Desjardins

Pillar 3 Report (unaudited)

For the period ended March 31, 2020

TABLE OF CONTENTS

2 Notes to the reader
- 2 Use of this document
- 2 Scope of this document
- 2 Caution concerning forward-looking statements
- 3 Disclosure policy

4 Overview of risk management, key prudential metrics and risk-weighted assets
- 4 Key metrics – TLAC requirements (at resolution group level) [KM2]
- 5 Overview of risk-weighted assets (RWA) [OV1]

6 Composition of capital and TLAC
- 6 Composition of regulatory capital [CC1]
- 9 Reconciliation of regulatory capital to balance sheet [CC2]
- 11 Main features of regulatory capital instruments and other TLAC-eligible instruments [CCA]

13 Credit risk
- 13 Risk-weighted assets (RWA) flow statements of credit risk exposures under IRB [CR8]

14 Leverage ratio
- 14 Summary comparison of accounting assets vs leverage ratio exposure measure [LR1]
- 14 Leverage ratio common disclosure template [LR2]

15 Liquidity
- 15 Liquidity coverage ratio (LCR) [LIQ1]

16 Other information
- 16 Pillar 3 disclosure requirements
- 18 Abbreviations
- 19 Glossary

NOTES TO THE READER

USE OF THIS DOCUMENT

The Pillar 3 Report (this document) is designed to support the transparency and disclosure of additional information on Desjardins Group's capital and risk management so that the various financial market participants can assess its risk profile and financial performance. The information disclosed in this document is unaudited.

This document should be used as a supplement to Desjardins Group's Interim Financial Reports and Annual Report. These reports, which include Desjardins Group's Combined Financial Statements as well as its MD&As, are available on its website at https://www.desjardins.com/ca/about-us/investor-relations and on the SEDAR website at https://www.sedar.com (under the *Capital Desjardins Inc.* profile). This document should also be used as a supplement to the document entitled "Additional Financial Information" of Desjardins Group, which is also available on its website.

Certain information relevant to Pillar 3 is disclosed in these documents. A reference table entitled "Information disclosed in separate reports" is presented under each regulatory requirement, when applicable. Such table outlines the Pillar 3 requirements that are not directly addressed in this document and refers the reader to the appropriate sections of separate documents.

The *Adequacy of capital base* guideline for financial services cooperatives is available on the *Autorité des marchés financiers* (AMF) website at https://lautorite.qc.ca/professionnels/institutions-de-depots-et-societes-de-fiducie/lignes-directrices (in French only). The Basel Committee requirements, from which the AMF guideline is derived, can be found at https://www.bis.org/bcbs/basel3.htm.

Unless indicated otherwise, all amounts are in Canadian dollars.

SCOPE OF THIS DOCUMENT

The financial information presented in this document relates to Desjardins Group, which is made up of the Desjardins caisses in Québec and Caisse Desjardins Ontario Credit Union Inc. (the caisses), the *Fédération des caisses Desjardins du Québec* (the Federation) and its subsidiaries, and the *Fonds de sécurité Desjardins*. The entities included in Desjardins Group's accounting scope of consolidation are presented in the "Scope of the Group" section of Note 2, "Basis of presentation and significant accounting policies", to its Annual and Interim Combined Financial Statements.

The information on capital and risks presented in this document is mainly prepared using the regulatory scope in accordance with Basel III. This scope differs from the accounting scope as investments in insurance subsidiaries are excluded from it through capital deductions. In addition, the information presented results from combining accounting and regulatory data.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Desjardins Group's public communications often include oral or written forward-looking statements. Such forward-looking statements are contained in Desjardins Group's reports and may be incorporated in other filings with Canadian regulators or in any other communications. Forward-looking statements include, but are not limited to, comments about Desjardins Group's objectives regarding financial performance, priorities, operations, the review of economic conditions and markets, as well as the outlook for the Québec, Canadian, U.S. and world economies. Such statements are typically identified by words or phrases such as "believe", "expect", "anticipate", "intend", "estimate", "plan" and "may", words and expressions of similar import, and future and conditional verbs.

By their very nature, such statements involve assumptions, uncertainties and inherent risks, both general and specific. It is therefore possible that, due to many factors, the assumptions formulated may be incorrect, or the predictions, forecasts or other forward-looking statements as well as Desjardins Group's objectives and priorities may not materialize or may prove to be inaccurate and that actual results differ materially. Although Desjardins Group believes that the expectations expressed in these forward-looking statements are reasonable and based on valid foundations, it cannot guarantee that these expectations will materialize or prove to be correct. Desjardins Group cautions readers against placing undue reliance on these forward-looking statements to make decisions since actual results, conditions, actions and future events could differ significantly from the targets, expectations, estimates or intents in the forward-looking statements, either explicitly or implicitly.

Forward-looking statements contained in Desjardins Group's reports represent the view of management only as at the date hereof, and are presented for the purpose of assisting readers in understanding and interpreting Desjardins Group's balance sheet as at the dates indicated or its results for the periods then ended, as well as its strategic priorities and objectives as contemplated as at the date hereof. These statements may not be appropriate for other purposes. Desjardins Group does not undertake to update any oral or written forward-looking statements that could be made from time to time by or on behalf of Desjardins Group, except as required under applicable securities legislation.

DISCLOSURE POLICY

Desjardins Group has a disclosure policy with respect to material financial disclosures (the Policy), which is approved by the Board of Directors and defines the control processes and internal procedures in that regard.

The main components of the Policy apply to the material financial documents of Desjardins Group and its reporting issuers, as well as to documents filed with regulatory authorities. In particular, the Policy outlines the guiding principles for disclosure that apply to these documents, including the Pillar 3 disclosures, the existence and maintenance of a process to control and validate material financial disclosures and the responsibility of the Board of Directors and senior management for implementing an effective internal control structure with respect to disclosing material information and ensuring such structure is in place.

