

Management's Discussion and Analysis

Desjardins Group (hereinafter also referred to as Desjardins) comprises the Desjardins caisses in Quebec and Caisse Desjardins Ontario Credit Union Inc. (the caisses), the Fédération des caisses Desjardins du Québec (the Federation) and its subsidiaries, and the Fonds de sécurité Desjardins.

The Management's Discussion and Analysis (MD&A) dated February 24, 2026, presents the analysis of the results of and main changes to Desjardins Group's balance sheet for the year ended December 31, 2025, in comparison with prior fiscal years. Desjardins Group reports financial information in compliance with *Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings* (Regulation 52-109) prescribed by the Canadian Securities Administrators (CSA). Unlike the Federation, Desjardins Group is not a reporting issuer, on a combined basis, under this or any other applicable securities regulations. Pursuant to Decision No. 2021-FS-0091 of the Autorité des marchés financiers (AMF) dated April 23, 2021, the Combined Financial Statements and MD&As of Desjardins Group are to be filed by the Federation instead of the Consolidated Financial Statements and MD&As of the Federation, in order to meet its financial disclosure obligations as a reporting issuer under *Regulation 51-102 respecting Continuous Disclosure Obligations* of the CSA, and the Federation is to maintain controls and procedures with respect to the Combined Financial Statements and MD&As of Desjardins Group in compliance with Regulation 52-109. Since April 23, 2021, and pursuant to the AMF and CSA decision, the Federation has used the financial statements and MD&As of Desjardins Group for all relevant purposes under the applicable securities regulations. Information on the controls and procedures with respect to the Combined Financial Statements and MD&As of Desjardins Group may be found in Section 5.0, "Additional information," of this MD&A.

The MD&A should be read in conjunction with Desjardins Group's Combined Financial Statements, including the Notes thereto, as at December 31, 2025.

Additional information about Desjardins Group is available on the SEDAR+ website at www.sedarplus.com (under the Fédération des caisses Desjardins du Québec profile). The Annual Information Form of the Federation can be found there as well. More information is available on the Desjardins website at www.desjardins.com/ca/about-us/investor-relations. None of the information presented on these sites is incorporated by reference into this MD&A.

This MD&A was prepared in accordance with the regulations in force on continuous disclosure regulations issued by the CSA. Unless otherwise indicated, all amounts are presented in Canadian dollars (\$) and are primarily from Desjardins Group's Combined Financial Statements. These statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and the accounting requirements of the AMF in Quebec, which do not differ from IFRS. IFRS represent Canadian generally accepted accounting principles (GAAP). Certain comparative figures have been reclassified to conform with the presentation of the Combined Financial Statements for the current year. The reclassifications have had no impact on Desjardins Group's results or total assets and liabilities.

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CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Desjardins Group's public communications from time to time include oral or written forward-looking statements, within the meaning of applicable securities legislation, particularly in Quebec, Canada and the United States. Forward-looking statements are found in this MD&A and may also be incorporated in other filings with Canadian regulators or in any other communications. In addition, Desjardins Group's representatives may make oral forward-looking statements to investors, the media and other parties.

The forward-looking statements include, but are not limited to, comments on Desjardins Group's objectives regarding financial performance, priorities, vision, operations, targets and commitments, its strategies to achieve them, its results and its financial position, economic as well as financial market conditions, the outlook for the Quebec, Canadian, U.S. and global economies, and the regulatory environment in which we operate. Such forward-looking statements are typically identified by words or phrases such as "target," "objective," "timing," "outlook," "believe," "predict," "foresee," "expect," "intend," "have as a goal," "estimate," "plan," "forecast," "anticipate," "aim," "propose," "should" and "may," words and expressions of similar import, and future and conditional verbs, in all their grammatical variants.

By their very nature, such statements require us to make assumptions, and are subject to uncertainties and inherent risks, both general and specific. Desjardins Group cautions readers against placing undue reliance on forward-looking statements when making decisions since a number of factors, many of which are beyond Desjardins Group's control and the effects of which can be difficult to predict, could influence, individually or collectively, the accuracy of the assumptions, predictions, forecasts or other forward-looking statements, including those in this MD&A. Although Desjardins Group believes that the expectations expressed in these forward-looking statements are reasonable and founded on valid bases, it cannot guarantee that these expectations will materialize or prove to be accurate. It is also possible that these assumptions, predictions, forecasts or other forward-looking statements, as well as Desjardins Group's objectives and priorities, may not materialize or may prove to be inaccurate, and that future actual results, conditions, actions or events differ materially from targets, expectations, estimates or intentions that have been explicitly or implicitly put forward. Readers who rely on these forward-looking statements must carefully consider these risk factors and other uncertainties and potential events, including the uncertainty inherent in forward-looking statements.

The significant risk factors that may affect the accuracy of the forward-looking statements in this MD&A include those discussed in Section 4.0, "Risk management," of this MD&A and, in particular, credit, market, liquidity, operational, insurance, strategic and reputation risk, environmental, social and governance risk, and regulatory risk.

Such factors also include those related to security breaches (including cybersecurity), fraud risk, fluctuations in the real estate market and household and corporate indebtedness, regulatory developments, including changes to liquidity and capital adequacy guidelines, and requirements relating to their presentation and interpretation, interest rate and exchange rate fluctuations, inflation, climate change, geopolitical uncertainty, and technological innovation, including the use of artificial intelligence and data risk. In addition, there are factors related to trade tensions with the United States and the impact that tariffs on certain Canadian exports as well as any resulting retaliatory tariffs could notably have on goods and services, businesses in certain industries, and the Canadian economy. Also of note are factors related to general economic and business conditions in regions in which Desjardins Group operates, including the risk of recession; as well as factors related to the critical accounting estimates and accounting standards applied by Desjardins Group; increased competition; geographic concentration; changes in the credit ratings assigned to Desjardins Group; reliance on third parties, including third parties' failure to fulfill their obligations to Desjardins Group; the ability to recruit and retain talent; and tax risk. Other factors include changes in consumer spending and saving habits, the potential impact of international conflicts on operations, public health crises, such as pandemics and epidemics, or any other similar events affecting the local, national or global economy, as well as Desjardins Group's ability to anticipate and properly manage the risks associated with these factors despite a disciplined risk management environment. Additional information about these factors is found in Section 4.0, "Risk management," of this MD&A.

It is important to note that the above list of factors that could influence future results is not exhaustive. Other factors could have an effect on Desjardins Group's results. Additional information on these and other factors is found in Section 4.0, "Risk management," of this MD&A.

The significant economic assumptions underlying the forward-looking statements in this document are described in Section 1.5, "Economic environment and outlook," of this MD&A and can be updated in the quarterly MD&As filed thereafter. To determine economic growth forecasts in general, and for the financial services sector in particular, Desjardins Group mainly uses historical economic data provided by recognized and reliable organizations, empirical and theoretical relationships between economic and financial variables, expert judgment and observed upside and downside risks for the domestic and global economies.

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

NON-GAAP AND OTHER FINANCIAL MEASURES

To measure its performance, Desjardins Group uses different GAAP (IFRS) financial measures and various other financial measures, some of which are non-GAAP financial measures. *Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure* (Regulation 52-112) provides guidance to issuers disclosing specified financial measures, including those used by Desjardins Group:

- Non-GAAP financial measures.
- Non-GAAP ratios.
- Supplementary financial measures.

Non-GAAP financial measures and ratios

Non-GAAP financial measures and ratios used by Desjardins Group, and which do not have a standardized definition, are not directly comparable to similar measures used by other companies, and may not be directly comparable to any GAAP measures. Regulation 52-112 states, among other things, that any ratio with at least one non-GAAP financial measure meets the definition of a non-GAAP ratio. These non-GAAP financial measures and ratios can be useful to investors, among others, in analyzing Desjardins Group's overall performance or financial position. They are defined below.

Net interest margin

Net interest margin, which is a non-GAAP ratio, is used to measure the profitability of core interest-bearing assets, net of financing cost. It is equal to net interest income on core assets expressed as a percentage of average core interest-bearing assets.

Average interest-bearing assets and average interest-bearing liabilities are non-GAAP financial measures that reflect Desjardins Group's financial position and are used to exclude assets and liabilities not generating net interest income from average assets and average liabilities. Average interest-bearing assets consist of securities, including those borrowed or purchased under reverse repurchase agreements, cash and deposits with financial institutions, as well as loans. Average interest-bearing liabilities include deposits, subordinated notes and other interest-bearing liabilities. Average interest-bearing assets and liabilities exclude life and health insurance and property and casualty insurance assets and liabilities as well as all other assets and liabilities not generating net interest income.

Average core interest-bearing assets is a non-GAAP financial measure that is used to exclude assets related to trading activities from average interest-bearing assets, when calculating net interest margin.

Net interest income on core assets is a non-GAAP financial measure that is used to exclude net interest income generated by non-core assets from net interest income.

The table below presents the reconciliation of non-GAAP financial measures with financial measures presented in accordance with GAAP in the Combined Financial Statements and used to calculate net interest margin.

Table 1 – Net interest margin

For the years ended December 31

(in millions of dollars and as a percentage)	2025	2024
Average assets – as presented	\$ 496,448	\$ 447,745
Less: Assets not generating net interest income	96,791	88,867
Average interest-bearing assets	399,657	358,878
Less: Assets related to trading activities	39,812	32,601
Average core interest-bearing assets	\$ 359,845	\$ 326,277
Net interest income – as presented	\$ 8,279	\$ 7,471
Less: Net interest income from non-core assets	26	1
Net interest income on core assets	\$ 8,253	\$ 7,470
Net interest margin	2.29%	2.29%
Average liabilities – as presented	\$ 455,928	\$ 411,117
Less: Liabilities not generating net interest income	89,403	82,532
Average interest-bearing liabilities	366,525	328,585

Net interest margin – Personal and Business Services

The Personal and Business Services segment's net interest margin, which is a non-GAAP ratio, is used to measure the profitability of core interest-bearing assets, net of financing cost. It is equal to net interest income on core assets expressed as a percentage of average core interest-bearing assets.

Average core interest-bearing assets is a non-GAAP financial measure that reflects the Personal and Business Services segment's financial position and is used to exclude assets not generating net interest income and certain other assets from average assets, when calculating net interest margin. The Personal and Business Services segment's average core interest-bearing assets include securities, cash and deposits with financial institutions, as well as loans, and excludes assets related to trading activities as well as assets related to capital market and liquidity management activities, and all other assets not generating net interest income.

Net interest income on core assets is a non-GAAP financial measure that is used to exclude net interest income generated by non-core assets from net interest income.

The table below presents the reconciliation of non-GAAP financial measures with financial measures presented in accordance with GAAP in the Combined Financial Statements and used to calculate net interest margin for the Personal and Business Services segment.

Table 2 – Net interest margin – Personal and Business Services

For the years ended December 31

(in millions of dollars and as a percentage)	2025	2024
Average assets – as presented	\$ 379,189	\$ 342,529
Less: Assets not generating net interest income	6,775	7,352
Average interest-bearing assets	372,414	335,177
Less: Assets related to trading activities	41,056	29,041
Less: Other deductions ⁽¹⁾	55,913	54,659
Average core interest-bearing assets	\$ 275,445	\$ 251,477
Net interest income – as presented	\$ 7,759	\$ 7,134
Less: Net interest income from non-core assets	425	440
Net interest income on core assets	\$ 7,334	\$ 6,694
Net interest margin – Personal and Business Services	2.66%	2.66%

⁽¹⁾ From assets related to capital market and liquidity management activities.

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

The following non-GAAP ratios, which are net of reinsurance, are used to analyze the performance of the Property and Casualty Insurance segment and more specifically:

- Loss ratio (undiscounted): Used as a measure of business quality.
- Expense ratio: Used as a measure of the effectiveness of non-interest expense management, excluding certain items such as non-interest expense related to claims.
- Ratio of losses on onerous contracts: Used as a measure of the effect of onerous contracts on profitability.
- Combined ratio (discounted and undiscounted): Used as a measure of business profitability, excluding the effect of the net insurance finance result and certain other income.

The loss ratio is equal to the net claims expenses expressed as a percentage of net insurance revenue. Net claims expenses is a non-GAAP financial measure, which is used to exclude policy costs and acquisition costs, as well as the effect of the loss component on onerous contracts and the effect of discounting net liabilities for incurred claims, and to take into account incurred claims and costs for ceded claims.

Net insurance revenue is a non-GAAP financial measure. It is used to exclude premiums paid related to reinsurance activities and is the denominator in calculating the following ratios: loss ratio, expense ratio and ratio of losses on onerous contracts.

The loss ratio is comprised of the following ratios:

- Current year loss ratio, which is the loss ratio excluding catastrophe and major event claims expenses for the current year as well as those for changes in prior year claims, net of related reinsurance held.
- Loss ratio related to catastrophes and major events, which is the loss ratio including catastrophe and major event claims expenses for the current year, net of related reinsurance held.
- Ratio of changes in prior year claims, which is the loss ratio including changes in prior year claims, net of related reinsurance held.

The expense ratio is equal to non-interest expense, excluding non-interest expense related to claims and certain items, expressed as a percentage of net insurance revenue. Non-interest expense excluding non-interest expense related to claims and certain items is a non-GAAP financial measure. It is used to consider all expenses excluding investment management fees and certain other specific items.

The ratio of losses on onerous contracts is equal to the effect of the loss component on net onerous contracts expressed as a percentage of net insurance revenue. The effect of the loss component on net onerous contracts is a non-GAAP financial measure, which is used to include losses and reversals of losses on net onerous contracts, as well as decreases in the loss component related to past services, net of reinsurance.

The combined ratio is equal to the sum of the loss ratio, the expense ratio and the ratio of losses on onerous contracts.

The discounted combined ratio is equal to the combined ratio, including the effect of discounting net liabilities for incurred claims.

The following table presents the reconciliation between non-GAAP financial measures and the financial measures presented in accordance with GAAP in the Combined Financial Statements and used to calculate the loss ratio, the expense ratio, the ratio of losses on onerous contracts, and the combined ratios for the Property and Casualty Insurance segment.

Table 3 – Loss ratio – Expense ratio – Ratio of losses on onerous contracts – Combined ratios

For the years ended December 31

(in millions of dollars and as a percentage)	2025	2024 ⁽¹⁾
Insurance revenue – as presented	\$ 8,006	\$ 7,425
Less: Premiums paid related to reinsurance activities ⁽²⁾	407	362
Net insurance revenue	\$ 7,599	\$ 7,063
Insurance service expenses – as presented	\$ 6,320	\$ 6,510
Less: Policy costs and acquisition costs	1,564	1,371
Less: Effect of loss component on onerous contracts	61	(28)
Less: Effect of discounting net liabilities for incurred claims	(263)	(301)
Less: Incurred claims and costs of ceded claims ⁽²⁾	184	907
Net claims expenses⁽³⁾	\$ 4,774	\$ 4,561
Gross non-interest expense – as presented	\$ 1,177	\$ 1,085
Less: Non-interest expense related to claims ⁽⁴⁾ and certain items ⁽⁵⁾	459	459
Plus: Acquisition costs and certain policy costs included in insurance service expenses	1,300	1,142
Non-interest expense excluding non-interest expense related to claims and certain items	\$ 2,018	\$ 1,768
Effect of loss component on onerous contracts	\$ 61	\$ (28)
Less: Effect of loss component on ceded onerous contracts ⁽²⁾	11	—
Effect of loss component on net onerous contracts	\$ 50	\$ (28)
Loss ratio⁽³⁾	62.8%	64.6%
Expense ratio	26.6	25.0
Ratio of losses on onerous contracts	0.7	(0.4)
Combined ratio⁽³⁾	90.1	89.2
Discounted combined ratio	86.7	84.9

⁽¹⁾ Some data have been restated to conform with the current year's presentation.

⁽²⁾ These items are included under "Net reinsurance service income (expenses)."

⁽³⁾ Data or undiscounted ratio, therefore excluding the effect of discounting net liabilities for incurred claims.

⁽⁴⁾ Represents non-interest expense directly related to claims settlement, which are presented under "Insurance service expenses."

⁽⁵⁾ From investment management fees and certain other specific items.

[Return to members and the community](#)

As a cooperative financial group contributing to the development of communities, Desjardins Group gives its members and clients the support they need to be financially empowered. The amounts returned to members and the community, a non-GAAP financial measure, are used to present the overall amount returned to the community and are composed of member dividends, as well as sponsorships, donations and scholarships.

More detailed information about the amount returned to members and the community may be found in Table 4, "Financial highlights," in this MD&A.

Supplementary financial measures

In accordance with Regulation 52-112, supplementary financial measures are used to show historical or expected future financial performance, financial position or cash flow. In addition, these measures are not disclosed in the financial statements. Desjardins Group uses certain supplementary financial measures, and their composition is presented in the Glossary on pages 106 to 110.

REGULATORY ENVIRONMENT

Regulatory environment

The Act respecting financial services cooperatives and other applicable legislation

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

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

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

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

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

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

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

Regulatory governance requirements

Desjardins Group reports financial information in compliance with *Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings*, as prescribed by the CSA. Desjardins Group's financial and corporate governance are discussed on page 92 of this MD&A and in the "Corporate governance" section of the 2025 Desjardins Group Annual Report.

