segregated fund net assets	—	—	—	—	—	—	—	—	21,356	21,356
Clients' liability under acceptances	25	—	—	—	—	—	—	—	—	25
Derivative financial instruments	274	539	758	300	493	1,259	1,894	206	—	5,723
Amounts receivable from clients, brokers and financial institutions	2,771	5	—	—	—	—	—	—	710	3,486
Reinsurance contract assets	19	65	71	61	60	167	346	751	82	1,622
Right-of-use assets	—	—	—	—	—	—	—	—	543	543
Investment property	—	—	—	—	—	—	—	—	929	929
Property, plant and equipment	—	—	—	—	—	—	—	—	1,587	1,587
Goodwill	—	—	—	—	—	—	—	—	157	157
Intangible assets	—	—	—	—	—	—	—	—	663	663
Investments in companies accounted for using the equity method	—	—	—	—	—	—	—	—	1,465	1,465
Net defined benefit plan assets	—	—	—	—	—	—	—	—	679	679
Deferred tax assets	—	—	—	—	—	—	—	—	1,267	1,267
Other assets - Other	836	772	239	14	16	12	31	—	1,620	3,540
Total assets	$ 45,912	$ 14,945	$ 18,581	$ 14,766	$ 16,439	$ 35,632	$148,564	$ 50,120	$ 58,985	$403,944

For footnotes see next page.

NOTE 30 – FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

CONTRACTUAL MATURITIES OF ON-BALANCE SHEET ITEMS AND OFF-BALANCE SHEET COMMITMENTS *(continued)*

As at December 31, 2022 Restated (Note 2)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	No stated maturity	Total
Liabilities and equity										
Deposits										
Individuals[3]	$ 3,627	$ 3,817	$ 8,936	$ 6,750	$ 9,148	$ 19,852	$ 15,422	$ 260	$ 77,565	$ 145,377
Business and government[3]	11,216	8,919	4,938	2,447	2,845	8,220	19,852	3,963	51,772	114,172
Deposit-taking institutions[3]	61	12	7	4	3	6	2	—	192	287
Insurance contract liabilities	830	831	910	827	814	2,111	4,634	15,498	3,747	30,202
Acceptances	25	—	—	—	—	—	—	—	—	25
Commitments related to securities sold short[4]	146	1,009	331	54	45	1,114	2,944	4,208	8	9,859
Commitments related to securities lent or sold under repurchase agreements	23,994	571	—	—	—	—	—	—	—	24,565
Derivative financial instruments	131	387	753	311	579	1,672	2,428	430	—	6,691
Amounts payable to clients, brokers and financial institutions	4,846	4	—	—	—	—	—	—	4,128	8,978
Lease liabilities	6	12	18	21	19	69	189	288	—	622
Reinsurance contract liabilities	—	1	1	1	1	2	4	26	—	36
Segregated fund net liabilities for investment contracts	—	—	—	—	—	—	—	—	17,826	17,826
Net defined benefit plan liabilities	—	—	—	—	—	—	—	—	654	654
Deferred tax liabilities	—	—	—	—	—	—	—	—	223	223
Other liabilities	3,074	947	857	324	268	393	674	333	2,222	9,092
Subordinated notes	—	—	—	—	—	—	—	2,928	—	2,928
Total equity	—	—	—	—	—	—	—	—	32,407	32,407
Total liabilities and equity	$ 47,956	$ 16,510	$ 16,751	$ 10,739	$ 13,722	$ 33,439	$ 46,149	$ 27,934	$ 190,744	$ 403,944
Off-balance sheet commitments										
Credit commitments[5]	$ 1,223	$ 93	$ 574	$ 866	$ 885	$ 6,053	$ 10,994	$ 773	$ 103,072	$ 124,533
Indemnification commitments related to securities lending	—	—	—	—	—	—	—	—	3,385	3,385
Documentary letters of credit	5	1	3	4	5	—	—	—	—	18
Guarantees and standby letters of credit	267	263	393	217	235	43	42	1	49	1,510

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

NOTE 31 – SEGMENTED INFORMATION

Desjardins Group's financial reporting is grouped by activities, which are defined based on the needs of its members and clients and the markets in which Desjardins Group operates and reflect Desjardins Group's internal management method. Accordingly, Desjardins Group's financial results are grouped in three business segments, namely Personal and Business Services, Wealth Management and Life and Health Insurance, and Property and Casualty insurance, plus an "Other" category. Some changes were made to operating segments to reflect management's decisions on how each segment is managed. The main change relates to the activities of the networks specialized in wealth management of Desjardins Securities Inc., which were previously reported in the Personal and Business Services segment and are now reported in the Wealth Management and Life and Health Insurance segment. Comparative figures have been restated to reflect the reclassifications.