OVERVIEW OF RISK MANAGEMENT, KEY PRUDENTIAL METRICS AND RISK-WEIGHTED ASSETS

Template KM2– Key metrics – TLAC requirements (at resolution group level)[1]

		a	b	c	d	e
	(in millions of dollars and as a percentage)	**As at March 31, 2020**	As at December 31, 2019	As at September 30, 2019	As at June 30, 2019	As at March 31, 2019
1	Total loss-absorbing capacity (TLAC) available	**$ 27,502**	$ 24,990	$ 23,667	$ 22,996	$ 22,963
2	Total RWA at the level of the resolution group	**112,856**	110,798	131,943	130,097	125,238
3	TLAC as a percentage of RWA[2] (row 1 / row 2) (%)	**24.4 %**	22.6 %	17.9 %	17.7 %	18.3 %
4	Leverage ratio exposure measure at the level of the resolution group	**$ 273,219**	$ 274,995	$ 276,308	$ 275,461	$ 270,251
5	TLAC as a percentage of leverage ratio exposure measure[2] (row 1 / row 4)	**10.1 %**	9.1 %	8.6 %	8.3 %	8.5 %
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	**yes**	yes	yes	yes	yes
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	**no**	no	no	no	no
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with Excluded Liabilities and that is recognized as external TLAC, divided by funding issued that ranks pari passu with Excluded Liabilities and that would be recognized as external TLAC if no cap was applied	**N/A**	N/A	N/A	N/A	N/A

[1] The data in this template differ from those presented in Template CC1 because they refer to the resolution group that excludes Caisse Desjardins Ontario Credit Union Inc.
[2] The AMF expects that the TLAC minimum requirements will be met as of April 1, 2022.

Template OV1 – Overview of risk-weighted assets (RWA)

		a	b	c
		RWA[1]		Minimum capital requirements[2]
	(in millions of dollars)	As at March 31, 2020	As at December 31, 2019	As at March 31, 2020
1	Credit risk (excluding counterparty credit risk – CCR)	**$ 83,756**	$ 81,953	**$ 6,700**
2	Of which: Standardized Approach (SA)	**16,717**	18,231	**1,337**
3	Of which: Internal Ratings-Based Approach (IRB)	**67,039**	63,722	**5,363**
4	Counterparty credit risk	**5,867**	4,309	**469**
5	Of which: Standardized Approach for counterparty credit risk (SA-CCR)	**5,867**	4,309	**469**
6	Of which: Internal Model Method (IMM)	**-**	-	**-**
7	Equity positions in the banking book under the market approach	**-**	-	**-**
8	Equity investments in funds – look-through approach	**-**	-	**-**
9	Equity investments in funds – mandate-based approach	**-**	-	**-**
10	Equity investments in funds – fall-back approach	**96**	112	**8**
11	Settlement risk	**-**	-	**-**
12	Securitization exposures in the banking book	**84**	151	**7**
13	Of which: Internal Ratings-Based Approach (IRB)	**-**	-	**-**
14	Of which: prudential approach (PA) based on internal ratings	**-**	-	**-**
15	Of which: Standardized Approach (SA)/simplified prudential approach (SPA)	**84**	151	**7**
16	Market risk[3]	**2,368**	3,095	**190**
17	Of which: Standardized Approach (SA)	**667**	422	**54**
18	Of which: approaches based on the Internal Model Method (IMM)	**1,701**	2,673	**136**
19	Operational risk	**13,109**	13,021	**1,048**
20	Of which: Basic Indicator Approach	**-**	-	**-**
21	Of which: Standardized Approach	**13,109**	13,021	**1,048**
22	Of which: advanced measurement approach	**-**	-	**-**
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	**8,091**	8,274	**648**
24	Floor adjustment	**2,550**	2,946	**204**
25	**Total (1 + 4 + 7 + 8 + 9 + 10 + 11 + 12 + 16 + 19 + 23 + 24)**	**$ 115,921**	$ 113,861	**$ 9,274**

(1) The RWA presented include the 6% scaling factor applied on RWA measured using the Internal Ratings-Based Approach for credit exposures.
(2) The minimum capital requirement represents 8% of risk-weighted assets.
(3) As at March 31, 2020, the simulated value at risk multiplier was reduced in the calculation of market risk in accordance with the relief measures implemented by the AMF in response to the COVID-19 pandemic.

COMPOSITION OF CAPITAL AND TLAC

Template CC1 – Composition of regulatory capital

	(in millions of dollars and as a percentage)	As at March 31, 2020	Cross-reference[1]	As at December 31, 2019	As at September 30, 2019	As at June 30, 2019	As at March 31, 2019
	Tier 1A capital instruments: Instruments and reserves						
1	Directly issued qualifying Tier 1A capital instruments (and equivalent)	**$ 4,889**	A + B	$ 4,889	$ 4,890	$ 4,888	$ 4,830
2	Qualifying reserves and undistributed surplus earnings	**22,668**	C + D	21,222	20,609	20,024	19,761
3	Accumulated amounts of other general income (and other reserves) and accumulated other comprehensive income	**460**	E	223	364	433	372
4	Directly issued capital subject to phase-out from Tier 1A regulatory capital	**154**	F	238	277	304	369
5	Tier 1 A capital instruments issued by subsidiaries and held by third parties (amount allowed in Tier 1A capital)	**-**		-	-	-	-
6	**Tier 1A capital instruments before regulatory adjustments**	**28,171**		26,572	26,140	25,649	25,332
	Tier 1A capital instruments: Regulatory adjustments						
7	Prudential valuation adjustments	**-**		-	-	-	-
8	Goodwill (net of related deferred tax liabilities)	**6**	G + H	6	3	3	3
9	Intangible assets other than mortgage servicing rights and software (net of qualifying deferred tax liabilities)	**100**	I + J	103	108	111	115
10	Deferred tax assets, excluding those arising from temporary differences (net of qualifying deferred tax liabilities)	**196**	K + L	167	135	110	97
11	Cash flow hedge reserve	**441**	M	(22)	75	116	90
12	Shortfall of allowances for expected losses[2]	**358**	Note	458	488	461	427
13	Securitization gain on sale	**-**		-	-	-	-
14	Gains and losses due to changes in the entity's own credit risk on fair valued liabilities	**-**		-	-	-	-
15	Defined benefit plan assets, after deduction of the authorized offsetting amount (net of qualifying deferred tax liabilities)	**-**		-	-	-	-
16	Investment in own Tier 1A capital instruments (if not consolidated)	**-**		-	-	-	-
17	Reciprocal cross-holdings in Tier 1A capital instruments	**39**	B	27	25	13	13
18	Investments of the "entity" in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the entity does not own more than 10% of their capital, net of qualifying short positions (amount above threshold of 10% of the entity's capital)	**-**		-	-	-	-
19	Significant investments of the "entity" in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of qualifying short positions (amount above threshold of 10% of the entity's capital)	**963**	N + O	1,253	1,101	1,298	1,337
20	Mortgage servicing rights (amount above 10% threshold)	**-**		-	-	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related deferred tax liabilities)	**-**		-	-	-	-
22	Amount exceeding the 15% threshold	**-**		-	-	-	-
23	Of which: significant investments in the Tier 1A capital of financial institutions	**-**		-	-	-	-
24	Of which: mortgage servicing rights	**-**		-	-	-	-
25	Of which: deferred tax assets arising from temporary differences	**-**		-	-	-	-
26	Other specific regulatory adjustments	**-**		-	-	-	-
27	Regulatory adjustments applied to Tier 1A capital instruments due to insufficient Tier 1B capital and Tier 2 capital to cover deductions	**334**		31	-	-	-
28	**Total regulatory adjustments to Tier 1A capital**	**2,437**		2,023	1,935	2,112	2,082
29	**Total Tier 1A capital**	**$ 25,734**		$ 24,549	$ 24,205	$ 23,537	$ 23,250