Domestic systemically important financial institution

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

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

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

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

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

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

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

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

U.S. regulations

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

Changes in the regulatory environment

Desjardins Group closely monitors regulations for financial products and services, as well as new developments, particularly in fraud, corruption, tax evasion, privacy protection, money laundering, terrorist financing, and domestic and international economic sanctions in order to mitigate any negative impact on its operations, and aims to comply with best practices in this regard. Further information about regulatory developments is provided in Section 3.2, "Capital management" and Section 4.2, "Risk management."

The Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)

On October 20, 2025, the government announced the creation of a Financial Crimes Agency, which should be set up in the spring of 2026 to centralize efforts in combatting financial crimes.

On November 15, 2025, the Department of Finance Canada amended its *Directive on Financial Transactions Associated with the Islamic Republic of Iran*, addressing the risk of Canadian economic sanctions evasion related to Iran and enhancing the obligations already in force, in particular with regard to risk assessment and reporting, while extending the scope of the Directive to all reporting entities. Desjardins Group is in compliance with these requirements.

Bill C-15 was tabled on November 18, 2025. It contains certain measures announced in the 2025 federal budget, including an amendment authorizing the Minister to make a federal financial institution pay the Receiver General any profits generated from owned or controlled foreign property. Desjardins Group is closely monitoring developments in this Bill.

In the fall of 2025, FINTRAC updated several directives, including its guidance on politically exposed persons and heads of international organizations, by adding corruption risks. FINTRAC also issued its *Guidance - Private-to-Private Information Sharing*. Desjardins Group is compliant with the requirements and is actively participating in the public consultations organized by FINTRAC.

Lastly, the Bill tabled in the House of Commons last June to increase administrative monetary penalties that could be imposed by FINTRAC and to create new penal offences, is now in its second reading in the Senate.

Protection of personal information and information security

Following Quebec's regulatory reform of personal information protection between 2021 and 2024, Canada's Minister of Artificial Intelligence and Digital Innovation confirmed that his office was currently preparing new privacy protection legislation to replace Bill C-27, which died on the Order Paper in January 2025. Desjardins Group will closely monitor the federal government's intentions regarding the reform of privacy protection laws.

Federal Bill C-15, the new legislative framework for banking services, introduces a new legal framework for open financial services. Desjardins Group's participation in the proposed framework would be conditional on its accreditation by the Bank of Canada (whose terms and conditions will be defined by regulation). Service providers as well as data recipients working in open financial services will also need to be accredited. Desjardins Group will closely monitor the progress of the Bill in order to align with the regulatory framework to ensure that any project implemented within the organization complies with the framework, if adopted.

Lastly, on August 11, 2025, the Office of the Privacy Commissioner of Canada issued its *Guidance for processing biometrics - for businesses*, which sets out the requirements and best practices to be followed by companies wishing to use biometrics. The document is very similar to the guidelines already issued by the Commission d'accès à l'information du Québec, particularly with regard to consent, proportionality and legitimacy, security measures, accuracy, transparency, and corporate accountability. In order to reduce risks associated with personal information protection, compliance teams are analyzing business sector requests regarding biometrics by incorporating regulators' expectations and guidance.

Artificial Intelligence (AI)

Given the tremendous growth in artificial intelligence, regulatory authorities are ramping up their efforts to regulate these technologies and ensure their responsible use. On July 3, 2025, the AMF issued a draft *Guideline for the Use of Artificial Intelligence*, setting out its expectations for the measures that financial institutions must take to properly supervise and manage the risks in using artificial intelligence systems. Desjardins Group took part in the consultation, and is still waiting for the final Guideline.

Pillar 3 financial disclosure requirements

Desjardins Group continues to monitor changes in financial disclosure requirements under global standards developed by the Basel Committee on Banking Supervision. These Pillar 3 requirements aim to enhance comparability with other financial institutions, transparency and disclosure with regard to regulatory capital adequacy and risk exposure. A Pillar 3 report is issued by Desjardins Group in order to be compliant.

Environmental, social and governance (ESG) factors

Regulatory and standard-setting authorities continue to clarify their ESG expectations by developing frameworks and standards:

- Following the international publication of IFRS S1 and IFRS S2 by the International Sustainability Standards Board (ISSB) in June 2023, the Canadian Sustainability Standards Board (CSSB) issued on December 18, 2024 Canadian Sustainability Disclosure Standard (CSDS) 1, *General Requirements for Disclosure of Sustainability-related Financial Information*, and CSDS 2, *Climate-related Disclosures*. CSSB standards remain voluntary until they are incorporated into CSA regulations, at which point they will become enforceable.
- In the first quarter of 2025, the AMF and the Office of the Superintendent of Financial Institutions (OSFI) released a new version of their climate risk management guidelines. The amendments include the postponement of the implementation date for reporting Scope 3⁽¹⁾ greenhouse gas emissions, in order to be aligned with CSSB standards. Desjardins Group complies with these regulatory requirements and continues to monitor developments in CSSB standards and the regulators' expectations.
- On April 23, 2025, the CSA announced that it was pausing its work on the development of a new mandatory climate-related disclosure rule and amendments to the existing diversity-related disclosure requirements. This was being done to support Canadian markets and issuers in view of economic and geopolitical events in the United States and globally.
- On December 11, 2025, the ISSB issued targeted amendments to IFRS S2 to simplify and clarify disclosure requirements for GHG emissions, thereby facilitating the application of the standard. However, these amendments do not yet apply in Canada, as they have not been incorporated into CSDS 2 or into the AMF and OSFI guidelines.
- On January 8, 2026, OSFI announced a change to its climate risk management guideline in order to revisit at a later date the disclosure requirements for financed emissions related to off-balance sheet assets under management.

Desjardins Group continues to monitor developments in this file closely and responds, where relevant, to consultations on the subject directly or through industry associations.

⁽¹⁾ Indirect greenhouse gas emissions resulting from the company's value chain operations but not included in Scopes 1 and 2.

Competition Act

On June 5, 2025, the Competition Bureau Canada issued its final guidelines for environmental claims. This initiative follows the legislative amendments dated June 20, 2024, which introduced new provisions to regulate greenwashing in the *Competition Act*. Since July 1, 2025, these provisions have been fully in force and now allow private parties to file complaints with the Competition Tribunal, particularly in cases of misleading environmental claims. Businesses are required to ensure that their environmental claims are based on adequate and appropriate corroborative evidence obtained through internationally recognized methods when they are made to promote benefits for a business or its operations. The burden of proof lies with the business making these claims. These guidelines are aimed at clarifying the requirements of businesses and protecting consumers against deceptive practices in environmental claims. At the same time, Bill C-15 proposes to adjust certain provisions related to greenwashing, particularly by removing the requirement for internationally recognized methods and limiting some private remedies. Desjardins Group complies with the requirements of the *Competition Act* and continues to monitor developments in these requirements to ensure full compliance.

Integrity and Security Guideline

On January 31, 2024, OSFI released its final *Integrity and Security Guideline*. This final guideline reflects the feedback received through public consultations held from October 13 to November 24, 2023. It clarifies expectations for all federally regulated financial institutions concerning policies and procedures on integrity and security. Financial institutions should consider their susceptibility to undue influence, foreign interference and malicious activity when applying the expectations in the guideline. Following the publication of its guideline, OSFI sent the entities subject to this guideline at Desjardins Group an integrity and security self-assessment questionnaire, which was completed and returned to OSFI. OSFI could proceed with additional work and possibly send supervisory letters.

Complaint processing

The *Regulation respecting complaint processing and dispute resolution in the financial sector* came into force on July 1, 2025. The aim of this new regulation is to reduce the response time faced by Quebec consumers when filing their complaints with financial institutions and insurers, as well as to harmonize the complaint handling process within the various organizations regulated by the AMF. The new requirements particularly reduce complaint handling time from 90 to 60 days, and the Regulation provides for administrative penalties in the event of default. With the harmonization and streamlining work done over the past few months and the implementation of a new complaint management tool, Desjardins Group complies with the new requirements.

Act to protect consumers against abusive commercial practices and to offer better transparency with respect to prices and credit

An *Act to protect consumers against abusive commercial practices and to offer better transparency with respect to prices and credit* was assented to and became law on November 7, 2024. This Act amends the *Consumer Protection Act* and its regulations, including certain provisions concerning credit contracts, and it introduces a protection plan for demand deposit accounts, limiting consumer liability in the event of fraud or unauthorized use of consumers' deposit accounts. Although some provisions came into force on November 7, 2024, most of the requirements concerning credit contracts came into force on August 7, 2025, and those relating to deposit accounts will come into force by order in council. A regulation governing the protection of deposit accounts is still to come. Desjardins Group is closely monitoring developments in this file and will be taking part in consultations on the matter. Desjardins Group has identified the necessary adjustments to systems, processes and contracts, and an impact analysis is still being completed for the requirements that will subsequently come into force.

Self-reporting and Cooperation Policy

On May 20, 2025, the AMF adopted a *Self-reporting and Cooperation Policy* that applies to breaches of, or incidents of non-compliance with, the *Act respecting the regulation of the financial sector* or any of the laws administered by the AMF. It provides for a possibility of sanction relief and offers clear guidance to promote proactivity and proceed with self-reporting.

Bill 92, An Act to amend various provisions mainly with respect to the financial sector

Bill 92, *An Act to amend various provisions mainly with respect to the financial sector*, which was assented to on June 4, 2025, aims to promote integrity in the financial sector and maintain public trust. It introduces a new penalty system for financial institutions of up to \$2 million for each day of non-compliance. It also allows anyone to apply to the Financial Markets Administrative Tribunal to obtain such a penalty. Bill 92 has also provided for the creation of the *Chambre de l'assurance* as a result of the amalgamation of the *Chambre de la sécurité financière* and the *Chambre de l'assurance de dommages*. The new penalties that can be imposed on anyone who contravenes or aids in contravening any provision of the *Insurers Act*, the *AFSC*, and the *Trust Companies and Savings Companies Act*, therefore affect Desjardins Group's operations.

Bill C-8, An Act respecting cyber security, amending the Telecommunications Act and making consequential amendments to other Acts

Bill C-8 (the *Critical Cyber Systems Protection Act* or CCSPA), intended to proactively strengthen the cyber security of critical infrastructures in federally regulated sectors, including banking and insurance systems, provides, in particular, for establishing a cybersecurity program and reporting any incidents involving a critical cybersecurity system to the federal authorities and regulatory bodies. Desjardins Group is closely monitoring developments in the federal legislative framework and continues to proactively integrate cybersecurity best practices into its risk management framework.

Segregated Funds Guidance

The Canadian Council of Insurance Regulators and Canadian Insurance Services Regulatory Organizations have released a final version of the *Segregated Funds Guidance*, which enhances expectations for insurers and intermediaries across Canada regarding the design, distribution and issuance of individual variable insurance contracts as well as related services. This guidance consolidates and clarifies principles already set out in other guidelines, in particular those on the conduct of insurance business, fair treatment of clients, and incentive management. The AMF plans to incorporate it into its regulatory framework through guidelines and regulations. Desjardins Group is monitoring developments in these regulations in order to align its practices with the new guidance.

1.0 Desjardins Group

1.1 Profile and structure

WHO WE ARE

Desjardins Group is the largest cooperative financial group in Canada and the 8th in the world, with assets of \$510.2 billion. As at December 31, 2025, the organization included 198 caisses in Quebec and Caisse Desjardins Ontario Credit Union Inc., the Fédération des caisses Desjardins du Québec and its subsidiaries, and the Fonds de sécurité Desjardins. A number of its subsidiaries and components are active across Canada, and Desjardins Group maintains a presence in the United States through Desjardins Bank, National Association, and Desjardins Florida Branch.

Through its Personal and Business Services, Wealth Management and Life and Health Insurance, and Property and Casualty Insurance business segments, Desjardins Group offers a full range of financial services to members and clients designed to meet their needs. As one of the largest employers in the country, Desjardins Group capitalizes on the skills of close to 57,500 employees and the commitment of nearly 2,200 directors in the caisse network.

The Federation is a cooperative entity that is responsible for assuming orientation, framework, coordination, treasury and development activities for Desjardins Group and acts as a financial agent on Canadian and foreign financial markets. It provides its member caisses with a variety of services, including certain technical, financial and administrative services. It acts as a monitoring and control organization for the caisses and its mission includes risk management and capital management for Desjardins Group, as well as ensuring the financial soundness and sustainability of the Groupe coopératif Desjardins (composed of the Desjardins caisse network in Quebec, the Federation and the Fonds de sécurité Desjardins), pursuant to the AFSC. The Federation is, among other things, the treasurer and official representative of Desjardins Group with the Bank of Canada and the Canadian banking system. The Federation also has the right to participate in the Visa Inc. and MasterCard Inc. payment systems in Canada on behalf of Desjardins Group. In addition, it manages majority interests in joint-stock companies through holding companies.

The AFSC provides that the entities comprising the Groupe coopératif Desjardins may be amalgamated into a single legal entity to be wound up, as these entities cannot be wound up in any other manner. It should be mentioned that Caisse Desjardins Ontario Credit Union Inc. is excluded from this amalgamation-liquidation provided for in the Act.

Summary additional information on the entities that are not part of the Groupe coopératif Desjardins or the subsidiaries of the entities that comprise it but that are included in Desjardins Group's financial statements may be found under Section 5.5, "Additional information required pursuant to the AMF's decision No. 2021-FS-0091."

WHAT MAKES US DIFFERENT

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

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

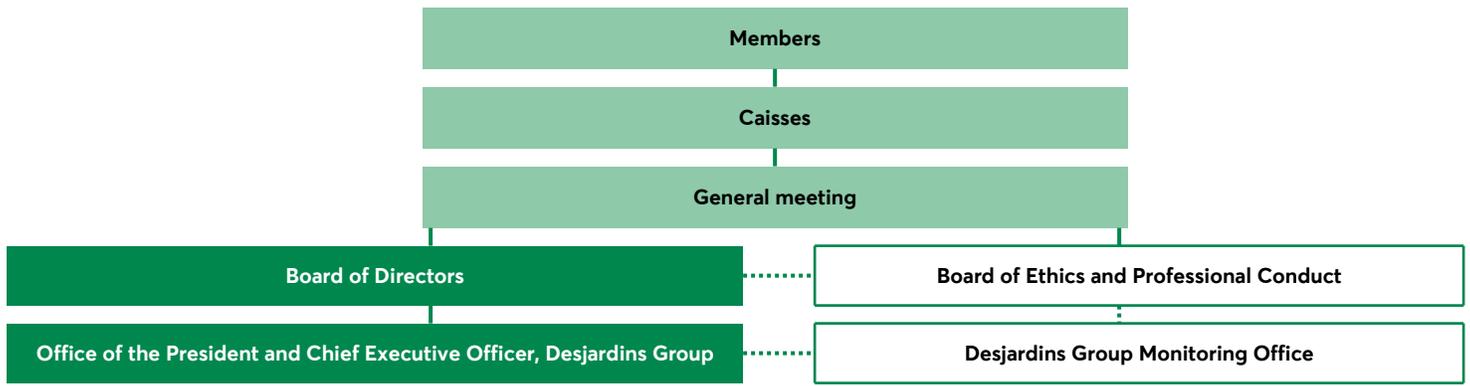
Thanks to its varied distribution channels, numerous intermediary networks and a great team that strives to always do what's best for our members and clients, Desjardins Group stays close to its members and their communities. In order to best meet members' increasingly diverse needs, Desjardins Group pays special attention to the caisse network and its range of service delivery methods. This process is also part of Desjardins Group's continued commitment to the vitality of cooperation at the caisse level in terms of democratic life, representation, education and training, cooperation with other cooperatives and support for community development.

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

STRUCTURE OF DESJARDINS GROUP

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

Additional information on the business segments, particularly their profile, operations, 2025 achievements, the industry in which they operate, and their strategies and priorities for 2026 may be found in Section 2.2, "Analysis of business segment results."