The Personal and Business Services segment offers Desjardins Group's members and clients a comprehensive, integrated offering designed to meet the needs of individuals, businesses, institutions, not-for-profit organizations and cooperatives through the Desjardins caisse network, the Desjardins Business centres as well as specialized teams. This offering meets a range of needs including day-to-day transactions, financing, specialty services, access to capital markets, development capital and business ownership transfers and advice and, through its distribution network, life and health and property and casualty insurance products. This segment also offers its products and services through complementary distribution networks and mortgage representatives, by phone, online and via applications for mobile devices, as well as ATMs.

The Wealth Management and Life and Health Insurance segment provides various categories of service offerings aimed at increasing the wealth of members and clients of Desjardins Group and helping them protect their financial security. These offerings are intended for individuals or businesses, while group insurance or savings plans meet the needs of employees through their businesses or those of individuals who are part of any other group. This segment designs several lines of life and health insurance protection and savings and investment products. In addition to its own products and services, it distributes external savings and investment products as well as securities and private management products. This segment also includes asset management for institutional clients. Its products and services are distributed through employees of the Desjardins caisse network and Desjardins Business centres, financial security advisors, investment advisors, private managers, exclusive agents, independent partners, actuarial consulting firms and group plan representatives. Certain product lines are also distributed online, via applications for mobile devices and through client care centres. Since the first quarter of 2023, this segment has also included the operations of Worldsource, which is specialized in independent insurance, mutual fund and securities distribution activities, following its acquisition.

The Property and Casualty Insurance segment offers insurance products allowing members and clients of Desjardins Group to protect themselves against the impact of a disaster. It includes the activities of Desjardins General Insurance Group Inc. Its products are distributed through property and casualty insurance agents in the Desjardins caisse network and in several client contact centres and Desjardins Business centres, through a network of exclusive agents in the field in Québec and outside Québec, online and via applications for mobile devices.

The "Other" category includes financial information that is not specific to any particular business segment. It primarily includes treasury activities and activities related to financial intermediation between surplus liquidity and the liquidity needs of the caisses. This category also includes the results of the support functions provided by the Federation to Desjardins Group. It also includes Desjardins Technology Group Inc., which encompasses all of Desjardins Group's IT operations. In addition to various adjustments necessary to prepare the Combined Financial Statements, the intersegment balance eliminations are classified in this category.

Intersegment transactions are recognized at the exchange amount, which represents the amount agreed to by the various legal entities and business units. The terms and conditions of these transactions are comparable to those offered on financial markets. The results of the main segments reflect data collected by internal financial reporting systems and are consistent with the policies applicable to the preparation of the Combined Financial Statements of Desjardins Group.

NOTE 31 – SEGMENTED INFORMATION *(continued)*

RESULTS BY BUSINESS SEGMENT

The following table provides a summary of Desjardins Group's financial results by business segment for the years ended December 31.

	Personal and Business Services		Wealth Management and Life and Health Insurance		Property and Casualty Insurance		Other		Combined	
	2023	2022 Restated (Note 2)	**2023**	2022 Restated (Note 2)	**2023**	2022 Restated (Note 2)	**2023**	2022 Restated (Note 2)	**2023**	2022 Restated (Note 2)
Net interest income	**$ 6,576**	$ 5,677	**$ 21**	$ 8	**$ —**	$ —	**$ 436**	$ 645	**$ 7,033**	$ 6,330
Net insurance service income	**—**	—	**1,000**	770	**1,049**	291	**8**	5	**2,057**	1,066
Other income	**2,210**	2,292	**2,362**	1,777	**(26)**	(33)	**(1,059)**	(1,092)	**3,487**	2,944
Total net income	**8,786**	7,969	**3,383**	2,555	**1,023**	258	**(615)**	(442)	**12,577**	10,340
Provision for credit losses	**521**	274	**5**	—	**5**	—	**(2)**	3	**529**	277
Non-interest expense	**6,702**	6,313	**2,680**	2,127	**374**	332	**(524)**	(270)	**9,232**	8,502
Operating surplus earnings	**1,563**	1,382	**698**	428	**644**	(74)	**(89)**	(175)	**2,816**	1,561
Income taxes on surplus earnings	**401**	362	**117**	115	**150**	(39)	**(111)**	(119)	**557**	319
Surplus earnings before member dividends	**1,162**	1,020	**581**	313	**494**	(35)	**22**	(56)	**2,259**	1,242
Member dividends, net of income tax recovery	**304**	297	**—**	—	**—**	—	**—**	—	**304**	297
Net surplus earnings for the year after member dividends	**$ 858**	$ 723	**$ 581**	$ 313	**$ 494**	$ (35)	**$ 22**	$ (56)	**$ 1,955**	$ 945
of which:										
Group's share	**$ 858**	$ 723	**$ 581**	$ 313	**$ 423**	$ (53)	**$ 22**	$ (56)	**$ 1,884**	$ 927
Non-controlling interests' share	**—**	—	**—**	—	**71**	18	**—**	—	**71**	18