Footnotes to this table are presented on page 8.

Template CC1 – Composition of regulatory capital (continued)

	(in millions of dollars and as a percentage)	As at March 31, 2020	Cross-reference[1]	As at December 31, 2019	As at September 30, 2019	As at June 30, 2019	As at March 31, 2019
	Tier 1B capital instruments						
30	Directly issued qualifying Tier 1B capital instruments	**$ -**		$ -	$ -	$ -	$ -
31	Of which: instruments classified as equity under applicable accounting standards	**-**		-	-	-	-
32	Of which: instruments classified as liabilities under applicable accounting standards	**-**		-	-	-	-
33	Directly issued capital instruments subject to phase-out from Tier 1B capital	**-**		-	-	-	-
34	Tier 1B capital instruments (and Tier 1A instruments not included in line 5) issued by subsidiaries and held by third parties (amount allowed in Tier 1B capital)	**-**		-	-	-	-
35	Of which: instruments issued by subsidiaries and subject to phase-out	**-**		-	-	-	-
36	**Tier 1B capital before regulatory adjustments**	**-**		-	-	-	-
	Tier 1B capital: Regulatory adjustments						
37	Investments in own Tier 1B capital instruments	**-**		-	-	-	-
38	Reciprocal cross-holdings in Tier 1B capital instruments	**-**		-	-	-	-
39	Investments of the "entity" in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the entity does not own more than 10% of their issued Tier 1A capital instruments (amount above 10% threshold)	**-**		-	-	-	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	**144**	X	-	-	-	-
41	Specific regulatory adjustments	**(334)**		(31)	-	-	-
42	Regulatory adjustments applied to Tier 1B capital due to insufficient Tier 2 capital to cover deductions	**190**		31	-	-	-
43	**Total regulatory adjustments to Tier 1B capital**	**-**		-	-	-	-
44	**Total Tier 1B capital**	**-**		-	-	-	-
45	**Total Tier 1 capital (1A + 1B)**	**25,734**		24,549	24,205	23,537	23,250
	Tier 2 capital: Instruments and provisions						
46	Directly issued qualifying Tier 2 capital instruments	**25**	P	25	25	25	25
47	Directly issued capital instruments subject to phase-out from Tier 2 capital	**510**	Q	687	681	688	672
48	Tier 2 capital instruments (and Tier 1A and 1B capital instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties (amount allowed in Tier 2 capital)	**-**		-	-	-	-
49	Of which: instruments issued by subsidiaries subject to phase-out	**-**		-	-	-	-
50	Provisions	**101**	R	77	327	307	388
51	**Tier 2 capital before regulatory adjustments**	**636**		789	1,033	1,020	1,085
	Tier 2 capital: Regulatory adjustments						
52	Investments in own Tier 2 capital instruments	**-**		-	-	-	-
53	Reciprocal cross-holdings in Tier 2 capital instruments and other TLAC liabilities	**-**		-	-	-	-
54	Investments of the "entity" in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the entity does not own more than 10% of their issued Tier 1A capital instruments (amount above 10% threshold)	**-**		-	-	-	-
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of qualifying short positions)	**826**	S + T	820	820	820	820
56	Specific regulatory adjustments	**(190)**		(31)	-	-	-
57	**Total regulatory adjustments to Tier 2 capital**	**636**		789	820	820	820
58	**Total Tier 2 capital**	**-**		-	213	200	265
59	**Total capital (1A + 1B and 2)**	**25,734**		24,549	24,418	23,737	23,515
60	**Total risk-weighted assets**	**$ 115,921**		$ 113,861	$ 135,255	$ 133,272	$ 128,305

Footnotes to this table are presented on page 8.

Template CC1 – Composition of regulatory capital (continued)