Desjardins Group management

Support functions	Business segments		
	Personal and Business Services	Wealth Management and Life and Health Insurance	Property and Casualty Insurance
Finance (including Treasury)	Financial management	Insurance for individuals	Automobile insurance
Operations (including Procurement)	Savings and investments	Group insurance	Property insurance
Risk Management (including Compliance)	Financing	Group retirement savings	Business insurance
Information Technology	Payment	Independent distribution	
Member/Client Experience, Cooperation, Culture, Marketing, Communications and Human Resources	Capital markets	Specialized wealth management offer	
Project Management Office	Risk and development capital	Investment solutions	
Desjardins Group Security Office	Specialized services	Asset management	
Legal Affairs		Trust services	
Sustainable Development Office			

1.2 Financial highlights

Table 4 – Financial highlights

As at December 31 and for the years ended December 31

(in millions of dollars and as a percentage)	2025	2024 ⁽¹⁾
Results		
Net interest income	\$ 8,279	\$ 7,471
Insurance service result	2,117	2,087
Net insurance finance result	974	795
Net insurance service income	3,091	2,882
Other income	4,938	4,307
Total net revenue	16,308	14,660
Provision for credit losses	688	597
Non-interest expense		
Gross non-interest expense	11,637	10,645
Non-interest expense included in insurance service expenses ⁽²⁾	(996)	(939)
Net non-interest expense	10,641	9,706
Income taxes on surplus earnings	1,168	1,001
Surplus earnings before member dividends	\$ 3,811	\$ 3,356
Contribution to surplus earnings by business segment⁽³⁾		
Personal and Business Services	\$ 1,853	\$ 1,605
Wealth Management and Life and Health Insurance	756	633
Property and Casualty Insurance	1,053	1,074
Other	149	44
	\$ 3,811	\$ 3,356
Amount returned to members and the community⁽⁴⁾		
Member dividends	\$ 505	\$ 437
Sponsorships, donations and scholarships ⁽⁵⁾	133	120
	\$ 638	\$ 557
Indicators		
Net interest margin ⁽⁴⁾	2.29%	2.29%
Operating leverage ⁽⁶⁾	1.6	11.5
Return on equity ⁽⁶⁾	9.3	9.0
Credit loss provisioning rate ⁽⁶⁾	0.22	0.22
Gross credit-impaired loans/gross loans ⁽⁶⁾	0.85	0.81
Efficiency ratio – Personal and Business Services ⁽⁶⁾	69.8	70.8
Insurance and annuity premiums – Wealth Management and Life and Health Insurance ⁽⁶⁾	\$ 6,496	\$ 6,890
On-balance sheet contractual service margin (CSM) – Wealth Management and Life and Health Insurance ⁽⁷⁾	2,385	2,585
Direct premiums written – Property and Casualty Insurance ⁽⁶⁾	7,996	7,565
On-balance sheet and off-balance sheet		
Assets	\$ 510,242	\$ 470,942
Loans, net of allowance for credit losses	314,703	289,597
Deposits	329,494	300,946
Equity	42,312	38,690
Assets under administration ⁽⁶⁾	673,007	600,968
Assets under management ⁽⁶⁾	122,756	104,220
Average assets ⁽⁶⁾	496,448	447,745
Capital and liquidity measures		
Tier 1A capital ratio ⁽⁸⁾	23.7%	22.2%
Tier 1 capital ratio ⁽⁸⁾	23.7	22.2
Total capital ratio ⁽⁸⁾	26.1	24.2
TLAC ratio ⁽⁹⁾	35.8	32.9
Leverage ratio ⁽⁸⁾	7.8	7.6
TLAC leverage ratio ⁽⁹⁾	11.6	11.2
Risk-weighted assets ⁽⁸⁾	\$ 153,681	\$ 149,621
Liquidity coverage ratio ⁽¹⁰⁾	178%	165%
Net stable funding ratio ⁽¹⁰⁾	132	129
Other information		
Number of employees (full-time equivalent basis)	52,515	50,792

⁽¹⁾ Some data have been restated to conform with the current year's presentation.

⁽²⁾ Represents the non-interest expense directly related to the fulfillment of insurance contracts presented under "Insurance service result."

⁽³⁾ The breakdown by line item is presented in Note 29, "Segmented information," to the Combined Financial Statements.

⁽⁴⁾ For more information about non-GAAP financial measures and non-GAAP ratios, see "Non-GAAP and other financial measures" on pages 3 to 5.

⁽⁵⁾ Including \$69 million in 2025 from the caisses' Community Development Fund (\$65 million in 2024).

⁽⁶⁾ For further information about supplementary financial measures, see the Glossary on pages 106 to 110.

⁽⁷⁾ On-balance sheet CSM of \$2,599 million (\$2,838 million as at December 31, 2024) presented net of reinsurance in the amount of \$214 million (\$253 million as at December 31, 2024). Included in the line items "Insurance contract liabilities" and "Reinsurance contract assets (liabilities)" on the Combined Balance Sheets. For more information, see Note 16, "Insurance and reinsurance contracts," to the Combined Financial Statements.

⁽⁸⁾ In accordance with the *Capital Adequacy Guideline* issued by the AMF for financial services cooperatives in particular, see Section 3.2, "Capital management."

⁽⁹⁾ In accordance with the *Total Loss Absorbing Capacity Guideline* ("TLAC Guideline") issued by the AMF and based on risk-weighted assets and exposures for purposes of the leverage ratio at the level of the resolution group, which is deemed to be Desjardins Group, excluding Caisse Desjardins Ontario Credit Union Inc., see Section 3.2, "Capital management."

⁽¹⁰⁾ In accordance with the *Liquidity Adequacy Guideline* issued by the AMF, see Section 4.0, "Risk management."

2025 Desjardins Group highlights

Surplus earnings before member dividends	Total net revenue	Net interest income	Loans outstanding, net of allowance for credit losses	Direct premiums written ⁽¹⁾ – Life and Health Insurance	Direct premiums written ⁽¹⁾ – P&C Insurance	Tier 1A capital ratio	Member dividends	Assets under management ⁽¹⁾	Assets under administration ⁽¹⁾
\$3,811 million	\$16,308 million	\$8,279 million	\$314.7 billion	\$6,496 million	\$7,996 million	23.7%	\$505 million	\$122.8 billion	\$673.0 billion
+ 13.6%	+ 11.2%	+ 10.8%	+ 8.7%	- 5.7%	+ 5.7%	+ 1.5%	+ 15.6%	+ 17.8%	+ 12%

Comparison of 2025 to 2024

- Surplus earnings before member dividends of \$3,811 million, up \$455 million, or 13.6%, compared to fiscal 2024.
- Total net revenue of \$16,308 million, up \$1,648 million, or 11.2%:
 - Net interest income of \$8,279 million, up \$808 million, or 10.8%, mainly due to growth in the average residential mortgages and business loans outstanding.
 - Insurance service result of \$2,117 million, up \$30 million.
 - Net insurance finance result of \$974 million, up \$179 million, generated mainly by favourable developments in financial markets.
 - Other income of \$4,938 million, up \$631 million, or 14.7%, in particular due to growth in assets under management and under administration.
- Provision for credit losses of \$688 million, compared to \$597 million in 2024. The 2025 provision reflects an unfavourable migration of credit quality and a higher volume in the loan portfolios.
- Gross non-interest expense of \$11,637 million, up \$992 million, or 9.3% compared to 2024. This increase was due in particular to higher spending on personnel, mainly attributable to wage indexation and performance-based compensation. There was also an increase in spending on fees and technology, which supported business growth and enhanced the services offered to members and clients.
- \$638 million returned to members and the community,⁽²⁾ including a provision for member dividends of \$505 million and sponsorships, donations and scholarships of \$133 million, up \$81 million, or 14.5%.
- Commitments of \$19 million made in 2025 to the GoodSpark Fund to support in particular regional social and economic activities.
- Tier 1A capital ratio of 23.7%, compared to 22.2% as at December 31, 2024.
- Total capital ratio of 26.1%, compared to 24.2% as at December 31, 2024.
- Total assets have grown 8.3% since December 31, 2024, to \$510.2 billion as at December 31, 2025.
- In 2025, the Federation made various securities issues on Canadian, U.S. and International markets. For more information, see the "Sources of funding" section on pages 83 and 84.

ESG highlights

- Desjardins Group's efforts in the area of energy transition were recognized in early 2025 by Bloomberg in its Third Annual Energy Supply Investment and Banking Ratios ranking (BloombergNEF). Ratios between renewable energy financing and fossil-fuel financing are compared in this ranking. Desjardins Group placed ninth in the world with a ratio of 66.7 (based on 2024 data).
- Desjardins expanded its goal by committing to help create more than 10,000 housing units by 2028 in response to the affordability crisis, rather than the 3,000 units originally planned. In addition, Desjardins Group launched the Amplifier fund, which is managed by Desjardins Capital and funded by six foundations in partnership with the *Société d'habitation du Québec*, with an allocation of \$50 million to accelerate the development of environmentally responsible affordable housing projects.
- Desjardins completed a fourth sustainable bond issue, bringing the cumulative total to \$2.2 billion since 2021. This program aims to fund projects with social or environmental spinoffs, in support of a low-carbon and inclusive economy.
- For the 18th consecutive year, Desjardins Group has been ranked as one of Canada's Top 50 Corporate Citizens by Corporate Knights, highlighting its commitment to environmental and social responsibility.

⁽¹⁾ For further information about supplementary financial measures, see the Glossary on pages 106 to 110.

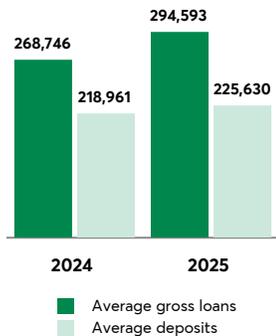
⁽²⁾ For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 3 to 5.

2025 Business segment highlights

PERSONAL AND BUSINESS SERVICES

Average gross loans and average deposits⁽¹⁾

As at December 31
(in millions of dollars)

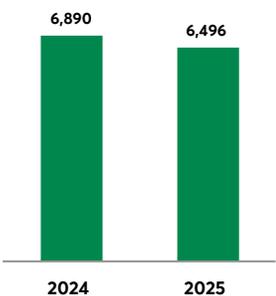


- Quebec's leader in residential mortgages and a major player in consumer loans in Quebec, with estimated market shares of 39.0%⁽²⁾ and 23.2%⁽²⁾ respectively.
- 6th largest credit card issuer in Canada (based on 2024 outstandings).
- Leader in farm credit in Quebec, with a market share of about 39.8%⁽²⁾.
- Major player in Quebec in the commercial and industrial sectors, with an estimated market share of 20.8%⁽²⁾.
- Leader in personal savings in Quebec, especially in on-balance sheet personal savings products, with a market share in this industry estimated at approximately 35.7%⁽²⁾.
- Surplus earnings before member dividends totalled \$1,853 million, up \$248 million compared to 2024, due to growth in net interest income and other income. However at the same time, there was an increase in non-interest expense, reflecting strategic initiatives to support growth in operations and enhance the services offered to members and clients.
- Growth of \$25.8 billion, or 9.6%, in the average outstandings for the entire gross loans portfolio, compared to 2024.

WEALTH MANAGEMENT AND LIFE AND HEALTH INSURANCE

Direct premiums written⁽¹⁾

(in millions of dollars)

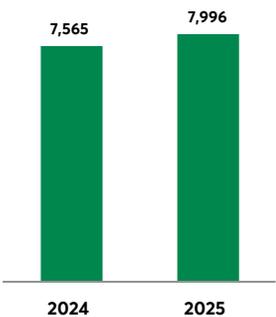


- No. 5 life and health insurer in Canada and No. 2 in Quebec.⁽³⁾
- No. 1 in Canada and in Quebec for market-linked guaranteed investments.⁽⁴⁾
- No. 1 independent distributor in Canada⁽⁵⁾ for life insurance products.
- Desjardins Online Brokerage ranked second in independent investor satisfaction by JD Power.
- Agreement to acquire Guardian Capital Group Limited.
- Net surplus earnings of \$756 million, up \$123 million compared to 2024, mainly due to growth in the net insurance finance result, partly offset by the increase in spending on personnel and strategic initiatives as well as higher technology costs.
- Decrease of \$394 million, or 5.7%, in direct premiums written compared to 2024, mainly from group retirement savings due to the lower volume of large new groups.

PROPERTY AND CASUALTY INSURANCE

Direct premiums written⁽¹⁾

(in millions of dollars)



- No. 3 property and casualty insurer in Canada and Ontario, and No. 2 in Quebec.⁽³⁾
- For the 33rd consecutive year, positive insurance service result.
- The Personal Insurance Company was named by *Forbes* on its World's Best Insurance Companies list, and it ranks as Canada's top-rated automobile and home group insurer, based on satisfaction, loyalty, service and transparency.
- Delivery of an omnichannel property insurance solution under the Desjardins Insurance and The Personal banners, enabling 100% autonomous online purchasing.
- Net surplus earnings of \$1,053 million, down \$21 million compared to 2024, as a result of higher claims expenses for the current year in property insurance. There was also an increase in insurance revenue mainly due to growth in automobile and property insurance premiums as well as the business resulting from the acquisition of The Insurance Company of Prince Edward Island (ICPEI) in 2024.
- Direct premiums written grew by \$431 million, or 5.7%, compared to 2024.

⁽¹⁾ For further information about supplementary financial measures, see the Glossary on pages 106 to 110.

⁽²⁾ These market shares were compiled and estimated as at September 30, 2025 according to a methodology developed by Desjardins and based on several external sources, including: the Bank of Canada, Statistics Canada and Investor Economics.

⁽³⁾ Based on direct premiums written in 2024, published by MSA Research in March 2025.

⁽⁴⁾ Based on assets under management in 2024, published by Investor Economics in the spring of 2025.

⁽⁵⁾ According to the April 2025 Insurance Report, published by Investor Economics, and based on the annualized new premiums issued in 2024.

1.3 Significant events

Desjardins Group's new senior management structure

On June 2, 2025, the Board of Directors announced the appointment of Denis Dubois as the President and Chief Executive Officer of Desjardins Group, effective September 2, 2025. He succeeds Guy Cormier, who held this position from March 2016 until that date. To ensure a seamless transition and support Mr. Dubois and the Board of Directors in carrying out their mandate, Mr. Cormier acted as strategic advisor from September 2, 2025 to March 2026.

On August 25, 2025, Desjardins Group announced the makeup of its management committee as Denis Dubois, the new President and Chief Executive Officer, was preparing to take office on September 2, 2025. Three new members have joined the nine existing members on the management committee.

- Chantal Gagné has been appointed Executive Vice-President, Life and Health Insurance, after being Vice-President, Life and Health Insurance and Independent Distribution.
- Daniel Grossi has become Executive Vice-President, Information Technology. He was previously Chief Technology, Operations and Enterprise Architecture Officer.
- Sébastien Vallée has been named Executive Vice-President, Wealth Management. He was previously Vice-President, Investment Solutions.

In addition, the following individuals, although still on the management committee, now have new duties:

- Johanne Duhaime has become Senior Executive Vice-President, Technology and Organizational Performance. Previously, she was Executive Vice-President, Technology and Projects.
- Marie-Huguette Cormier is now Executive Vice-President, Member/Client Experience, Cooperation and Human Transformation. She formerly had the role of Executive Vice-President, Human Resources.
- Nathalie Larue has been named Executive Vice-President, Personal Services and Community Life. Before this, she was Executive Vice-President, Personal Services.

These changes in senior management also include the departure of two members of the management committee.

Guardian Capital Group Limited

On August 28, 2025, Desjardins Group announced that it had signed a definitive agreement for the acquisition of Guardian Capital Group Limited (Guardian), a publicly traded global investment management company that serves institutional, retail and private clients. This announcement followed the acquisition of Guardian's life insurance distribution networks, and mutual fund and securities firms in 2023. Pursuant to the definitive agreement, Desjardins Global Asset Management Inc., an indirect subsidiary of the Federation, will acquire Guardian in a transaction valued at \$1.7 billion. The transaction will close once required regulatory approvals are obtained and other customary closing conditions are met, which is expected to occur by the end of the first quarter of 2026. The results of these operations will be recognized in the Wealth Management and Life and Health Insurance segment.

1.4 Strategic directions and financial objectives

STRATEGIC DIRECTIONS

In recent years, the organization has made significant progress in the advancement of its Strategic Plan directions. The year 2025 was marked by the streamlining and clarification of Desjardins Group's Strategic Plan so that it could better focus on implementing six key strategic directions in the 2026-2029 Strategic Plan:

- Enhance the member/client experience.
- Ensure Desjardins Group's future through sustainable growth.
- Simplify and enhance our performance.
- Ground our business practices in data, analytics and artificial intelligence.
- Diversify, plan and accelerate talent development.
- Make our environmental goals a reality.

These strategic directions help portray Desjardins Group as simple, people-focused, modern and dynamic for its members and clients, as well as its employees, managers and directors.

Desjardins Group's mission, as a cooperative financial group contributing to the development of communities, is to give its members and clients the support they need to be financially empowered.

Further information about the business segments' 2026 strategies and priorities, which are part of Desjardins Group's strategic directions, is found in Section 2.2, "Analysis of business segment results."

FINANCIAL OBJECTIVES

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

The organization's performance is monitored using key indicators aligned with Desjardins's mission, in accordance with the Strategic Plan directions. It is therefore essential to focus on achieving the medium-term financial performance objectives as this helps make available the leverage needed to achieve this mission.

In recent years, Desjardins Group has invested significantly in initiatives to support its growth, as well as in the development of innovative technology platforms, privacy protection, security and the improvement of business processes. These decisions were aligned with the Strategic Plan and backed by excellent capitalization. They also enabled Desjardins Group to maintain its growth trajectory while improving its overall performance level.

For 2026, in line with the recent update to the Strategic Plan, financial indicators have been updated to enhance performance monitoring. It is important to keep in mind that the key medium-term indicators presented below do not factor in the repercussions that extraordinary events could have on Desjardins Group's ability to achieve them.

Key indicators	Annual medium-term objectives
Growth in total net revenue ⁽¹⁾	≥ 8%
Operating leverage ⁽¹⁾	≥ 2%
Tier 1A capital ratio ⁽²⁾	High level
Return on equity ⁽¹⁾	> 8%

See next page for footnotes.

The following table presents medium-term financial objectives, as presented in the 2024 MD&A, as well as the results achieved in 2025 for each of the indicators.

2025 key indicators	Annual medium-term objectives	2025 results
Operating leverage ⁽¹⁾	> 0%	1.6%
Tier 1A capital ratio ⁽²⁾	High level	23.7%
Return on equity ⁽¹⁾	> 8%	9.3%

See next page for footnotes.