SEGMENT ASSETS

	Personal and Business Services	Wealth Management and Life and Health Insurance	Property and Casualty Insurance	Other	Combined
As at December 31, 2023	**$ 333,597**	**$ 62,696**	**$ 13,548**	**$ 13,099**	**$ 422,940**
As at December 31, 2022 Restated (Note 2)	$ 318,997	$ 53,832	$ 12,846	$ 18,269	$ 403,944

NOTE 32 – RELATED PARTY DISCLOSURES

Desjardins Group's related parties mainly include associates, joint ventures and employee benefit plans, as well as certain entities for which the substance of the relationship indicates that they are related to Desjardins Group, including the Desjardins Funds. They also include Desjardins Group's key management personnel and close members of their family, as well as entities over which these persons exercise, directly or indirectly, control, joint control or significant influence.

TRANSACTIONS WITH DESJARDINS GROUP'S RELATED PARTIES

Transactions with Desjardins Group's related parties were entered into under terms and conditions that are similar to those offered to unrelated parties.

The main transactions are associated with fund management and custody fees. They are also associated with management income from pension plans and interest expense paid to the Desjardins Group Pension Plan.

These transactions and balances as at the reporting dates are as follows:

	2023			2022 Restated (Note 2)		
	Associates / Joint ventures	Other related parties	Total	Associates / Joint ventures	Other related parties	Total
Combined Statements of Income						
Net insurance investment income (loss)	**$ 1**	**$ 39**	**$ 40**	$ 2	$ 44	$ 46
Brokerage and investment fund services	**1**	**607**	**608**	1	635	636
Net other investment income (loss)	**—**	**20**	**20**	8	(3)	5
Other income	**15**	**62**	**77**	20	143	163
Other expenses	**(5)**	**(12)**	**(17)**	(6)	—	(6)
Combined Balance Sheets						
Securities	**$ —**	**$ 178**	**$ 178**	$ 51	$ 29	$ 80
Securities borrowed or purchased under reverse repurchase agreements	**—**	**188**	**188**	—	226	226
Loans	**151**	**31**	**182**	114	3	117
Segregated fund net assets	**—**	**2,997**	**2,997**	—	2,569	2,569
Other assets – Other	**8**	**46**	**54**	11	76	87
Deposits	**116**	**1,129**	**1,245**	97	132	229
Commitments related to securities lent or sold under repurchase agreements	**—**	**3**	**3**	—	12	12
Other liabilities – Other	**256**	**129**	**385**	3	100	103
Other						
Commitments given	**$ 117**	**$ 793**	**$ 910**	$ 142	$ 571	$ 713
Guarantees given	**34**	**154**	**188**	40	143	183
Guarantees received	**—**	**187**	**187**	—	216	216

KEY MANAGEMENT PERSONNEL COMPENSATION

Desjardins Group's key management personnel comprises the members of its Board of Directors and its Management Committee. These individuals have the authority and responsibility for planning, directing and controlling the activities of Desjardins Group. In the normal course of operations, Desjardins Group carries out financial transactions with its management personnel. In addition to the compensation paid to key management personnel, the main financial transactions also include routine financial intermediation transactions as well as wealth management, life and health insurance, and property and casualty insurance transactions with the various Desjardins Group entities. These transactions were entered into under terms and conditions that are similar to those offered to unrelated parties.

For the years ended December 31, the compensation of Desjardins Group's key management personnel was as follows:

	2023	2022
Short-term benefits	**$ 26**	$ 19
Other long-term and post-employment benefits	**12**	11
	$ 38	$ 30