	(in millions of dollars and as a percentage)	As at March 31, 2020	Cross-reference[1]	As at December 31, 2019	As at September 30, 2019	As at June 30, 2019	As at March 31, 2019
	Capital ratios and buffers						
61	Tier 1A (as a % of risk-weighted assets)	**22.2 %**		21.6 %	17.9 %	17.7 %	18.1 %
62	Tier 1 (as a % of risk-weighted assets)	**22.2**		21.6	17.9	17.7	18.1
63	Total capital (as a % of risk-weighted assets)	**22.2**		21.6	18.1	17.8	18.3
64	Entity-specific buffer requirement (capital conservation buffer + countercyclical buffer + higher loss absorbency requirement, expressed as a % of risk-weighted assets)	**3.5**		3.5	3.5	3.5	3.5
65	Of which: capital conservation buffer	**2.5**		2.5	2.5	2.5	2.5
66	Of which: entity-specific countercyclical buffer	**-**		-	-	-	-
67	Of which: higher loss absorbency requirement	**1.0**		1.0	1.0	1.0	1.0
68	Tier 1A capital (as a % of risk-weighted assets) available after meeting minimum capital requirements	**18.7**		18.1	14.6	14.3	14.8
	National minima						
69	Minimum Tier 1A capital ratio	**8.0**		8.0	8.0	8.0	8.0
70	Minimum Tier 1 capital ratio	**9.5**		9.5	9.5	9.5	9.5
71	Minimum total capital ratio	**11.5**		11.5	11.5	11.5	11.5
	Amounts below the thresholds for deduction (before risk weighting)						
72	Non-significant investments in the capital and other liabilities of other financial entities	**$ 133**	U	$ 136	$ 128	$ 134	$ 138
73	Significant investments in Tier 1A capital instruments of financial entities	**2,703**	V	2,583	2,531	2,484	2,459
74	Mortgage servicing rights (net of related tax liabilities)	**-**		-	-	-	-
75	Deferred tax assets arising from temporary differences (net of related tax liabilities)	**534**	W	726	891	913	780
	Applicable caps on the inclusion of provisions in Tier 2						
76	Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to the Standardized Approach (prior to application of cap)	**101**	R	77	327	307	388
77	Cap on inclusion of provision in Tier 2 capital under the Standardized Approach	**101**	R	77	327	307	388
78	Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to the Internal Ratings-Based Approach (prior to application of cap)	**N/A**		N/A	N/A	N/A	N/A
79	Cap on inclusion of provisions in Tier 2 capital under the Internal Ratings-Based Approach	**N/A**		N/A	N/A	N/A	N/A
	Capital instruments subject to phase-out by January 1, 2022						
80	Current cap on Tier 1A capital instruments subject to phase-out	**420**		630	630	630	630
81	Amount excluded from Tier 1A capital due to cap (excess over cap after redemptions and maturities)	**-**		-	-	-	-
82	Current cap on Tier 1B capital instruments subject to phase-out	**-**		-	-	-	-
83	Amount excluded from Tier 1B capital due to cap (excess over cap after redemptions and maturities)	**-**		-	-	-	-
84	Current cap of Tier 2 capital instruments subject to phase-out	**618**		928	928	928	928
85	Amount excluded from Tier 2 capital du to cap (excess over cap after redemptions and maturities)	**-**		-	-	-	-

(1) Cross-reference to the combined regulatory balance sheet. Refer to Template “Reconciliation of regulatory capital to balance sheet” in this report.

(2) Items considered only in regulatory capital.

Template CC2 – Reconciliation of regulatory capital to balance sheet
As at March 31, 2020

(in millions of dollars)	Balance sheet per the Combined Financial Statements	Items excluded from the scope of regulatory consolidation[1]	Balance sheet using the scope of regulatory consolidation	Including	Cross-reference to the capital table[2]
Assets					
Cash and deposits with financial institutions	$ 9,614	$ 660	$ 8,954		
Securities	62,232	27,257	34,975		
Non-significant investments in the capital of other financial institutions not exceeding regulatory thresholds				$ 133	U
Other securities				34,842	
Securities borrowed or purchased under reverse repurchase agreements	10,565	(130)	10,695		
Loans	207,122	2,847	204,275		
Significant investments in the Tier 2 capital of financial institutions				126	S
Other loans				204,149	
Allowance for credit losses	(878)	(5)	(873)		
General allowance allowed for inclusion in Tier 2 capital				(101)	R
Allowances not allowed for regulatory capital				(772)	
Segregated fund net assets	15,363	15,363	-	-	
Other assets					
Clients' liability under acceptances	82	-	82		
Premiums receivable	2,576	2,576	-		
Derivative financial instruments	6,190	362	5,828		
Amounts receivable from clients, brokers and financial institutions	4,167	37	4,130		
Reinsurance assets	1,862	1,862	-		
Right-of-use assets	579	(355)	934		
Investment property	924	911	13		
Property, plant and equipment	1,485	471	1,014		
Goodwill	121	115	6		G
Intangible assets	382	246	136		I
Deferred tax assets	854	247	607		
Deferred tax assets other than those attributable to temporary differences				280	K
Deferred tax liabilities other than those attributable to temporary differences				(84)	L
Deferred tax assets related to temporary differences exceeding the regulatory threshold corresponding to the basket of 15% of Tier 1A capital				-	
Deferred tax assets related to temporary differences not exceeding the regulatory thresholds				534	W
Deferred tax liabilities related to software and other intangible assets				(36)	J
Deferred tax liabilities related to goodwill				-	H
Other deferred tax assets				(87)	
Other				-	
Investments in associates and entities accounted for using the equity method	1,123	(3,422)	4,545		
Significant investments in the capital of other financial institutions exceeding the regulatory threshold of 10% of Tier 1A capital				91	N
Significant investments in the capital of other financial institutions exceeding the regulatory threshold corresponding to the basket of 15% of Tier 1A capital				-	
Significant investments in the capital of financial institutions not exceeding the regulatory thresholds				2,703	V
Investments in deconsolidated subsidiaries exceeding the regulatory threshold of 10% of Tier 1A capital				872	O
Investments in deconsolidated subsidiaries exceeding the regulatory threshold corresponding to the basket of 15% of Tier 1A capital				-	
Significant investments in the Tier 1B capital of other financial institutions				144	X
Significant investments in the Tier 2 capital of other financial institutions				700	T
Other adjustments related to investments				35	
Other items	2,556	806	1,750		
Total assets	$ 326,919	$ 49,848	$ 277,071		

Footnotes to this table are presented on the next page.