Overall performance in 2025

This section provides the results achieved in relation to the objectives set for 2025 and presented in the 2024 annual MD&A. Surplus earnings before member dividends for 2025 totalled \$3,811 million, up compared to the prior year. The Personal and Business Services segment, which posted an increase in net interest income mainly as a result of business growth, made a positive contribution to surplus earnings before member dividends for the year. In addition, the Wealth Management and Life and Health Insurance segment recorded an increase in other income and in net insurance service income, due in particular to favourable developments in financial markets. Lastly, the increase in non-interest expense helped support growth in operations and enhance the services offered to members and clients.

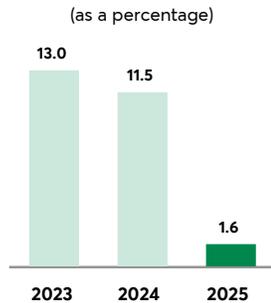
2025 key indicators

Operating leverage:⁽¹⁾⁽³⁾

A measure of sustainability and profitability.

Results achieved in 2025:

The operating leverage was 1.6%, in line with the objective of maintaining a positive ratio. In 2023 and 2024, the operating leverage had benefited from higher growth in net insurance service income, coupled with a more sustained increase in non-interest expenses as a result of the efficiency measures put in place.

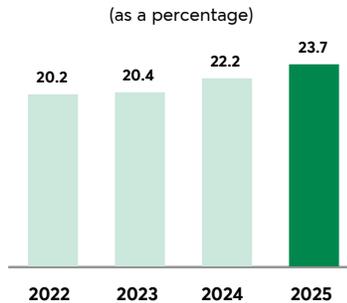


Tier 1A capital ratio:⁽²⁾

A measure of Desjardins Group's financial strength.

Results achieved in 2025:

As at December 31, 2025, this ratio was 23.7%, a high level compared with regulatory requirements.

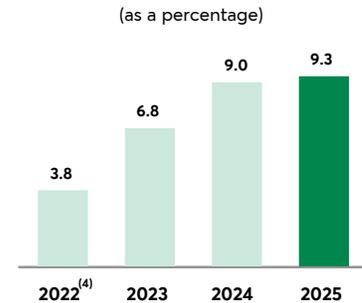


Return on equity:⁽¹⁾

A measure of profitability resulting in value creation for members and clients.

Results achieved in 2025:

This indicator was 9.3%, which is better than the objective of achieving over 8%.



⁽¹⁾ For more information about supplementary financial measures, see the Glossary on pages 106 to 110.

⁽²⁾ In accordance with the *Capital Adequacy Guideline* issued by the AMF, see Section 3.2, "Capital management."

⁽³⁾ Given the changes in certain financial statement headings in order to reflect the new naming convention required following the adoption of IFRS 17, "Insurance Contracts," on January 1, 2023, with restatement of the comparative data for fiscal 2022 only, the data for calculating the operating leverage using the new naming convention are not available for the fiscal years prior to 2023.

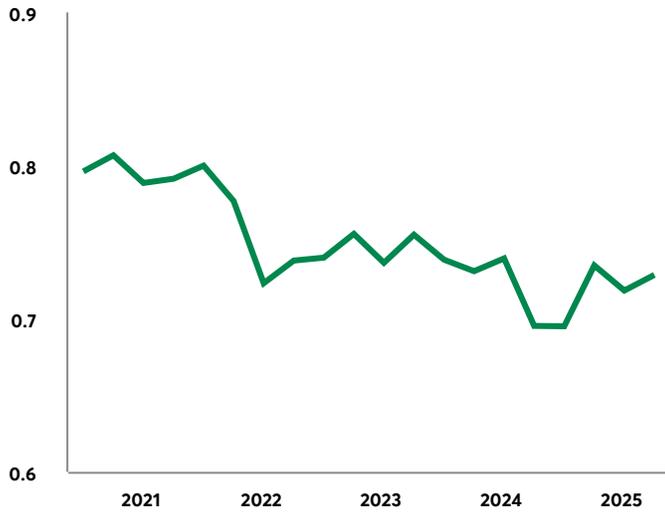
⁽⁴⁾ As permitted by IFRS 17, Desjardins Group has chosen to recognize the impact of the reclassification of its investments related to insurance activities as at January 1, 2023 and, consequently, not to restate fiscal 2022 for this item. This could therefore limit the comparability of the results.

FINANCIAL OUTLOOK

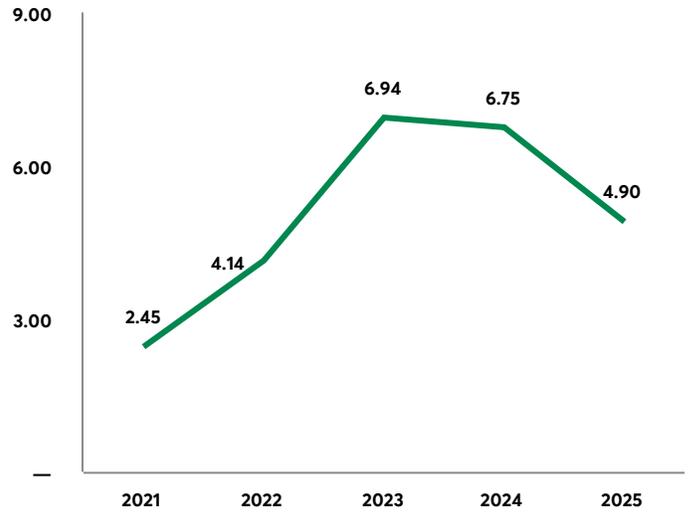
Desjardins Group's performance over the past few years has been positive overall, enabling it, in particular, to maintain its Tier 1A capital ratio above the industry average. In 2026, the Canadian economy will continue to adjust to the new tariff policies implemented by the United States. In this regard, the review of certain provisions of the Canada-United States-Mexico Agreement (CUSMA) will add further uncertainty and could impact North American supply chains. Despite this context, economic growth is expected to remain moderate, while the key interest rate will stabilize near its current level. Lastly, the outlook for the Canadian financial sector will remain favourable, driven by revenue growth and efficiency measures.

1.5 Economic environment and outlook

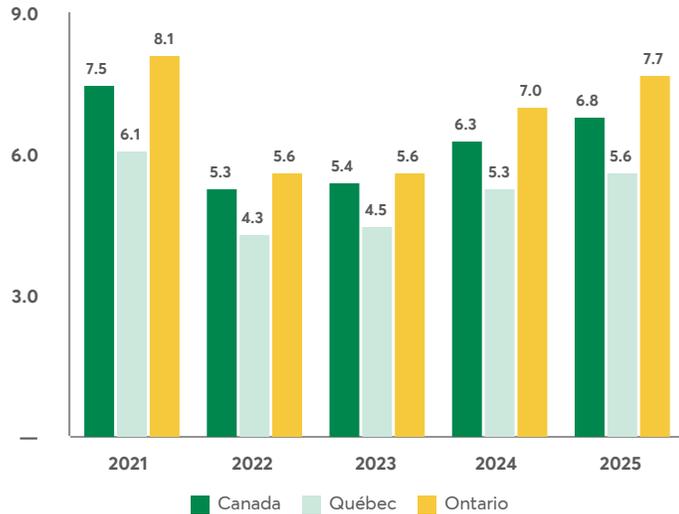
Changes in the Canadian dollar vs. the U.S. dollar (at quarter end)
(in U.S. dollars / Canadian dollars)



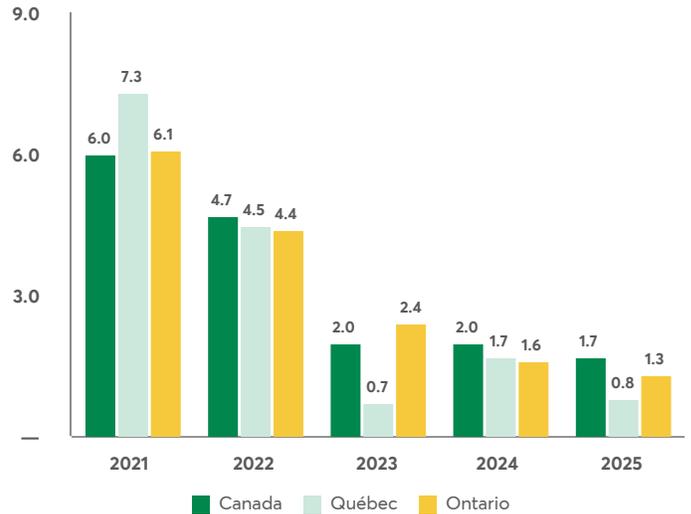
Changes in the prime rate (annual average)
(as a percentage)



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



Annual growth in GDP
(as a percentage)



Global economy

Global economic growth slowed in 2025 compared to 2024. Uncertainty surrounding the policies of the Trump administration in the US was a major factor in the slowdown, even though economic activity weathered the tariff increases better than expected. There was a sharp increase in exports to the US at the beginning of the year in anticipation of new tariff announcements. This was followed by a pullback. The trade war between the US and China peaked in the spring, but agreements between the two countries mitigated the negative impact on economic growth and supply chains. In addition, China managed to sustain some of its exports by diversifying their destinations, such that industrial production was fairly resilient. Chinese domestic demand was more problematic, in particular due to ongoing sluggishness in the property market in 2025. In Europe, real GDP growth continued to be rather slow, as the region was also affected by the uncertainty surrounding US trade policy. Germany, in particular, recorded declining or stagnating real GDP in the spring and summer, followed by modest growth at the end of the year. For 2026 as a whole, global real GDP growth is expected to fall slightly short of that recorded in 2025. The negative effects of the uncertainty around trade policy should gradually subside, and fairly low policy interest rates will provide some support to the major advanced economies. Of course, any new tariffs or trade constraints could complicate the situation. Global real GDP is expected to grow by 3.1% in 2026.

United States

The US economy fluctuated considerably in 2025, largely due to the economic and fiscal policies implemented by the new administration that took office in January. A surge in imports in anticipation of new tariffs covered a significant portion of domestic demand in the first quarter and provoked a decline in real GDP. GDP rallied in the spring as imports fell, in particular with the reciprocal tariffs announced in April and escalating the trade war with China. Apart from the vagaries of trade policy, the US economy benefited greatly in 2025 from the artificial intelligence craze, which stimulated private investment in computer equipment and software, driving a surge in real GDP. Easing tensions with China, announcements of partial trade agreements between the US and other countries, and the passage of the One Big Beautiful Bill also led to improved consumer and business confidence following a more difficult spring. However, the uncertainty shot back due to the longest budget impasse, which paralyzed the federal government from October 1 to mid-November. Real GDP growth nevertheless remained fairly strong in the fourth quarter. The labour market slowed during the year, particularly in the public sector. This led the Federal Reserve to resume lowering its key interest rates in the fall, even though inflation was still above the target. For 2025 as a whole, real GDP is estimated to have grown by 2.3%, following a 2.8% gain in 2024. Economic growth in early 2026 will be caught in a struggle between the lasting negative impacts of tariffs, the positive consequences of the tax cuts enacted in 2025, and a rebound following the post-budget impasse. However, inflation in the first half of the year could remain above the Federal Reserve's target. The growth in business investment related to artificial intelligence could slow. With the midterm elections approaching on November 3, 2026, uncertainty will likely be on the rise. Real US GDP is expected to grow by 2.8% in 2026.

Canada

While there was considerable concern at the beginning of 2025, the negative effects on the Canadian economy of trade tensions with the US have proved less severe than expected. Close to 90% of Canadian goods exported to the US benefit from exemptions under the Canada-United States-Mexico Agreement (CUSMA) and are not subject to tariffs. As a result, the effective tariff on all goods imported into the US from Canada was only approximately 4% in November (latest available data), one of the lowest levels among industrialized countries. Some specific industries nevertheless face significant sectoral tariffs and are suffering much more from the trade tensions. This is particularly the case for automotive products, steel, aluminum and lumber. Added to these difficulties is the slowdown in demand resulting from slower population growth and the many mortgage renewals made at higher rates, even though the Bank of Canada's key interest rates fell four times in 2025. After a turbulent first half of the year due to the temporary effects of the introduction of certain tariffs, Canadian real GDP growth stabilized in the second half of the year at a level slightly below its potential. The labour market experienced difficulties in the summer, but a recovery was recorded in the fall. Inflation was able to converge towards the 2% median target, due to the abolition of the carbon tax in most provinces and the removal of several reciprocal tariffs on Canadian imports from the US. Ultimately, Canada's real GDP is expected to grow by 1.7% in 2025, on the heels of a 2.0% gain in 2024. Growth is expected to remain fairly modest in 2026, with real GDP projected to rise by 1.3%.

Quebec

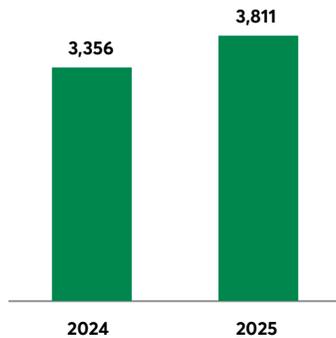
The Quebec economy was particularly dynamic at the start of 2025, buoyed by higher export levels before tariffs would come into force. Although the effective rates were generally lower than what was expected, certain sectors, in particular steel, aluminum, trucks, buses and wood products, were subject to sectoral tariffs, which helped drive the average level of tariffs applied in Quebec above the national average (estimated at 6.3% in November). Despite considerable uncertainty, domestic demand remained strong. However, the sharp contraction in international exports weighed heavily on economic activity, with exports falling at an annualized rate of 28% in the second quarter. The Québec economy nevertheless was spared a technical recession when growth returned in the third quarter, supported by increases in private and public investment and a relatively resilient labour market. In the longer term, restrictive immigration measures will significantly slow the growth of the working-age population. So if trade tensions with the US ease, job creation in 2026 is likely to be limited more by the level of labour availability than by economic conditions. This should bring the unemployment rate back to approximately 5% during the year. Overall, after an estimated increase of 0.8% in 2025, Quebec's real GDP could grow 1.1% in 2026.

The evolution of the markets in which Desjardins Group operates is described in the corresponding analyses in Section 2.2 "Analysis of business segment results."

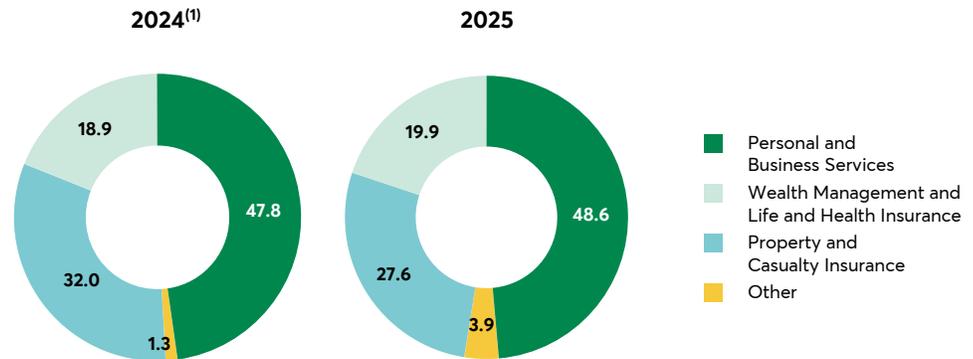
2.0 Review of financial results

2.1 Analysis of 2025 results

Surplus earnings before member dividends
(in millions of dollars)



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



2025 SURPLUS EARNINGS

For fiscal 2025, Desjardins Group reported surplus earnings before member dividends of \$3,811 million, up \$455 million, or 13.6 %, compared to fiscal 2024. This increase was due in particular to the performance of the Personal and Business Services segment, which benefited from growth in net interest income mainly due to business growth, partly offset by an increase in the provision for credit losses. The Wealth Management and Life and Health Insurance segment recorded growth in other income and higher net insurance service income, due in particular to favourable developments in financial markets. The Property and Casualty Insurance segment also performed well, in line with fiscal 2024. The surplus earnings growth was offset by an increase in non-interest expense, which supported business growth and enhanced the services offered to members and clients.

By its very nature as a cooperative financial group contributing to the development of communities, Desjardins Groups gives its members and clients the support they need to be financially empowered, which it continued to do during fiscal 2025.

- **A total of \$638 million was returned to members and the community,⁽²⁾** compared to \$557 million for fiscal 2024.
 - Provision for member dividends of \$505 million, up \$68 million, compared to fiscal 2024.
 - An amount of \$133 million was returned in the form of sponsorships, donations and scholarships, compared to \$120 million for the previous year, with \$69 million in 2025 and \$65 million in 2024 from the caisses' Community Development Fund.
 - Commitments of \$19 million made in 2025 under the GoodSpark Fund, which seeks in particular to provide social and economic support to the regions.
- **Return on equity was 9.3%,** compared to 9.0% for fiscal 2024.

The following table shows the return on equity.

Table 5 – Return on equity

For the years ended December 31

(in millions of dollars and as a percentage)

	2025	2024
Surplus earnings before member dividends	\$ 3,811	\$ 3,356
Non-controlling interests' share	(112)	(133)
Group's share before member dividends	\$ 3,699	\$ 3,223
Average equity – Group's share	\$ 39,866	\$ 35,712
Return on equity⁽¹⁾	9.3%	9.0%

⁽¹⁾ For further information about supplementary financial measures, see the Glossary on pages 106 to 110.

TOTAL NET REVENUE

Total net revenue amounted to \$16,308 million, up \$1,648 million, or 11.2%, compared to 2024. This increase was due to the following.