Template CC2 – Reconciliation of regulatory capital to balance sheet (continued)
As at March 31, 2020

(in millions of dollars)	Balance sheet per the Combined Financial Statements	Items excluded from the scope of regulatory consolidation[1]	Balance sheet using the scope of regulatory consolidation	Including	Cross-reference to the capital table[2]
Liabilities					
Deposits	$ 205,495	$ (733)	$ 206,228		
Other liabilities					
Acceptances	82	-	82		
Commitments related to securities sold short	8,901	92	8,809		
Commitments related to securities lent or sold under repurchase agreements	13,416	711	12,705		
Derivative financial instruments	3,547	163	3,384		
Amounts payable to clients, brokers and financial institutions	9,795	175	9,620		
Lease liabilities	639	(354)	993		
Insurance contract liabilities	31,819	31,819	-		
Segregated fund net liabilities	15,352	15,352	-		
Net defined benefit plan liabilities	1,384	293	1,091		
Deferred tax liabilities	409	256	153		
Other	5,731	1,293	4,438		
Liabilities of the disposal group held to be transferred	-	-	-		
Subordinated notes	1,399	-	1,399		
Subordinated notes allowed for inclusion in Tier 2 capital subject to phase out				$ 510	Q
Subordinated indebtedness not allowed for Tier 2 capital				889	
Total liabilities	297,969	49,067	248,902		
Equity					
Capital stock	5,041	-	5,041		
Permanent shares and surplus shares				154	F
Qualifying shares				25	P
Qualifying shares, permanent shares and surplus shares not allowed for Tier 1A capital				(27)	
Federation capital shares				4,850	A
Reciprocal cross-holdings in Tier 1A capital instruments				39	B
Share capital	-	-	-		
Preferred shares allowed for inclusion in Tier 1A capital				-	
Preferred shares not allowed for regulatory capital				-	
Undistributed surplus earnings	2,000	85	1,915		C
Accumulated other comprehensive income	475	15	460		E
Net unrealized gains (losses) on debt securities classified as at fair value through other comprehensive income				301	
Gains (losses) on derivative financial instruments designated as cash flow hedges				441	M
Net unrealized gains (losses) related to the overlay approach adjustment for insurance operations financial assets				(244)	
Other				(38)	
Reserves	20,753	-	20,753		D
Non-controlling interests	681	681	-		
Portion allowed for inclusion in Tier 1A capital				-	
Portion allowed for inclusion in Tier 1 capital				-	
Portion allowed for inclusion in Tier 2 capital				-	
Portion not allowed for regulatory capital				-	
Total equity	28,950	781	28,169		
Total liabilities and equity	$ 326,919	$ 49,848	$ 277,071		

(1) Include the insurance subsidiaries Desjardins General Insurance Group Inc. and Desjardins Financial Security Life Assurance Company, which are excluded from the scope of regulatory consolidation. A description of their activities can be found in section 2.3 of the MD&A, in the Desjardins Group's 2019 Annual Report.
(2) Refer to Template "Composition of regulatory capital" in this report.

Template CCA – Main features of regulatory capital instruments and other TLAC-eligible instruments

As at March 31, 2020

	Features	Qualifying shares	Qualifying shares	Permanent shares	Surplus shares	F capital shares
1	Issuer	Desjardins caisses in Québec	*Fédération des caisses Desjardins du Québec*	Desjardins caisses in Québec	Desjardins caisses in Québec	*Fédération des caisses Desjardins du Québec*
2	Unique identifier (CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	N/A	N/A	N/A
3	Governing law(s) of the instrument	Québec	Québec	Québec	Québec	Québec
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	N/A	N/A	N/A	N/A	N/A
	Regulatory treatment:					
4	Transitional Basel III rules	Tier 2 instrument	Tier 2 instrument	Tier 1A instrument	Tier 1A instrument	Tier 1A instrument
5	Post-transitional Basel III rules	Tier 2 instrument	Tier 2 instrument	Non-qualifying	Non-qualifying	Tier 1A instrument
6	Eligible at financial entity/group/group and financial entity	Entity	Entity	Entity	Entity	Entity
7	Instrument type	Qualifying shares	Qualifying shares	Capital shares	Capital shares	Capital shares
8	Amount recognized in regulatory capital (currency in thousands, as at the most recent reporting date)	$24,623	$100	$137,347	$16,968	$4,889,464 [1]
9	Par value of instrument	$5	$5	$10	$1	$10
10	Accounting classification	Equity	Equity	Equity	Equity	Equity
11	Original date of issuance	N/A	N/A	N/A	N/A	N/A
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date
14	Issuer call subject to prior approval by the AMF	No	No	No	No	No
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A
	Coupon/dividends					
17	Fixed or floating dividend/coupon	N/A	N/A	Floating	Floating	Floating
18	Coupon rate or any related index	N/A	N/A	0.5% per year	0.5% per year	4.25% per year
19	Existence of a payment stopper	N/A	N/A	Yes	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	N/A	N/A	Any discretionary power	Any discretionary power	Any discretionary power
21	Existence of step-up or other incentive to redeem	N/A	N/A	No	No	No
22	Non-cumulative or cumulative	N/A	N/A	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A
30	Writedown feature	No	No	No	No	No
31	Writedown trigger(s)	N/A	N/A	N/A	N/A	N/A
32	Full or partial writedown	N/A	N/A	N/A	N/A	N/A
33	Permanent or temporary writedown	N/A	N/A	N/A	N/A	N/A
34	If temporary writedown, description of writeup mechanism	N/A	N/A	N/A	N/A	N/A
34a	Type of subordination					
35	In the event of liquidation, position in subordination hierarchy (specify instrument type immediately senior to instrument)	Subordinated notes issued by Desjardins caisses of Québec[2]	Subordinated notes issued by Desjardins caisses of Québec[2]	Subordinated notes issued by Desjardins caisses of Québec[2]	Subordinated notes issued by Desjardins caisses of Québec[2]	Subordinated notes issued by Desjardins caisses of Québec[2]
36	Non-compliant transitioned features	No	No	Yes	Yes	No
37	If yes, specify non-compliant feature	N/A	N/A	Redemption by the issuer not limited to liquidation	Redemption by the issuer not limited to liquidation	N/A

[1] Including capital shares held by the Federation's trust fund.