⁽¹⁾ Data have been restated to conform with the current year's presentation.

⁽²⁾ For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 3 to 5.

NET INTEREST INCOME

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

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

Net interest income totalled \$8,279 million, up \$808 million, or 10.8%. This increase resulted from the following:

- Growth in average residential mortgages and business loans outstanding, partly offset by an increase in average outstanding deposits. Desjardins Group's net interest margin was stable at 2.29%.⁽¹⁾

Net interest income
(in millions of dollars)

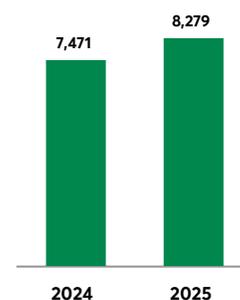


Table 6 – Net interest income on average assets and liabilities

For the years ended December 31

	2025			2024		
	Average volume	Interest	Average rate	Average volume	Interest	Average rate
(in millions of dollars and as a percentage)						
Interest-bearing assets ⁽¹⁾						
Securities, cash and deposits with financial institutions	\$ 74,081	\$ 2,436	3.29%	\$ 64,146	\$ 2,477	3.86%
Loans	325,576	15,471	4.75	294,732	15,288	5.19
Total interest-bearing assets	399,657	17,907	4.48	358,878	17,765	4.95
Other assets	96,791			88,867		
Total assets	\$ 496,448	\$ 17,907	3.61%	\$ 447,745	\$ 17,765	3.97%
Interest-bearing liabilities ⁽¹⁾						
Deposits	\$ 316,955	\$ 7,516	2.37%	\$ 289,585	\$ 8,056	2.78%
Subordinated notes	4,743	189	3.98	3,540	165	4.66
Other liabilities	44,827	1,923	4.29	35,460	2,073	5.85
Total interest-bearing liabilities	366,525	9,628	2.63	328,585	10,294	3.13
Other liabilities	89,403			82,532		
Equity	40,520			36,628		
Total liabilities and equity	\$ 496,448	\$ 9,628	1.94%	\$ 447,745	\$ 10,294	2.30%
Net interest income		\$ 8,279			\$ 7,471	

⁽¹⁾ For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 3 to 5.

Table 7 – Impact of changes in volumes and rates on net interest income

For the years ended December 31

	2025/2024			Increase (decrease)	
	Change in average volume	Change in average rate	Interest	Average volume	Average rate
(in millions of dollars and as a percentage)					
Interest-bearing assets ⁽¹⁾					
Securities, cash and deposits with financial institutions	\$ 9,935	(0.57)%	\$ (41)	\$ 383	\$ (424)
Loans	30,844	(0.44)	183	1,609	(1,426)
Change in interest income			142	1,992	(1,850)
Interest-bearing liabilities ⁽¹⁾					
Deposits	\$ 27,370	(0.41)%	\$ (540)	\$ 755	\$ (1,295)
Subordinated notes	1,203	(0.68)	24	56	(32)
Other liabilities	9,367	(1.56)	(150)	549	(699)
Change in interest expense			(666)	1,360	(2,026)
Change in net interest income			\$ 808	\$ 632	\$ 176

⁽¹⁾ For more information about non-GAAP ratios, see "Non-GAAP and other financial measures" on pages 3 to 5.

NET INSURANCE SERVICE INCOME

Net insurance service income stood at **\$3,091 million**,⁽¹⁾ up \$209 million, or 7.3%, compared to 2024. The change in this heading, which consists of the insurance service result and the net insurance finance result, can be explained by items from the following segments:

Wealth Management and Life and Health Insurance

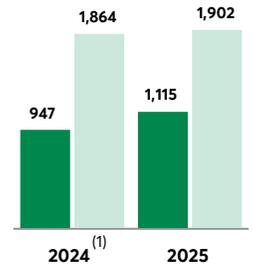
- Insurance service result of \$617 million, up \$27 million, or 4.6%, due to the overall favourable effect of the updating of actuarial assumptions and to business growth.
- Net insurance finance result of \$498 million, up \$141 million, or 39.5%. This increase was mainly due to favourable developments in financial markets and to the negative change in the fair value of certain infrastructure investment securities during the comparable year.

Property and Casualty insurance

- Insurance service result of \$1,474 million, up \$14 million, or 1.0%, mainly due to premium growth in automobile and property insurance, as well as to business arising from the acquisition of The Insurance Company of Prince Edward Island. In addition, claims expenses related to catastrophes and major events were lower than in 2024. This change was offset by higher claims expenses in the current year.
- Net insurance finance result of \$428 million, up \$24 million, or 5.9%, due in particular to a smaller effect of accretion of net liabilities for incurred claims, partly offset by lower net gains on shares than in fiscal 2024.

A more detailed analysis can be found in Section 2.2, "Analysis of business segment results," of this MD&A.

Net insurance service income
(in millions of dollars)



■ Life and Health Insurance
■ Property and Casualty Insurance

⁽¹⁾ Some data have been restated to conform with the current years' presentation.

OTHER INCOME

Table 8 – Other income

For the years ended December 31

(in millions of dollars)

	2025	2024
Deposit and payment service charges	\$ 569	\$ 527
Lending fees and card service revenues	1,079	1,038
Brokerage and investment fund services	1,595	1,480
Management and custodial service fees	1,091	901
Net other investment income (loss)	(66)	(205)
Foreign exchange income (loss)	422	241
Other	248	325
Total other income	\$ 4,938	\$ 4,307

Other income stood at **\$4,938 million**, up \$631 million, or 14.7%, compared to fiscal 2024, due to the following:

- Deposit and payment service charges of \$569 million**, up \$42 million, or 8.0%, mainly due to business growth.
- Lending fees and card service revenues of \$1,079 million**, up \$41 million, or 3.9%, mainly due to business growth in credit card payment activities.
- Income from brokerage and investment fund services of \$1,595 million**, up \$115 million, or 7.8%, mainly due to the following:
 - Higher income as a result of growth in assets under management and under administration.
 - Higher revenues due to capital market activities.
- Management and custodial service fees of \$1,091 million**, up \$190 million, or 21.1%, primarily due to higher income as a result of growth in assets under management and under administration.
- Net investment loss of \$66 million**, compared to \$205 million in 2024, mainly due to losses on disposal of securities that were higher in 2024.
- Foreign exchange income (loss) of \$422 million**, up \$181 million, or 75.1%, due to fluctuations in the value of foreign exchange contracts.
- Other income of \$248 million**, down \$77 million, or 23.7%, mainly due to the following:
 - Increase in the contingent consideration payable related to the acquisition in 2015 of the Canadian operations of State Farm Mutual Automobile Insurance Company (State Farm), arising from favourable developments in claims taken over, whereas a decrease arising from unfavourable developments in claims taken over was recognized in 2024.
 - Gain on disposal of an investment recognized in 2024.

⁽¹⁾ The difference between this result and the sum of business segment results is due to intersegment transactions, which are eliminated in the Other category.

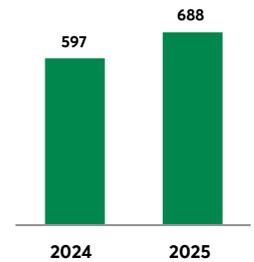
PROVISION FOR CREDIT LOSSES

The provision for credit losses totalled **\$688 million**, compared to \$597 million in 2024. The 2025 provision reflects an unfavourable migration of credit quality and a higher volume in the loan portfolios.

Desjardins Group continued to present a high-quality loan portfolio in 2025.

- The credit loss provisioning rate was 0.22% in 2025, comparable to fiscal 2024.
- The ratio of gross credit-impaired loans, as a percentage of the total gross loans portfolio, was 0.85%, compared to 0.81% as at December 31, 2024. This increase was due to a greater volume of gross impaired loans, mainly in the business loan portfolios.

Provision for credit losses
(in millions of dollars)



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

Table 9 – Credit loss provisioning rate

For the years ended December 31

(in millions of dollars and as a percentage)

	2025	2024
Total provision for credit losses	\$ 688	\$ 597
Provision for (recovery of) credit losses on securities	8	(2)
Provision for credit losses on loans and off-balance sheet items	\$ 680	\$ 599
Average gross loans⁽¹⁾	\$ 305,258	\$ 278,048
Credit loss provisioning rate⁽¹⁾	0.22%	0.22%

⁽¹⁾ For further information about supplementary financial measures, see the Glossary on pages 106 to 110.

GROSS NON-INTEREST EXPENSE

Table 10 – Gross non-interest expense

For the years ended December 31

(in millions of dollars and as a percentage)

	2025	2024
Salaries and employee benefits		
Salaries	\$ 4,683	\$ 4,275
Employee benefits	1,292	1,208
	5,975	5,483
Professional fees	921	821
Technology	1,306	1,217
Commissions	867	790
Occupancy costs	401	397
Communications	410	375
Business and capital taxes	172	148
Other	1,585	1,414
Total non-interest expense	\$ 11,637	\$ 10,645

Non-interest expense totalled \$11,637 million, up \$992 million, or 9.3%, compared to 2024, due to the following:

- **Salaries and employee benefits of \$5,975 million**, up \$492 million, or 9.0%, compared to 2024, due, in particular, to wage indexation and performance-related compensation.
- **Professional fees of \$921 million**, up \$100 million, or 12.2%, compared to 2024, supporting business growth and enhancing the services offered to members and clients.
- **Technology expenses of \$1,306 million**, up \$89 million, or 7.3%, compared to 2024, in particular due to cloud computing expenses.
- **Commissions of \$867 million**, up \$77 million, or 9.7%, compared to 2024, related to growth in assets under management and under administration.
- **Occupancy costs of \$401 million**, an amount comparable to 2024.

- **Communication expenses of \$410 million**, up \$35 million, or 9.3%, compared to 2024 due to increased advertising and postal expenses.
- **Business and capital taxes of \$172 million**, up \$24 million, or 16.2%, compared to 2024, mainly due to the increase in the annual premium payable for deposit protection.
- **Other expenses of \$1,585 million**, up \$171 million, or 12.1%, compared to 2024, due to the following:
 - Higher rewards program expenses as a result of higher volumes of credit card payment activities.
 - Contingency provisions for our operations.

INCOME TAXES ON SURPLUS EARNINGS AND INDIRECT TAXES

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

- **Income taxes on surplus earnings after member dividends of \$1,041 million**, up \$149 million, compared to fiscal 2024.
 - Effective tax rate on surplus earnings after member dividends⁽¹⁾ of 23.3% for the year ended December 31, 2025, comparable to that of 22.8% for fiscal 2024.

Note 26, "Income taxes on surplus earnings," to the Combined Financial Statements presents, among other things, a reconciliation of the statutory tax rate and the effective tax rate, expressed in dollars and as a percentage.

Indirect taxes consist of property and business taxes, payroll and social security taxes, the goods and services tax, and sales taxes. Indirect taxes are included in non-interest expense. For fiscal 2025, Desjardins entities paid \$2,084 million in indirect taxes, compared to \$1,991 million in 2024.

2.2 Analysis of business segment results

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. This section presents an analysis of the results for each of these segments.

Various estimation and allocation methods are used in preparing the financial information of the business segments. Intersegment transactions are generally recognized based on the agreements in effect between the segments.

In 2025, some changes were made to business segments to reflect how management evaluates segment performance. This presentation reflects the revision of the model used to allocate non-interest expense to segments. As a result, some non-interest expense items were reclassified from the Other category to the Personal and Business Services segment, the Wealth Management and Life and Health Insurance segment and the Property and Casualty Insurance segment. Comparative figures have been restated to conform with the current year's presentation.

2.2.1 Personal and Business Services

PROFILE

The Personal and Business Services segment is central to Desjardins Group's operations. With its comprehensive, integrated line of products and services designed to meet the needs of individual and business members, institutions, non-profit organizations and cooperatives, Desjardins Group is a leader in financial services in Quebec and is present on the financial services scene across Canada.

Desjardins's offer includes everyday financial management, savings products, payment services, financing, specialized services, access to capital markets, risk and development capital, business ownership transfers and advisory services, and through its distribution network, life and health insurance and property and casualty insurance products.

In addition, members and clients know that they can rely on the largest advisory force in Quebec, made up of dedicated professionals who are there for them at every stage in their life or entrepreneurial journey. To meet the constantly changing needs of its members and clients, Desjardins Group offers its services through the caisse network and their Business centres as well as the Business Services Centre, in person, by phone, online, via applications for mobile devices, and at ATMs.

⁽¹⁾ For further information about supplementary financial measures, see the Glossary on pages 106 to 110.

SERVICES

- **Financial management:**
 - In addition to our cashier and ATM services, the AccèsD and AccèsD Affaires online platforms, available online and through our app for mobile devices, provide access to a variety of transactions such as payments and transfers, making it easy for individuals and businesses to manage their finances.
- **Savings and investments:**
 - Products distributed by the caisses, Desjardins Business centres and the Business Services Centre, such as mutual investment funds (Desjardins Funds), market-linked guaranteed investments (MLGI), the guaranteed savings offer, and annuity products as well as, more specifically for businesses, the Enhanced Investment Business Account and the Desjardins Business Treasury Account.
- **Financing:**
 - **Residential mortgages**, for the purchase of land and new or existing homes and for renovations.
 - **Consumer loans**, such as loans for the purchase of automobiles and durable goods, personal loans and lines of credit, student loans and Accord D financing solutions.
 - **Commercial credit**, which makes it possible to offer financing in the commercial and industrial, agricultural and agri-food, and public and institutional sectors, as well as for commercial and multi-residential real estate.
 - Financing and investment offer specifically for business transfers, including support that goes beyond the financial transaction.
- **Payment:**
 - Debit and credit card payment services for individuals and businesses, electronic payment services, and both domestic and international funds transfers.
- **Capital markets:**
 - Services to meet the financing needs of Canadian corporations, institutions and cooperatives, providing advisory services for mergers and acquisitions, an offering of derivative products, as well as intermediation and execution services on the stock and fixed income securities markets. The services are carried out by teams of seasoned professionals supported by a research team renowned in the industry for its excellence.
- **Risk and development capital (Desjardins Capital):**
 - Specializes in direct and indirect investment in small and medium-sized enterprises (SMEs) and cooperatives in every region of Quebec.
 - Promotes, supports and encourages the sustainability of SMEs in Quebec.
 - As manager of Capital régional et coopératif Desjardins (CRCD), Desjardins Capital encourages Quebecers to save.
 - Accompanies and provides customized solutions, strategic advice and value-added services for companies in various stages of start-up, growth or transfer.
- **Specialized services:**
 - International services, banking and cash management services, Desjardins employer solutions (payroll and human resources management, as well as group retirement savings), factoring, specialized financing for institutional clients, the technology sector, the franchise sector, health care and professional firms.
 - In addition:
 - The initiative to facilitate breaking ground for, developing and building affordable housing;
 - Services for homeowners in the Desjardins housing ecosystem that go beyond financing for housing projects, such as support for the purchase, sale, renovation, construction and maintenance of a home;
 - Collabria Financial Services Inc., which offers a white-label consumer and business credit card program on the MasterCard and Visa networks that is tailored to the needs of members and clients of financial cooperatives and small financial institutions.

2025 ACHIEVEMENTS

- **Support for members and clients remains a priority in the current economy.** Proactive support strategies continue to be employed for personal and business members who are at greater risk of financial difficulty (price increases, high bankruptcy rate, agricultural sector under pressure, etc.):
 - Amidst trade tensions, teams have been mobilized to reach out to business members affected by the imposition of U.S. trade tariffs. This targeted intervention enabled us to offer personalized and proactive support, thereby strengthening our role with business clients as a strategic partner.
- **Enhanced and simplified digital experience:**
 - Rollout of the new personal loan solution that allows members to apply for a loan entirely online or receive support when they need it.
 - Deployment of a chat service in the mobile application, allowing members to receive support whenever they wish.
 - Continued improvements to AccèsD features that simplify online banking for our members and clients, particularly for term savings, debit cards, electronic payments and mortgage payments.
 - Changes to the AccèsD Affaires home page to give entrepreneurs a fast, simple and fluid browsing experience for independent management of their finances.
 - Changes to Interac e-Transfers to better meet the needs of entrepreneurs (e.g., activation for joint accounts, scheduled transfers, display of the company name when registering for automatic deposits, etc.).
 - Continued implementation of the Alvie virtual assistant, for example with the rollout of a tip to encourage saving.
- **Improved offers to entrepreneurs:**
 - Enhanced support for businesses in the manufacturing and agricultural sectors through the development of specialized offers (manufacturing, large farms, the next generation of farmers) and the establishment of dedicated teams.