[2] Subject to the amalgamation/liquidation as per the *Act respecting financial services cooperatives.*

Template CCA – Main features of regulatory capital instruments and other TLAC-eligible instruments (continued)
As at March 31, 2020

	Features	Series J Senior notes	Fixed-rate Senior notes	Medium term multicurrency notes
1	Issuer	Desjardins Capital Inc.	Fédération des caisses Desjardins du Québec	Fédération des caisses Desjardins du Québec
2	Unique identifier (CUSIP, ISIN or Bloomberg identifier for private placement)	CA 14006ZAF41	CA31430WCG74	31429KAD5 / 31429LAD3
3	Governing law(s) of the instrument	Québec	Québec, and applicable Canadian federal laws	New York (United States), except specific exceptions (Québec, and applicable Canadian federal laws)
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	N/A	N/A	Contractual
	Regulatory treatment:			
4	Transitional Basel III rules	Tier 2 instrument	N/A	N/A
5	Post-transitional Basel III rules	Non-qualifying	N/A	N/A
6	Eligible at financial entity/group/group and financial entity	Entity	Entity	Entity
7	Instrument type	Subordinated notes	Other TLAC instruments	Other TLAC instruments
8	Amount recognized in regulatory capital (currency in thousands, as at the most recent reporting date)	$499,437	Amount qualifying for TLAC purposes only	Amount qualifying for TLAC purposes only
9	Par value of instrument	$500,000,000	$1,000,000,000	US$1,000,000,000
10	Accounting classification	Liabilities – Amortized cost	Liabilities – Amortized cost	Liabilities – Amortized cost
11	Original date of issuance	December 15, 2011	October 4, 2019	February 10, 2020
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	December 15, 2026	October 4, 2024	February 10, 2025
14	Issuer call subject to prior approval by the AMF	Yes	No	No
15	Optional call date, contingent call dates and redemption amount	On any date on or after December 15, 2021, at the early redemption price	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A
	Coupon/dividends			
17	Fixed or floating dividend/coupon	Fixed, then floating	Fixed	Fixed
18	Coupon rate or any related index	4.954% per year until December 15, 2021. Afterwards, 90-day bankers' acceptance rate plus 2.67%	2.417% per year	2.05% per year
19	Existence of a payment stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step-up or other incentive to redeem	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Writedown feature	No	No	No
31	Writedown trigger(s)	N/A	N/A	N/A
32	Full or partial writedown	N/A	N/A	N/A
33	Permanent or temporary writedown	N/A	N/A	N/A
34	If temporary writedown, description of writeup mechanism	N/A	N/A	N/A
34a	Type of subordination		Exemption	Exemption
35	In the event of liquidation, position in subordination hierarchy (specify instrument type immediately senior to instrument)	Senior creditors	Pari passu with deposits	Pari passu with deposits
36	Non-compliant transitioned features	Yes	N/A	N/A
37	If yes, specify non-compliant feature	No non-viability contingent capital criteria	N/A	N/A

CREDIT RISK

Template CR8 – Risk-weighted assets (RWA) flow statements of credit risk exposures under IRB
As at March 31, 2020

		a
		RWA amounts
1	**RWA as at end of previous reporting period[1]**	**$ 63,723**
2	Asset size[2]	**1,172**
3	Asset quality[3]	**1,350**
4	Model updates[4]	**-**
5	Methodology and policy[5]	**422**
6	Acquisitions and disposals[6]	**-**
7	Foreign exchange movements[7]	**372**
8	Other	**-**
9	**RWA as at end of reporting period**	**$ 67,039**

(1) The balance differs from the balance reported as at December 31, 2019 due to a change in methodology.
(2) Increase or decrease in underlying exposures.
(3) Change in risk mitigation factors and portfolio quality.
(4) Change in models and risk parameters.
(5) Regulatory changes and developments in regulatory capital calculation methods.
(6) Change in portfolio size resulting from acquisitions and disposals of entities.
(7) Market fluctuations, such as foreign exchange movements.

LEVERAGE RATIO

Template LR1 – Summary comparison of accounting assets vs leverage ratio exposure measure

As at March 31, 2020

	(in millions of dollars)	a
1	Total consolidated assets as per published financial statements	**$ 326,919**
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(49,848)**
3	Adjustments for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	**-**
4	Adjustments for derivative financial instruments	**(1,137)**
5	Adjustments for securities financing transactions (i.e. repos and similar secured lending)	**484**
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**19,657**
7	Other adjustments[1]	**(17,576)**
8	**Leverage ratio exposure measure**	**$ 278,499**

[1] As at March 31, 2020, reserves with central banks and securities issued by sovereign states that meet the eligibility criteria for high-quality liquid assets have been excluded from the total leverage ratio exposure in accordance with the relief measures introduced by the AMF in response to the COVID-19 pandemic.

Template LR2 – Leverage ratio common disclosure template

	(in millions of dollars)	a **As at March 31, 2020**	b As at December 31, 2019
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	**$ 242,920**	$ 245,084
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	**-**	-
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)**	**242,920**	245,084
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	**4,030**	3,000
5	Add-on amounts for PFE associated with all derivatives transactions	**661**	670
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	**-**	-
7	(Deduction for receivables assets for cash variation margin provided in derivatives transactions)	**-**	-
8	(Exempted CCP leg of client-cleared trade exposures)	**-**	-
9	Adjusted effective notional amount of written credit derivatives	**-**	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**-**	-
11	**Total derivative exposures (sum of rows 4 to 10)**	**4,691**	3,670
	Securities financing transaction exposures (SFT)		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	**10,747**	10,716
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**-**	-
14	Counterparty credit risk exposure for SFT assets	**484**	934
15	Agent transaction exposures	**-**	-
16	**Total SFT exposures (sum of rows 12 to 15)**	**11,231**	11,650
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	**117,460**	115,440
18	(Adjustments for conversion to credit equivalent amounts)	**(97,803)**	(95,522)
19	**Off-balance sheet items (sum of rows 17 and 18)**	**19,657**	19,918
	Capital and total exposures		
20	Tier 1 capital	**25,734**	24,549
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**$ 278,499**	$ 280,322
	Leverage ratio		
22	Basel III leverage ratio	**9.2%**	8.8%

LIQUIDITY

Template LIQ1 – Liquidity coverage ratio (LCR)