- **Reinforcing our role as a socioeconomic leader:**
 - \$5 million awarded to entrepreneurs in Quebec and Ontario under the Momentum Fund program. Non-repayable financial assistance in amounts of up to \$20,000 were granted to 718 businesses in 2025, including to foster innovation, accelerate the digital transformation and invest in energy-efficient equipment. Since 2020, Desjardins Group has made commitments under this program totalling close to \$29 million.
 - Desjardins has raised its ambition by committing to help create more than 10,000 housing units by 2028 in response to the affordability crisis, compared with the 3,000 initially planned. Through our productive partnerships, our actions have yielded real results since 2022: 1,861 housing units are already inhabited and another 2,722 units are under construction. In addition, Desjardins has joined forces with six foundations and the Société d'habitation du Québec to create the Amplifier fund. Managed by Desjardins Capital and financed by these partners, this \$50 million investment lever has been implemented to accelerate the development of environmentally responsible, affordable housing throughout Quebec. This joint commitment strengthens our ability to meet the needs of communities and support the transition to a sustainable future.
- The sector continues to gradually roll out its **ESG approach** throughout its operations, in particular:
 - Launch of an ESG guide to spark discussions in the agricultural sector. The goal is to identify entrepreneurs' current practices, their strengths and areas of risk in order to provide support as they manage challenges and perceive opportunities related to environmental, social and governance issues.
 - Contribution to improving the accelerator loan product of the Business Development Bank of Canada (BDC) in order to broaden program eligibility. This product is designed to help underserved business clients (women, Indigenous peoples, visible minorities, LGBTQ+, new arrivals) with less than \$10 million in revenue to obtain financing for working capital, and it illustrates our commitment to diversity.
- **Safety and fraud prevention tips:**
 - Continued partnership with Cybereco, which provides businesses with relevant tools and information to help them improve their cybersecurity.
- **Recognition:**
 - *The Banker* magazine named Desjardins Canadian Bank of the Year in 2025.
 - Desjardins received two honours at the Digital Cx Awards gala: one in the "Best Technology Implementation for Digital CX - Canada" category for Alvie's financial tips, and an honourable mention from the jury for our transformation strategy, highlighting how we have increased digital adoption.

INDUSTRY

- **Canadian market:**
 - According to the OSFI, the Canadian financial industry comprised some 79 domestic and foreign banking institutions in 2026.
 - In the banking services industry, on-balance sheet and off-balance sheet personal savings outstanding was estimated at \$8,266.2 billion as at December 31, 2025, for a year-over-year increase of 11.8%, compared to an increase of 14.3% recorded at the end of 2024. The increase in 2025 was due to the improved returns offered by the financial markets: the S&P/TSX stock market index rose 28.2% while the S&P 500 increased by 16.4% in the twelve-month period. Fiscal 2025 was also marked by continuing good growth in sales of on-balance sheet savings products, fuelled by the sustained demand for market-linked term investments.
 - The outstanding volume of loans to individuals was estimated at \$3,039.1 billion as at December 31, 2025, a year-over-year increase of 4.8%, slightly more than the 4.6% increase observed at the end of fiscal 2024.
 - Business financing outstanding as at December 31, 2025, was estimated at \$1,248.4 billion, a year-over-year increase of 4.9%, up from a 3.4% increase recorded at the end of 2024.
- **Quebec market:**
 - On-balance sheet and off-balance sheet personal savings outstanding was estimated at \$1,583.0 billion as at December 31, 2025, a year-over-year increase of 12.8%, versus an increase of 14.5% at year-end 2024. This represents historically strong growth. The savings rate of Quebec households continues to be higher than the Canadian average.
 - Outstanding volume of retail financing was estimated at \$549.5 billion as at December 31, 2025, for a year-over-year increase of 8.3%, compared to 6.0% growth recorded a year earlier.
 - Business financing outstanding was estimated at \$281.8 billion as at December 31, 2025, for a year-over-year increase of 4.1%, compared to 10.3% growth at year-end 2024.
 - Agricultural loans, included in business financing, were estimated at \$30.6 billion as at December 31, 2025, a year-over-year increase of 6.6%, down from the strong 12.1% growth recorded on the same date one year earlier.
- **Competition in Quebec for financial services to individuals and businesses:**
 - Desjardins Group is a leader in many of the fields in which it operates.
 - It is a leader in residential mortgages, with a market share estimated at approximately 39.0%⁽¹⁾, and it is a major player in consumer credit, with a market share of approximately 23.2%⁽¹⁾ on the same date.
 - Desjardins Group is a leader in personal savings in Quebec, especially in on-balance sheet personal savings products, with a market share in this industry estimated at approximately 35.7%⁽¹⁾.
 - In commercial and industrial loans, Desjardins Group is also a major player in Quebec, with an estimated market share of approximately 20.8%⁽¹⁾.
 - Desjardins Group is a leader in agricultural financing, with a loan portfolio of \$12.1 billion and an estimated market share of 39.8%⁽¹⁾.
 - The fight for market share is therefore very fierce, since all the players are adopting strategies aimed at intensifying business relations with their clients and at getting to know them better.

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

2026 STRATEGIES AND PRIORITIES

The 2026 strategies and priorities of the Personal and Business Services segment are incorporated into Desjardins Group's strategic directions and are aimed at helping Desjardins to always work in the interests of members and clients. The strategic directions of Desjardins Group, as presented in Section 1.4, "Strategic directions and financial objectives," of this MD&A, are also the strategic directions of the Personal and Business Services segment.

⁽¹⁾ These market shares were compiled and estimated as at September 30, 2025 according to a methodology developed by Desjardins and based on several external sources, including: the Bank of Canada, Statistics Canada and Investor Economics.

The segment's priorities will be to:

- Encourage digital adoption and improve distribution efficiency by developing channels;
- Simplify and improve the performance of its key processes;
- Strengthen the loyalty of its members and clients and the closeness of its relationships through digital services and high-quality support;
- Increase the competitiveness of its business lines;
- Be the financial partner of choice for businesses and entrepreneurs;
- Develop its business posture by anchoring it more firmly in data and analytics.

The segment will continue, over the next year, to focus more on supporting and retaining its existing members and clients, and on making efficiency gains to improve competitiveness.

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

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

ANALYSIS OF FINANCIAL RESULTS

Table 11 – Personal and Business Services – Segment results

As at December 31 or for the years ended December 31

(in millions of dollars and as a percentage)

	2025	2024 ⁽¹⁾
Net interest income	\$ 7,759	\$ 7,134
Other income	2,735	2,333
Total net revenue	10,494	9,467
Provision for credit losses	680	599
Gross non-interest expense	7,320	6,702
Income taxes on surplus earnings	641	561
Surplus earnings before member dividends	1,853	1,605
Member dividends, net of tax recovery	378	328
Net surplus earnings for the year after member dividends	\$ 1,475	\$ 1,277
Indicators		
Average assets ⁽²⁾	\$ 379,189	\$ 342,529
Average core interest-bearing assets ⁽³⁾	275,445	251,477
Average gross loans ⁽²⁾	294,593	268,746
Average deposits ⁽²⁾	225,630	218,961
Net interest margin ⁽³⁾	2.66%	2.66%
Efficiency ratio ⁽²⁾	69.8	70.8
Credit loss provisioning rate ⁽²⁾	0.23	0.22
Gross credit-impaired loans/gross loans ⁽²⁾	0.88	0.84

⁽¹⁾ Some data have been restated to conform with the current year's presentation.

⁽²⁾ For further information about supplementary financial measures, see the Glossary on pages 106 to 110.

⁽³⁾ For more information about non-GAAP financial measures and non-GAAP ratios, see "Non-GAAP and other financial measures" on pages 3 to 5.

COMPARISON OF 2025 AND 2024

- **Surplus earnings before member dividends of \$1,853 million**, up \$248 million, compared to 2024, due to the following:
- **Total net revenue of \$10,494 million**, up \$1,027 million, or 10.8%.
 - **Net interest income of \$7,759 million**, up \$625 million, or 8.8%. This increase resulted mainly from growth in average residential mortgages and average business loans outstanding, partly offset by an increase in deposits. The segment's net interest margin was stable at 2.66%.
 - **Other income of \$2,735 million**, up \$402 million, or 17.2%, mainly as a result of:
 - Decline in the net investment loss due to losses on disposals recorded in 2024 and a less unfavourable change in derivative financial instruments.
 - Higher business volumes in credit card payment activities.
 - Increase in income related to deposit and payment service charges.
- **Provision for credit losses of \$680 million**, compared to \$599 million for fiscal 2024. The 2025 provision reflects an unfavourable migration of credit quality and a higher volume in the loan portfolios.
- **Gross non-interest expense of \$7,320 million**, up \$618 million, or 9.2%, as a result of spending on personnel, technology and fees to support growth in operations and enhance the services offered to members and clients.
- **Efficiency ratio at 69.8%**, compared to 70.8% in 2024, mainly due to stronger growth in total net income than in gross non-interest expense.

2.2.2 Wealth Management and Life and Health Insurance

PROFILE

The Wealth Management and Life and Health Insurance segment plays a leading role in supporting members and clients in becoming financially empowered, and helping them to save and invest according to their plans and objectives as well as protect themselves and their loved ones through a range of high-quality products and services.

The segment supports members and clients, individuals and businesses, through various distribution networks and designs several lines of individual insurance (life and health) coverage as well as investment solutions. The segment also includes asset management and trust services. The Wealth Management and Life and Health Insurance segment is a Canadian leader in responsible investing and responsible insurance.

The Wealth Management and Life and Health Insurance segment's vast and diversified Canada-wide distribution networks are one of its greatest strengths:

- Desjardins caisse network;
- Desjardins specialized networks (Signature Service, Private Wealth Management, Securities and Online Brokerage);
- Desjardins agent network;
- Desjardins Financial Security Life Assurance Company partner networks (SFL Wealth Management, Desjardins Financial Security Independent Network and Desjardins Financial Security Investments);
- Insurance and investment solution networks (including subsidiaries of Worldsource Group of Companies Inc.);
- Actuarial consulting firms and brokers;
- Client Relations Centres and digital channels.

SERVICES

Life and Health Insurance

- Includes a wide range of products offered to individuals, and a group retirement savings and insurance service offer for businesses and their employees.
- These products and services offer them peace of mind by reducing the financial effects that could occur due to illness, accident or death, and these investment solutions help them achieve their savings and investment objectives.
 - **Insurance for individuals:**
 - Includes life insurance, health and disability insurance, credit insurance, travel insurance and assistance services.
 - **Group insurance:**
 - Includes life, death and accidental mutilation, critical illness, disability, prescription drug, health care and dental insurance, health and wellness expense accounts, as well as prevention and wellness services.
 - **Group retirement savings:**
 - Includes accumulation and disbursement plan solutions, group annuities, as well as support to achieve and maintain financial independence (videos, simulators, webinars and virtual guide).
 - **Independent distribution:**
 - Each network serves a diverse clientele, primarily individuals and entrepreneurs seeking personalized advice.
 - These networks provide a comprehensive range of financial solutions, including life and health insurance products, investments and financial planning services.

Wealth Management

- Offers a wide range of products and advisory services to meet the needs of members and clients at every stage of their lives, helping them to build, grow, protect and pass on personal and business assets with complete peace of mind.
 - **Specialized wealth management offer (Signature Service, Private Wealth Management, Securities and Online Brokerage):**
 - Each Desjardins network offers support based on a consulting approach to provide responses tailored to the personal, family and business situations of members and clients.
 - These networks differ from one another in their approach and in the range of proprietary advisory services and products they offer.
 - **Investment solutions:**
 - Wide range of investment solutions for individuals.
 - Mutual funds, guaranteed market-linked investments, guaranteed investment funds and exchange-traded funds (ETFs), including responsible investment and annuity solutions, enabling members and clients to find the investments best suited to their needs.
 - **Asset management:**
 - Institutional asset management for a diverse client group, including insurance companies, pension funds, trust companies, endowment funds, non-profit organizations and corporations across Canada.
 - Offers diverse expertise in investment strategies (equities, fixed income, infrastructure and real estate) as well as responsible investing (incorporating ESG criteria) through a variety of investment vehicles.
 - **Trust services:**
 - Services for institutional clients, mainly pension funds, foundations, investment funds and insurers.
 - Includes, in particular, custody of securities on North American and international markets and fiduciary services for businesses.

2025 ACHIEVEMENTS

Life and Health insurance

- **Changes to the range of insurance products and services for individuals:**
 - Rollout of a new supplementary deposit option linked to participating life insurance, which allows voluntary payments to be made in addition to regular premiums. This flexible and tax-efficient solution promotes growth in cash surrender value or insurance coverage, so it can help supplement retirement income and enhance family wealth.
 - Simplification and acceleration of the claims process for individual insurance and credit insurance, achieved through a review of medical requirements. This optimization makes it possible to offer faster and more accessible services to members and customers.
 - Modernization of our term life insurance offering to provide greater accessibility and make the products better tailored to families' needs, including through: automatic renewal, extension of benefits up to age 70, more competitive pricing and improved tools to illustrate coverage scenarios.
 - Enrolment in credit balance insurance is now available when activating a credit card online, whether for a new card, a renewal or a replacement card. This initiative is part of our desire to provide members and clients with a comprehensive experience that promotes empowerment, in addition to raising awareness of the importance of having insurance.
 - Upgrade to the financing and credit insurance simulator. It now presents the cost of insurance in greater detail, detailing the premium and additional interest, thereby helping members better understand their insurance.
 - Optimization of credit-savings insurance processes, including the implementation of a new administrative process and simplified insurance claims, resulting in significantly reduced processing times.
- **Changes to our range of group insurance and retirement savings products and services:**
 - Launch of the Cancer Focus offer for employers and their employees, a combination of products and services offered through various coverage options tailored to the physical, mental and financial health issues most likely to affect people with cancer.
 - Launch of absence prevention and accommodation services. The goal of this service is to support employers when health issues are affecting an employee's attendance or performance at work. It applies a personalized approach in order to foster job retention, prevent prolonged absences and promote a healthy, inclusive and sustainable work environment.
 - Launch of the Destination Program, which supports group retirement savings clients when they leave their jobs or retire by offering them an integrated solution for managing their savings. The program offers flexible and personalized disbursement options tailored to the clients' financial goals and needs.
 - Simplification of the disability claims process to facilitate faster access to care for the insured.
 - Implementation of initiatives to encourage greater adoption by our clients of digital solutions in group insurance, helping to enrich the experience of our insureds and improve the accessibility of services.
- The segment continues to gradually roll out its **ESG approach** across all its operations, including through:
 - Ongoing work toward achieving the investment portfolio's decarbonization objectives, in line with the Group's commitment to the Business Ambition for 1.5°C initiative.

Wealth Management

- **Signing of a definitive agreement for the acquisition of Guardian**, a publicly traded global investment management company that serves institutional, retail and private clients. This transaction, valued at \$1.7 billion, marks an important milestone for Desjardins, positioning it among the Canadian leaders in asset management, which will facilitate its expansion on the global stage. The transaction will close once required regulatory approvals are obtained and other customary closing conditions are met, which is expected to occur by the end of the first quarter of 2026.
- **Changes to the range of products and services offered**
 - Launch of a new exchange-traded fund (ETF) composed entirely of Quebec companies: the Desjardins Quebec Equity ETF (symbol: DMQC). This fund seeks to support the local economy while offering investors a diversified, accessible portfolio managed according to rigorous criteria, with no management fees for the first year.
 - Launch of a simplified range of investment solutions under the Desjardins Active Strategy, SocieTerra and ETF Portfolios, each one tailored to meet specific needs, with competitive pricing and simplified management. This new offer is designed to facilitate investment decision-making and strengthen the financial independence of members and clients.
- **Enhanced digital experience**
 - Simplified digital access to tax slips for Desjardins investment solutions, for members and clients of Securities, Signature Service and Online Brokerage as well as their advisors.
 - Launch of the new digital pathway for acquiring MLGIs: a simplified and enhanced online experience that owes a debt to feedback from members and clients.
 - Launch of Wealthlink: a simple, efficient and accessible online platform designed to enable members, clients and advisors to easily track their guaranteed investment funds.
 - Enhancement and simplification of the information presented on the Desjardins Online Brokerage platform, including by adding the display of changes in portfolio value and a new feature that allows real-time tracking of fund transfer requests.
- The segment continues to gradually roll out its **ESG approach** across all its activities, including:
 - Publication of a white paper highlighting Desjardins's approach to integrating biodiversity and natural capital into its responsible investment practices.
 - Publication of the initial targets and results on water management and deforestation in the Desjardins Funds Report on Responsible Investment. The report provides an update on how Desjardins Funds portfolios may depend on and have an impact on biodiversity.
- **Awards won and recognition gained**, all attesting to our commitment to developing high-return investing solutions for members and clients:
 - Desjardins Online Brokerage ranked second in independent investor satisfaction by JD Power.
 - Garnered 8 FundGrade A+® 2025 awards from Fundata, which recognizes the best investment solutions available in Canada each year, 3 of which were received for responsible investing solutions.
 - Received 2 prestigious awards at the *LSEG Lipper Fund Awards 2025* ceremony: two Desjardins responsible investment ETFs that were so honoured for a second consecutive year.
 - Desjardins garnered attention for its range of structured products at the *SRP Americas 2025* gala, winning two prestigious awards for the third consecutive year: Best House, Capital Protection and Best Distributor, Capital Protected.
 - Desjardins was recognized for its range of structured products at the *SPI Canada 2025 Awards for Excellence*, winning the award for Canada's Best Principal Protected Issuer.