As at March 31, 2020

		a	b
	(in millions of dollars)	Total unweighted value	Total weighted value
	High-quality liquid assets		
1	Total HQLA	**N/A**	**$ 27,785**
	Cash outflows		
2	Retail deposits and deposits from small business clients, of which:	**$ 74,759**	**4,963**
3	Stable deposits	**35,901**	**1,077**
4	Less stable deposits	**38,858**	**3,886**
5	Unsecured wholesale funding, of which:	**26,863**	**13,665**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	**7,765**	**1,856**
7	Non-operational deposits (all counterparties)	**12,659**	**5,370**
8	Unsecured debt	**6,439**	**6,439**
9	Secured wholesale funding	**N/A**	**1**
10	Additional requirements, of which:	**13,169**	**2,869**
11	Outflows related to derivative exposures and other collateral requirements	**1,289**	**1,171**
12	Outflows related to loss of funding on debt products	**76**	**76**
13	Credit and liquidity facilities	**11,804**	**1,622**
14	Other contractual funding obligations	**2,767**	**846**
15	Other contingent funding obligations	**87,964**	**2,344**
16	**Total cash outflows**	**N/A**	**$ 24,688**
	Cash inflows		
17	Secured lending (eg reverse repos)	**7,133**	**115**
18	Inflows from fully performing exposures	**3,886**	**1,965**
19	Other cash inflows	**377**	**377**
20	**Total cash inflows**	**$ 11,396**	**$ 2,457**
21	Total HQLA	**N/A**	**$ 27,785**
22	Total net cash outflows	**N/A**	**22,231**
23	Liquidity coverage ratio (%)	**N/A**	**125.0%**

OTHER INFORMATION

PILLAR 3 DISCLOSURE REQUIREMENTS

	Templates and tables	Frequency	Most recent disclosure	
			Report[1]	Page
	Overview of risk management, key prudential metrics and risk-weighted assets			
KM2	Key metrics – TLAC requirements (at resolution group level)	Quarterly	This report	4
OVA	Desjardins Group's risk management approach	Annually	4th quarter of 2019	6
OV1	Overview of risk-weighted assets (RWA)	Quarterly	This report	5
	Composition of capital and TLC			
CC1	Composition of regulatory capital	Quarterly	This report	6
CC2	Reconciliation of regulatory capital to balance sheet	Quarterly	This report	9
CCA	Main features of regulatory capital instruments and other TLAC-eligible instruments	Quarterly	This report	11
TLAC1	TLAC composition (at resolution group level)	Semi-annually	4th quarter of 2019	18
TLAC3	Resolution entity – creditor ranking at legal entity level	Semi-annually	4th quarter of 2019	19
	Linkages between financial statements and regulatory exposures			
LI1	Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories	Annually	4th quarter of 2019	8
LI2	Main sources of differences between regulatory exposure amounts and carrying amounts in financial statements	Annually	4th quarter of 2019	9
LIA	Explanations of differences between accounting and regulatory exposure amounts	Annually	4th quarter of 2019	10
	Credit risk			
CRA	General information about credit risk	Annually	4th quarter of 2019	22
CR1	Credit quality of assets	Semi-annually	4th quarter of 2019	22
CR2	Changes in stock of defaulted loans and debt securities	Semi-annually	4th quarter of 2019	23
CRB	Additional disclosure related to the credit quality of assets	Annually	4th quarter of 2019	23
CRC	Qualitative disclosure requirements related to credit risk mitigation (CRM) techniques	Annually	4th quarter of 2019	25
CR3	Credit risk mitigation (CRM) techniques – overview	Semi-annually	4th quarter of 2019	25
CRD	Qualitative disclosures on the Desjardins Group’s use of external credit ratings under the standardized approach for credit risk	Annually	4th quarter of 2019	25
CR4	Standardized approach – credit risk exposure and credit risk mitigation (CRM) effects	Semi-annually	4th quarter of 2019	26
CR5	Standardized approach – exposures by asset classes and risk weights	Semi-annually	4th quarter of 2019	27
CRE	Qualitative disclosures related to IRB models	Annually	4th quarter of 2019	28
CR6	IRB – credit risk exposures by portfolio and probability of default (PD) scale	Semi-annually	4th quarter of 2019	29
CR7	IRB – effect on risk-weighted assets (RWA) of credit derivatives used as credit risk mitigation (CRM) techniques	Semi-annually	Desjardins Group does not use the effect of credit derivatives in the IRB method.	
CR8	Risk-weighted assets (RWA) flow statements of credit risk exposures under IRB	Quarterly	This report	13
CR9	IRB – backtesting of probability of default (PD) per portfolio	Annually	4th quarter of 2019	33
CR10	IRB – specialized lending and equities under the simple risk weight method	Semi-annually	Desjardins Group does not use the IRB Approach for specialized lending and equities.	

[1] Indicates the most recent Pillar 3 Report in which the required disclosures were made.

PILLAR 3 DISCLOSURE REQUIREMENTS (continued)

	Templates and tables	Frequency	Most recent disclosure	
			Report[1]	Page
	Counterparty credit risk			
CCRA	Qualitative disclosure related to counterparty credit risk (CCR)	Annually	4th quarter of 2019	35
CCR1	Analysis of counterparty credit risk (CCR) exposure by approach	Semi-annually	4th quarter of 2019	35
CCR2	Credit valuation adjustment (CVA) capital charge	Semi-annually	4th quarter of 2019	36
CCR3	Standardized approach – counterparty credit risk (CCR) exposures by regulatory portfolio and risk weights	Semi-annually	4th quarter of 2019	36
CCR4	IRB – counterparty credit risk (CCR) regulatory exposures by portfolio and probability of default (PD) scale	Semi-annually	4th quarter of 2019	37
CCR5	Composition of collateral for counterparty credit risk (CCR) exposure	Semi-annually	4th quarter of 2019	38
CCR6	Credit derivatives exposures	Semi-annually	4th quarter of 2019	38
CCR7	Risk-weighted assets (RWA) flow statements of counterparty credit risk (CCR) exposures under the Internal Model Method (IMM)	Quarterly	Desjardins Group does not use the IRB Approach for counterparty credit risk	
CCR8	Exposures to central counterparties (CCP)	Semi-annually	4th quarter of 2019	39
	Securitization			
SECA	Qualitative disclosure requirements related to securitization exposures	Annually	4th quarter of 2019	40
SEC1	Securitization exposures in the banking book	Semi-annually	4th quarter of 2019	41
SEC2	Securitization exposures in the trading book	Semi-annually	Desjardins Group's securitization exposure is not material	
SEC3	Securitization exposures in the banking book and associated regulatory capital requirements (financial entity acting as originator or as sponsor)	Semi-annually	Desjardins Group does not act as originator or sponsor	
SEC4	Securitization exposures in the banking book and associated regulatory capital requirements (financial entity acting as investor)	Semi-annually	4th quarter of 2019	42
	Market risk			
MRA	Qualitative disclosure requirements related to market risk	Annually	Desjardins Group has deferred the disclosure of market risk-specific information to the second phase of the implementation of Pillar 3 disclosure requirements.	
MR1	Market risk under the standardized approach	Semi-annually		
MRB	Qualitative disclosures for financial entities using the internal models approach (IMA)	Annually		
MR2	Risk-weighted assets (RWA) flow statements of market risk exposures under the internal models approach (IMA)	Quarterly		
MR3	Internal models approach (IMA) values for trading portfolios	Semi-annually		
MR4	Comparison of VaR estimates with gains/losses	Semi-annually		
	Macroprudential supervisory measures			
CCyB1	Geographical distribution of credit exposures used in the countercyclical buffer	Semi-annually	4th quarter of 2019	21
	Leverage ratio			
LR1	Summary comparison of accounting assets vs leverage ratio exposure measure	Quarterly	This report	14
LR2	Leverage ratio common disclosure template	Quarterly	This report	14
	Liquidity			
LIQ1	Liquidity coverage ratio (LCR)	Quarterly	This report	15

[1] Indicates the most recent Pillar 3 Report in which the required disclosures were made.

ABBREVIATIONS

Abbreviation	Definition	Abbreviation	Definition
AMF	Autorité des marchés financiers	**IFRS**	International Financial Reporting Standards
ARFSC	*Act respecting financial services cooperatives*	**IMM**	Internal Models Method
AT1	Additional Tier 1 capital	**IRB**	Internal Ratings-Based Approach
BCBS	Basel Committee on Banking Supervision	**IRC**	Incremental Risk Charge
BIS	Bank for International Settlements	**LCR**	Liquidity coverage ratio
CCF	Credit conversion factor	**LGD**	Loss given default
CCP	Central counterparty	**NSFR**	Net stable funding ratio
CCR	Counterparty credit risk	**OSFI**	Office of the Superintendent of Financial Institutions
CET1	Common Equity Tier 1	**PD**	Probability of default
CRM	Credit risk mitigation	**PFE**	Potential future exposure
CVA	Credit valuation adjustment	**QCCP**	Qualifying central counterparty
D-SIFI	Domestic systemically important financial institution	**QRRCE**	Qualifying revolving retail client exposures
EAD	Exposure at default	**RBA**	Ratings-based approach
ECAI	External credit assessment institution	**RWA**	Risk-weighted assets
ECL	Expected credit loss	**SA**	Standardized approach
EEPE	Effective expected positive exposure	**SFT**	Securities financing transactions
G-SIFI	Global systemically important financial institution	**SPA**	Simplified prudential approach
HQLA	High-quality liquid assets	**sVaR**	Stressed Value at Risk
HVCRE	High-volatility commercial real estate	**T2**	Tier 2 capital
IAA	Internal assessment approach	**TLAC**	Total Loss Absorbing Capacity
FSB	Financial Stability Board	**VaR**	Value at Risk

GLOSSARY

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

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

Capital ratios
Regulatory Tier 1A capital, Tier 1 capital or total regulatory capital divided by risk-weighted assets. These measures are governed by the guidelines issued by the AMF, which are based on the standards developed by the Basel Committee on Banking Supervision.

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

Counterparty and issuer risk
Credit risk related to different types of securities, derivative financial instruments and securities lending transactions.

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

Credit-impaired loan
A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated cash flows of that financial asset have occurred or when contractual payments are 90 days past due.

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

Incremental risk charge (IRC)
Additional capital charge related to default and migration risks of positions with issuer risk in trading portfolios.

Internal Models Method
Approach used to calculate, with internal models, risk-weighted assets for the four areas of market risk: interest rate risk, equity price risk, foreign exchange risk and commodity risk. The calculation is based on different risk measures, such as Value at Risk, stressed Value at Risk and the incremental risk charge (IRC).

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

Leverage ratio
Ratio calculated as the capital measure (namely Tier 1 capital) divided by the exposure measure. The exposure measure includes: 1) on-balance sheet exposures; 2) securities financing transaction exposures; 3) derivative exposures; and 4) off-balance sheet items.

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

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

GLOSSARY (continued)

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

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

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

Operational risk
Risk of inadequacy or failure attributable to processes, people, internal systems or external events and resulting in losses, failure to achieve objectives or a negative impact on reputation.

Permanent share or capital share
Equity security offered to Desjardins caisse members.

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

Regulatory capital
In accordance with the definition set out in the guideline on adequacy of capital base standards applicable to financial services cooperatives issued by the AMF, the regulatory capital under Basel III comprises Tier 1A capital, Tier 1 capital and Tier 2 capital. The composition of these various tiers is presented in the “Capital management” section of the Management's Discussion and Analysis.

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

Scaling factor
Adjustment representing 6.0% of risk assets measured using the Internal Ratings-Based Approach, applied to credit exposures in compliance with section 1.3 of the AMF guideline on adequacy of capital base standards applicable to financial services cooperatives.

Securitization
Process by which financial assets, such as mortgage loans, are converted into asset-backed securities and transferred to a trust.

Standardized Approach
- Credit risk
  Default approach used to calculate risk-weighted assets. Under this method, the entity uses valuations performed by external credit assessment institutions recognized by the AMF to determine the risk-weighting factors related to the various exposure categories.
- Market risk
  Default approach used to calculate risk-weighted assets for the four areas of market risk: interest rate risk, equity price risk, foreign exchange risk and commodity risk. The calculation is based on predefined rules such as those on the size and nature of the financial instruments held.
- Operational risk
  Risk measurement approach used to assess the capital charge for operational risk. For this measurement, activities are divided into predefined business lines for a financial institution. The capital charge is calculated by multiplying each business line’s gross income by a specific factor. The total capital charge represents the three-year average of the summation of the capital charges across each of the business lines in each year.

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

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

Value at Risk
Estimate of the potential loss over a certain period of time at a given confidence level, calculated using historical data for a one-year interval.