INDUSTRY

• Canadian market:

- Life and Health Insurance: Premium income totalled \$168 billion in life and health insurance and in annuities in 2024, up \$11 billion, compared to 2023. The average growth rate over the last five years was 6.7%. Close to 30 million Canadians are protected financially, and \$143 billion was paid in benefits in 2024, up 11.8% compared to 2023. Prescription drugs remain the largest item of expenditure in health benefits (\$16.6 billion out of a total of \$53.3 billion in 2024). In addition, claims for paramedical services rose sharply by 16% compared to 2023, particularly in mental health and massage therapy.
- Wealth Management: Canadian households held close to \$7,467 billion in financial assets at the end of 2024, representing annual growth of 13.8% (compared to growth of 7.9% in 2023). After the Bank of Canada's key interest rate topped out in June 2024, the Bank implemented several rate cuts in response to slowing inflation, weak economic growth and persistent economic uncertainty related to trade tensions with the US. North American stock markets reached new all-time highs, driven by monetary easing and strong performance in several sectors, despite a brief correction in the spring of 2025 due to tariff threats.

• Competition in Canada:

- Property and Casualty Insurance: 145 insurers were operating in Canada in 2024; 74.0% of the market was held by five insurers. Desjardins Financial Security Life Assurance Company ranks 5th in Canada, with \$6.9 billion in direct premiums written in 2024.
- Wealth Management: The key industry players are the major banking groups, life and health insurance companies and investment fund manufacturers and their distribution networks, which are trying to outdo one another in order to win over clients and build their loyalty. For over 30 years, Desjardins has been one of the most committed players when it comes to promoting and advancing responsible investing in Canada by:
 - Offering an extensive line of responsible investing solutions on the market;
 - Ranking 2nd among mutual fund issuers and 4th among ETF issuers in responsible investing, based on market share of assets under management in 2024.

2026 STRATEGIES AND PRIORITIES

The 2026 strategies and priorities of the Wealth Management and Life and Health Insurance segments form part of Desjardins Group's strategic directions and aim to help Desjardins always work in the interests of members and clients. The strategic directions of Desjardins Group, as presented in Section 1.4, "Strategic directions and financial objectives," of this MD&A, are also the strategic directions of the Wealth Management and Life and Health Insurance segment.

The priorities for life and health insurance have us focus on:

- Being an insurer with which it is easy to do business;
- Ensuring sustainable growth;
- Continuing to transform our operations through digital technologies, data and analytics, and system modernization;
- Achieving sustainable development targets and positioning ourselves as a partner in our members' and clients' overall health;
- Leveraging the commitment of employees and managers to ensure a successful transformation.

The priorities for wealth management will have us focus on:

- Being a financial institution with which it is easy to do business;
- Refocusing execution to meet the current and future needs of members and clients;
- Increasing business development;
- Expanding our footprint in Ontario and the Atlantic and Western regions;
- Continuing to transform our operations through digital technologies, data and analytics, and system modernization.

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

ANALYSIS OF FINANCIAL RESULTS

Table 12 – Wealth Management and Life and Health Insurance – Segment results

As at December 31 and for the years ended December 31

(in millions of dollars)

	2025	2024 ⁽¹⁾
Net interest income	\$ 292	\$ 231
Insurance service result		
Insurance revenue	4,395	4,261
Insurance service expenses	(3,740)	(3,663)
Net reinsurance service income (expenses)	(38)	(8)
	617	590
Net insurance finance result		
Net insurance investment income (loss)	1,209	1,564
Net insurance finance income (expenses)	(712)	(1,238)
Net reinsurance finance income (expenses)	1	31
	498	357
Net insurance service income	1,115	947
Other income	2,879	2,616
Total net revenue	4,286	3,794
Provision for credit losses	3	4
Non-interest expense		
Gross non-interest expense	3,649	3,332
Non-interest expense included in insurance service expenses ⁽²⁾	(324)	(327)
Net non-interest expense	3,325	3,005
Income taxes on surplus earnings	202	152
Net surplus earnings for the year	\$ 756	\$ 633
Indicators		
On-balance sheet contractual service margin (CSM) ⁽³⁾⁽⁴⁾	\$ 2,385	\$ 2,585
CSM on new sales for the year ⁽³⁾⁽⁵⁾	90	70
Net sales of savings products ⁽⁶⁾⁽⁷⁾	19,466	10,483
Insurance sales ⁽⁷⁾	757	807
Group insurance premiums ⁽⁷⁾	4,458	4,210
Individual insurance premiums ⁽⁷⁾	1,301	1,204
Annuity premiums ⁽⁷⁾	737	1,476

⁽¹⁾ Some data have been restated to conform with the current year's presentation.

⁽²⁾ Represents the non-interest expense directly related to the fulfillment of insurance contracts presented under "Insurance service result."

⁽³⁾ Included under "Insurance contract liabilities" and "Reinsurance contract assets (liabilities)" on the Combined Balance Sheets. For further information, see Note 16, "Insurance and reinsurance contracts" to the Combined Financial Statements.

⁽⁴⁾ On-balance sheet CSM of \$2,599 million (\$2,838 million as at December 31, 2024) presented net of reinsurance for a total amount of \$214 million (\$253 million as at December 31, 2024).

⁽⁵⁾ CSM on new insurance business for the year totalling \$83 million (\$68 million in 2024) presented net of reinsurance for an amount of \$(7) million (\$(2) million in 2024).

⁽⁶⁾ Including \$(309) million in segregated funds (\$(297) million in 2024).

⁽⁷⁾ For further information about supplementary financial measures, see the Glossary on pages 106 to 110.

COMPARISON OF 2025 AND 2024

Net surplus earnings of \$756 million, up \$123 million, compared to 2024, due to the following:

- **Total net revenue of \$4,286 million**, up \$492 million, or 13.0%.
 - **Net interest income of \$292 million**, up \$61 million, or 26.4%, mainly due to business growth.
 - **Insurance service result of \$617 million**, up \$27 million, or 4.6%, mainly due to the following:
 - Overall favourable effect of updating actuarial assumptions.
 - Business growth.
 - Offset by a less favourable experience in long-term disability insurance.
 - **Net insurance finance result of \$498 million**, up \$141 million, or 39.5%, mainly due to the following:
 - Favourable developments in financial markets, the impact of which was enhanced by the losses incurred in 2024 following disposals of bonds.
 - Decrease in the fair value of certain infrastructure investments during the comparable period.
 - **Other income of \$2,879 million**, up \$263 million, or 10.1%, mainly due to the following:
 - Growth in assets under management and administration.
 - Offset by the gain on disposal of an investment recognized in 2024.
- **Gross non-interest expense of \$3,649 million**, up \$317 million, or 9.5%, owing primarily to the following:
 - Higher commissions tied to growth in assets under management and under administration.
 - Increased spending on personnel, technology and strategic initiatives.

Note that a gross non-interest expense of \$324 million was included under insurance service expenses, an amount comparable to 2024.

Additional information related on contractual service margin (CSM)

- On-balance sheet CSM of \$2,385 million as at December 31, 2025 compared to \$2,585 million as at December 31, 2024. The decrease in CSM was mainly due to the effect of services rendered and the updating of actuarial assumptions, including the effect of the strategic decision to discontinue the sale of new contracts on guaranteed investment fund products. This decline was partially offset by the favourable impact of new sales of individual insurance.

2.2.3 Property and Casualty Insurance

PROFILE

The Property and Casualty (P&C) Insurance segment offers insurance products providing coverage for the assets of Desjardins Group members and clients and guarding them against disaster. This segment includes the operations of Desjardins General Insurance Group Inc. and its subsidiaries, offering a personal line of automobile and property insurance products across Canada and also providing businesses with insurance products. Its products are offered in the Desjardins caisse network in Quebec and at Caisse Desjardins Ontario Credit Union Inc., the Desjardins Business centres, and the Business Services Centre and are distributed through P&C insurance agents in a number of client care centres, as well as through an exclusive agent network, including 433 agencies in Ontario, Alberta and New Brunswick. This exclusive agent network distributes P&C insurance and several other financial products. In addition, the insurance products offered by ICPEI (acquired in 2024) are distributed by a network of independent brokers in Quebec, Ontario, New Brunswick, Alberta and Nova Scotia. The segment also offers advice and loss prevention services to members and clients to help them protect their assets and guard against the impact of weather and climate events. Members and clients also have access to a multitude of services online and via applications for mobile devices.

Desjardins General Insurance Group Inc., which has more than 3.8 million members and clients, markets its products to the Canada-wide individual and business market under the Desjardins Insurance banner, and to the group market—including members of professional associations and unions, and employers' staff—under the The Personal banner, and through brokers under the ICPEI banner, a Desjardins subsidiary specialized in business insurance.

SERVICES

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

2025 ACHIEVEMENTS

- **Continued enhancement of the member and client experience as well as the digital transformation**, in particular through:
 - Delivery of the new omnichannel solution for property insurance for the Desjardins Insurance and The Personal brands, such that online purchases can now be made 100% autonomously.
 - Introduction of automobile claim tracking, which allows members and clients to easily track each step of their claim settlement.
 - Launch of three journey teams who listen to members and clients, identify their pain points and act as a driver for continuous improvement.
 - Improvement to online after-sales service and contribution to the enhanced financial empowerment of members and clients through new features such as:
 - Launch of the online "Add Vehicle" transaction, performed autonomously, for automobile insurance policyholders across Canada.
 - Addition of the ability to save and retrieve a transaction after a sale, giving members and clients greater autonomy.
 - Ability for members and clients to obtain a quote at their most convenient time by making an appointment at a Client Relations Centre following a referral, for example.
- The segment continues to gradually deploy its **ESG approach** in all of its operations, in particular by:
 - Committing \$3.2 million for the 2025-2027 period to support various organizations that encourage road safety in Quebec and the rest of Canada [Parachute, Traffic Injury Research Foundation (TIRF), Arrive Alive, Operation Red Nose].
 - Ongoing work toward achieving the investment portfolio's decarbonization objectives, in line with the Group's commitment to the Business Ambition for 1.5°C initiative.
 - A climate resilience ambition has been defined and developed around three priority areas for action:
 - Awareness-raising and training for members and clients
 - Risk prevention and mitigation
 - Social influence

- At the same time, the segment continues to carry out the ESG plan defined in 2024 in support of the Group's plan, with six priorities:
 - Support members and clients during catastrophes and major events, raise their awareness of climate change and provide them with prevention advice so that they will be well protected.
 - Strengthen climate and catastrophe modelling to anticipate the impacts.
 - Manage the impacts on our results.
 - Take a leadership role in climate and catastrophe resilience.
 - Integrate ESG considerations into all our extended operations and investments.
 - Ensure regulatory compliance.
- **Continued efforts to fully integrate ICPEI into Desjardins's governance.** ICPEI is a Canadian insurer that offers personal and commercial insurance products exclusively through a network of brokers. This acquisition, completed in 2024, sought to:
 - Meet the needs of business clients with more complex insurance requirements.
 - Consolidate the presence of Desjardins Group in P&C insurance, particularly in the area of business insurance, in order to strengthen its position across Canada.
- **Awards won and recognition gained:**
 - The Personal Insurance Company was named by *Forbes* on its World's Best Insurance Companies list, and it ranks as Canada's top-rated automobile and home group insurer, based on satisfaction, loyalty, service and transparency.
 - Desjardins General Insurance was a finalist for excellence in two categories—Property and Casualty Insurer of the Year and Claims Team of the Year—at the 2025 Insurance Business Canada Awards.
 - Desjardins General Insurance and The Personal are among the most appreciated insurers according to a survey conducted by *Protégez-Vous* magazine. According to this survey, over 80% of our respective client groups recommend us, citing the courtesy of our teams, the speed with which claims are processed and the fairness of refunds.

INDUSTRY

- **Canadian market:**
 - The P&C insurance industry offers insurance coverage for motor vehicles, personal and commercial property, and public liability.
 - A mature market, with an average annual premium growth rate of 8.2% in the period from 2020 to 2024.
 - The segment has grown at a sustained rate of 9.2%, reaching \$88 billion in direct premiums written in 2024. Although profitability remains under pressure for the entire industry, rate increases are tending to stabilize.
 - Individual insurance accounts for 59% of the market, and business insurance, for 41%.
- **State of the industry in 2025:**
 - In automobile insurance, the frequency of claims has stabilized since 2024. Furthermore, the measures taken to address vehicle theft have shown continued success, resulting in lower costs related to vehicle theft in Ontario and Quebec compared to 2024. However, theft levels were still much higher than the historical averages.
 - Alberta has announced significant reforms to the automobile insurance system, including a transition to a no-fault claims model. These future changes are intended to reduce legal costs and improve care for accident victims.
 - The unstable macroeconomic environment, due in part to the US government's tariff policy, is creating uncertainty about the cost of claims, particularly in automobile insurance.
- **Industry trends:**
 - Operational excellence remains a fundamental pillar to the P&C insurance sector, especially when costs are under pressure. Insurers are leveraging automation, artificial intelligence and personalization of the client experience to improve efficiency and satisfaction.
 - Advanced analytics, powered by AI, are now integrated throughout the value chain, generating gains in segmentation, pricing and prevention as well as an improved client experience.
 - Consolidation continues in the brokerage sector, led by insurers and investment funds, through strategic acquisitions aimed at strengthening competitive positions and expanding distribution capabilities.

2026 STRATEGY AND PRIORITIES

The Property and Casualty Insurance segment's strategies and priorities for 2026 fall within the scope of Desjardins Group's strategic directions and aim to help Desjardins always work in the interests of members and clients. The strategic directions of Desjardins Group, as presented in Section 1.4, "Strategic directions and financial objectives," of this MD&A are also the strategic directions of the Property and Casualty Insurance segment.

The segment's priorities will be to:

- Complete the omnichannel transformation to ensure the accessibility of online services, simplify pathways and make members and clients more empowered;
- Reduce operating risks and generate competitive advantages in insurance risk and cost management (operations and claims), while increasing organizational agility;
- Accelerate growth in the various business lines in business insurance, in particular by expanding the offer and developing competitive advantages through the distribution network;
- Become a Canadian leader in advanced analytics, capitalizing on the ongoing transformations and deploying several models, particularly in the area of claims and pricing;
- Deliver on ESG commitments by supporting members and clients during catastrophes and major events, raising their awareness of climate change and providing them with timely prevention advice;
- Be known to members, clients and market authorities as a safe business.

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

ANALYSIS OF FINANCIAL RESULTS

Table 13 – Property and Casualty Insurance – Segment results

For the years ended December 31

(in millions of dollars and as a percentage)	2025	2024 ⁽¹⁾
Insurance service result		
Insurance revenue	\$ 8,006	\$ 7,425
Insurance service expenses	(6,320)	(6,510)
Net reinsurance service income (expenses)	(212)	545
	1,474	1,460
Net insurance finance result		
Net insurance investment income (loss)	682	777
Net insurance finance income (expenses)	(282)	(415)
Net reinsurance finance income (expenses)	28	42
	428	404
Net insurance service income	1,902	1,864
Other income (loss)	(14)	16
Total net revenue	1,888	1,880
Provision (recovery of) for credit losses	5	(6)
Non-interest expense		
Gross non-interest expense	1,177	1,085
Non-interest expense included in insurance service expenses ⁽²⁾	(703)	(644)
Net non-interest expense	474	441
Income taxes on surplus earnings	356	371
Net surplus earnings for the year	\$ 1,053	\$ 1,074
Of which:		
Group's share	\$ 941	\$ 941
Non-controlling interests' share	112	133
Indicators		
Direct premiums written ⁽³⁾	\$ 7,996	\$ 7,565
Loss ratio ⁽⁴⁾⁽⁵⁾	62.8%	64.6%
Current year loss ratio ⁽⁴⁾⁽⁵⁾	67.9	66.1
Loss ratio related to catastrophes and major events ⁽⁴⁾⁽⁵⁾	2.2	7.8
Ratio of changes in prior year claims ⁽⁴⁾⁽⁵⁾	(7.3)	(9.3)
Expense ratio ⁽⁴⁾	26.6	25.0
Ratio of losses on onerous contracts ⁽⁴⁾	0.7	(0.4)
Combined ratio ⁽⁴⁾⁽⁵⁾	90.1	89.2
Discounted combined ratio ⁽⁴⁾	86.7	84.9

⁽¹⁾ Some data have been restated to conform with the current year's presentation.

⁽²⁾ Represents the non-interest expense directly related to the fulfillment of insurance contracts presented under "Insurance service result."

⁽³⁾ For further information about supplementary financial measures, see the Glossary on pages 106 to 110.

⁽⁴⁾ For further information about non-GAAP ratios, see "Non-GAAP and other financial measures" on pages 3 to 5.

⁽⁵⁾ Undiscounted ratio, therefore excluding the effect of discounting net liabilities for claims incurred.

COMPARISON OF 2025 AND 2024

Net surplus earnings of \$1,053 million, down \$21 million, compared to 2024, due to the following:

- **Total net revenue of \$1,888 million**, up \$8 million, or 0.4%.
 - **Insurance service result of \$1,474 million**, up \$14 million, or 1.0%.
 - **Insurance revenue** of \$8,006 million, up \$581 million, or 7.8%. By including ceded insurance revenue of \$407 million presented under "Net reinsurance service income (expenses)," the increase was \$536 million, or 7.6%, mainly due to premium growth in automobile and property insurance as well as business arising from the acquisition of ICPEI.
 - **Insurance service expenses** of \$6,320 million, down \$190 million, or 2.9%. By including ceded insurance service expenses of \$195 million (\$907 million in 2024) presented under "Net reinsurance service income (expenses)," there was an increase of \$522 million, or 9.3%, mainly due to the following:
 - Higher claims expenses mainly due to the following:
 - Greater claims expenses for the current year, mainly due to automobile and property insurance.
 - Lower favourable changes in prior year claims, mainly on account of automobile and property insurance.
 - Partially offset by lower claims expenses for catastrophes and major events, as fiscal 2024 was marked by two catastrophes.
 - Higher amortization of acquisition costs compared to 2024.
 - Unfavourable effect of the loss component on onerous contracts, compared to a favourable effect in 2024, mainly on account of automobile insurance.

- **Net insurance finance result of \$428 million**, up \$24 million, or 5.9%.
 - **Net insurance investment income** of \$682 million, down \$95 million, or 12.2%, due to the following:
 - Smaller change in the fair value of matched bonds, due in particular to lower market interest rates having less of an impact, compared to fiscal 2024.
 - Lower net gains on shares than in fiscal 2024.
 - **Net insurance finance expense** of \$282 million, down \$133 million, or 32.0%. By including net reinsurance finance income of \$28 million (\$42 million in 2024), net insurance and reinsurance finance expenses totalled \$254 million, compared to \$373 million in 2024. The change was due to the following:
 - Lesser effect of accretion of net liabilities for incurred claims.
 - Less unfavourable impact of the lower discount rates used to measure net liabilities for incurred claims.
- **Other losses of \$14 million**, compared to revenues of \$16 million in 2024. This change is mainly attributable to an increase in the contingent consideration payable in connection with the acquisition in 2015 of the Canadian operations of State Farm, arising from favourable developments in claims taken over, while a decrease was recorded in 2024 due to unfavourable developments in claims taken over.
- **Gross non-interest expense of \$1,177 million**, up \$92 million, or 8.5%, primarily due to the following:
 - Increased spending on technology.
 - Higher personnel-related fees, particularly on account of wage indexation.
 Note that a gross non-interest expense of \$703 million was included in insurance service expenses, compared to \$644 million in 2024.

2.2.4 Other category

The Other category includes financial information that is not specific to a business segment. It mainly includes treasury activities and the results for the support functions provided by the Federation to Desjardins Group, including: finance, including treasury; operations, including procurement; risk management, including compliance; the member and client experience, cooperation, culture, marketing, communications and human resources; the Project Management Office; the Desjardins Group Security Office; legal affairs and the Sustainable Development Office. It also includes all of Desjardins Group's IT operations. Non-interest expenses for support functions and Desjardins Group's IT operations are largely allocated to the various business segments.

The Other category also includes various adjustments required to prepare the Combined Financial Statements and intersegment balance eliminations.

Table 14 – Other category

For the years ended December 31

(in millions of dollars)

	2025	2024 ⁽¹⁾
Net interest income	\$ 228	\$ 106
Net insurance service income	74	71
Other income (loss)	(662)	(658)
Total net revenue (loss)	(360)	(481)
Net non-interest expense	(478)	(442)
Income taxes on surplus earnings	(31)	(83)
Net surplus earnings for the year	\$ 149	\$ 44

⁽¹⁾ Some data have been restated to conform with the current year's presentation.

COMPARISON OF 2025 AND 2024

- **Net surplus earnings of \$149 million**, compared to net surplus earnings of \$44 million in 2024.
 - Treasury activities, market rate fluctuations and changes in hedging positions had an overall favourable effect on net interest income and on net other investment income (loss) included under other income (loss).
 - Due to the activities and intersegment balance eliminations in the Other category, we believe that the comparability of the two years' results is limited.

2.3 Analysis of fourth quarter results and quarterly trends

Table 15 – Results for the previous eight quarters

(unaudited, in millions of dollars and as a percentage)	2025				2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income	\$ 2,151	\$ 2,137	\$ 2,024	\$ 1,967	\$ 1,962	\$ 1,915	\$ 1,861	\$ 1,733
Insurance service result								
Insurance revenue	3,125	3,094	3,041	2,991	2,998	2,945	2,829	2,752
Insurance service expenses	(2,373)	(2,501)	(2,362)	(2,650)	(2,268)	(3,168)	(2,182)	(2,351)
Net reinsurance service income (expenses)	(58)	(53)	(86)	(51)	58	493	(27)	8
	694	540	593	290	788	270	620	409
Net insurance finance result								
Net insurance investment income (loss)	184	869	241	639	375	1,560	467	(39)
Net insurance finance income (expenses)	46	(623)	76	(487)	(309)	(1,463)	(244)	375
Net reinsurance finance income (expenses)	(6)	18	(5)	22	28	57	14	(26)
	224	264	312	174	94	154	237	310
Net insurance service income	918	804	905	464	882	424	857	719
Other income	1,344	1,181	1,162	1,251	1,114	1,046	1,035	1,112
Total net revenue	4,413	4,122	4,091	3,682	3,958	3,385	3,753	3,564
Provision for credit losses	163	112	203	210	272	105	87	133
Non-interest expense								
Gross non-interest expense	3,172	2,779	2,950	2,736	2,868	2,524	2,697	2,556
Non-interest expense included in insurance service expenses ⁽¹⁾	(262)	(242)	(259)	(233)	(209)	(235)	(250)	(245)
Net non-interest expense	2,910	2,537	2,691	2,503	2,659	2,289	2,447	2,311
Operating surplus earnings	1,340	1,473	1,197	969	1,027	991	1,219	1,120
Income taxes on surplus earnings	282	358	297	231	201	234	301	265
Surplus earnings before member dividends	1,058	1,115	900	738	826	757	918	855
Member dividends	166	113	113	113	107	110	110	110
Tax recovery on member dividends	(40)	(29)	(29)	(29)	(23)	(28)	(29)	(29)
Net surplus earnings for the period after member dividends	\$ 932	\$ 1,031	\$ 816	\$ 654	\$ 742	\$ 675	\$ 837	\$ 774
Of which:								
Group's share	892	997	783	649	689	664	802	740
Non-controlling interests' share	40	34	33	5	53	11	35	34
Total assets	\$ 510,242	\$ 511,856	\$ 501,254	\$ 487,946	\$ 470,942	\$ 464,677	\$ 444,348	\$ 435,819
Indicators								
Return on equity ⁽²⁾	9.7%	10.6%	8.9%	7.8%	8.2%	8.1%	10.2%	9.8%
Tier 1A capital ratio ⁽³⁾	23.7	23.1	22.9	22.4	22.2	21.9	21.2	21.0
Total capital ratio ⁽³⁾	26.1	25.6	25.5	25.3	24.2	24.0	23.2	22.0

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

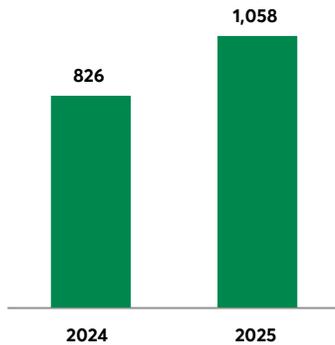
⁽²⁾ For further information about supplementary financial measures, see the Glossary on pages 106 to 110.

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

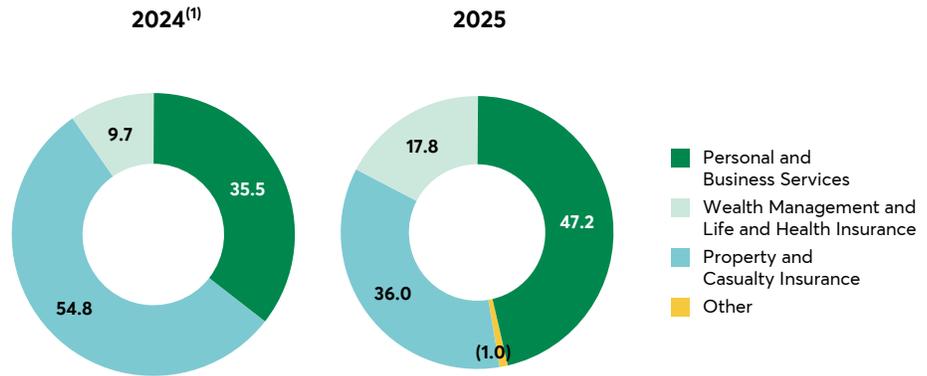
FOURTH QUARTER RESULTS

For the fourth quarter of 2025, Desjardins Group posted surplus earnings before member dividends of \$1,058 million, up \$232 million, or 28.1%, compared to the same period in 2024. This included higher net interest income related to business growth, an increase in other income, and a decrease in the provision for credit losses for the Personal and Business Services segment. In addition, a higher net insurance finance result, mainly due to favourable developments in the financial markets, helped drive performance in the Wealth Management and Life and Health Insurance segment. Finally, it should be noted that initiatives aimed at supporting business growth and enhancing the service offering to members and clients explain the increase in non-interest expenses.

Surplus earnings before member dividends
(in millions of dollars)



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



- **Return on equity of 9.7%**, higher when compared to 8.2% for the fourth quarter of 2024, primarily due to the increase in surplus earnings, as explained above.
- **Total net revenue of \$4,413 million**, up \$455 million, or 11.5%, compared to that which had been recorded for the same period in 2024.
 - **Net interest income of \$2,151 million**, up \$189 million, or 9.6%, compared to the same quarter in 2024. This increase was primarily due to the growth in average residential mortgages and business loans outstanding, partly offset by the increase in outstanding deposits.
 - **Net insurance service income of \$918 million⁽²⁾**, up \$36 million, or 4.1%, compared to the fourth quarter of 2024. The change in this heading, which consists of the insurance service result and the net insurance finance result, was due to items from the following segments:
 - Wealth Management and Life and Health Insurance segment:
 - Insurance service result of \$150 million, up \$8 million, or 5.6%, primarily due to a more favourable update of actuarial assumptions, partially offset by a less favourable experience in group insurance.
 - Net insurance finance result of \$136 million, up \$111 million, mainly due to favourable developments in financial markets and the favourable adjustment to liability discount curve parameters.
 - Property and Casualty Insurance segment:
 - Insurance service result of \$542 million, down \$86 million, or 13.7%.
 - Insurance revenue of \$2,059 million, up \$92 million, or 4.7%. Including ceded insurance service income of \$109 million, presented under "Net reinsurance service income (expenses)," resulted in an increase of \$81 million, or 4.3%, mainly due to premium growth in automobile and property insurance.
 - Insurance service expenses of \$1,464 million, up \$60 million, or 4.3%. Including ceded insurance service expenses of \$56 million, presented under "Net reinsurance service income (expenses)," resulted in an increase of \$167 million, or 13.5%, attributable to increased claims expenses for the current year, mainly due to automobile and property insurance. This is partly offset by higher favourable changes in prior year claims, mainly due to automobile insurance.
 - Net insurance finance result of \$103 million, up \$24 million, or 30.4%.
 - Net insurance investment income of \$133 million, down \$11 million, or 7.6%, attributable to lower net gains on shares than in the corresponding quarter of 2024.
 - Net insurance finance expenses of \$33 million, down \$46 million. Including net reinsurance finance income of \$3 million (\$14 million in the corresponding quarter), net insurance and reinsurance finance expenses were \$30 million, down \$35 million, due to the following:
 - * Lesser effect of accretion of net liabilities for incurred claims.
 - * More favourable impact of the increase in the discount rates used to measure net liabilities for incurred claims.
- **Other income of \$1,344 million**, up \$230 million, or 20.6%, compared to the fourth quarter of 2024, due to the following:
 - Decrease in net investment losses due to losses on disposals recorded in 2024
 - Increased income as a result of growth in assets under management and administration.

⁽¹⁾ Some data have been restated to conform with the current period's presentation.

⁽²⁾ The difference between this result and the sum of business segment results is due to intersegment transactions, which are eliminated in the Other category.

- **Provision for credit losses of \$163 million**, reflecting an unfavourable migration in credit quality in the fourth quarter of 2025. The provision of \$272 million for the fourth quarter of 2024 reflects an unfavourable migration in credit quality as well as adjustments to forward-looking information.

Desjardins Group continued to have a high-quality loan portfolio in 2025.

- Ratio of gross credit-impaired loans, as a percentage of the total gross loans portfolio, was 0.85%, compared to 0.81% as at December 31, 2024. This increase was due to a rise in the volume of gross impaired loans, mainly in the business loan portfolios.

- **Gross non-interest expense of \$3,172 million**, up \$304 million, or 10.6%, compared to the fourth quarter of 2024, due to spending on personnel, commissions, technology and fees to support growth in operations and enhance the services offered to members and clients.
- **Income taxes on surplus earnings after member dividends of \$242 million**, up \$64 million compared to the corresponding period in 2024, due to the increase in surplus earnings.
 - Effective tax rate on surplus earnings after member dividends⁽¹⁾ of 20.6% for the quarter ended of December 31, 2025, comparable to that of 19.3% for the same period of 2024.

QUARTERLY TRENDS

Quarterly income, expenses and surplus earnings before member dividends are affected by certain trends, including seasonal variations, and by changes in general economic conditions and the financial markets. The results for Desjardins Group's most recent eight quarters were affected by developments in the global, U.S., Canadian and Quebec economies as well as by inflation, with an expected rise in Canadian and Quebec real GDP of 1.7% and an expected increase in Quebec real GDP of 0.8% in 2025, compared to increases of 2.0% and 1.7%, respectively, recorded for 2024. During 2025, the key interest rate continued a decline begun in 2024, with pauses from April to August and again in December, to end 2025 at 2.25%. Lastly, changes in actuarial assumptions as well as loss experience and weather conditions may also cause significant variations from quarter to quarter. During the 2025 fiscal year, there were no catastrophes, compared to two catastrophes in 2024.

- **Net interest income – 2025 quarters up when compared to 2024 quarters**
 - Growth in average loans outstanding, mainly residential mortgages and business loans, partly offset by an increase in average outstanding deposits.
- **Net insurance service income – Quarterly fluctuations**
 - **Wealth Management and Life and Health Insurance:**
 - Favourable insurance service results over the last eight quarters:
 - Business growth.
 - Deterioration in the incidence of long-term disability insurance in the last two quarters of 2025.
 - Overall favourable update of actuarial assumptions in 2025.
 - Favourable net insurance finance result over the last eight quarters:
 - Favourable developments in financial markets.
 - Negative change in the fair value of certain infrastructure investment securities in the third quarter of 2024.
 - **Property and Casualty Insurance:**
 - Upward trend in insurance revenue in seven of the last eight quarters, with a slight decline recorded in the first quarter of 2025.
 - Claims expenses increased in the first and third quarters of fiscal 2025 and in the first three quarters of 2024, while they decreased in the second quarter of 2025 and the fourth quarter of 2024.
 - More favourable developments in prior years' claims in automobile insurance over the last eight quarters, but even more significantly in the second and third quarters of 2024 and the fourth quarter of 2025.
 - Impacts of catastrophes and major events over the last eight quarters:
 - Freezing rain in Ontario in the fourth quarter of 2025;
 - Water and wind damage in Quebec in the third quarter of 2025;
 - Water and wind damage in Ontario in the second quarter of 2025;
 - Freezing rain in Ontario and water and wind damage in Quebec and Ontario in the first quarter of 2025;
 - Torrential rain in Quebec (catastrophe), hail in Alberta (catastrophe), and water and wind damage in Ontario in the third quarter of 2024.
 - Unfavourable effect of the loss component on onerous contracts in automobile insurance in the first two quarters of 2025 and the first quarter of 2024, while the effect was favourable for the last two quarters of 2025 and the last three quarters of 2024.
 - Favourable net insurance finance result for the last eight quarters, but more significantly favourable in the third quarter of 2025 and in the first quarter of 2024, mainly due to net gains on shares.
- **Other income – 2025 quarters up when compared to 2024 quarters.**
 - Higher losses on disposals of securities in 2024.
 - Higher income related to growth in assets under management and under administration.
 - Increase in foreign exchange income due to fluctuations in the value of foreign exchange contracts.

⁽¹⁾ For further information about supplementary financial measures, see the Glossary on pages 106 to 110.

- **Provision for credit losses – 2025 quarters up when compared to 2024 quarters, except for third quarter 2024 and the fourth quarter of 2025.**
 - Unfavourable effect of the updating of forward-looking information for the business loan portfolios in the first half of 2025 and the fourth quarter of 2024, and favourable effect in the second half of 2025 and in the first quarter of 2024.
 - Updating of forward-looking information had a favourable effect for the credit card portfolios in the third and first quarters of 2024.
 - Unfavourable effect of changes made to methodology in the first quarter of 2024 for the credit card portfolios.
 - Favourable impact of the change in risk on credit card portfolios in the second quarters of 2025 and 2024 and unfavourable impact in the first quarter of 2025.
 - Unfavourable migration of the credit quality of the business loan portfolios in the fourth, third and second quarters of 2025 and the fourth and third quarters of 2024 and favourable migration in the second quarter of 2024.
 - Ratio of gross credit-impaired loans, as a percentage of the total portfolio of gross loans and acceptances, up slightly for the 2025 quarters compared for the 2024 quarters. Desjardins Group has nevertheless continued to have a high-quality loan portfolio.
- **Gross non-interest expense – Quarter over quarter growth in 2025 compared to 2024.**
 - Increase in spending on personnel, fees and technology.

3.0 Balance sheet review

3.1 Balance sheet management

Table 16 – Combined Balance Sheets

As at December 31

(in millions of dollars and as a percentage)

	2025		2024	
Assets				
Cash and deposits with financial institutions	\$ 5,848	1.1%	\$ 5,977	1.3%
Securities	105,677	20.7	99,308	21.1
Securities borrowed or purchased under reverse repurchase agreements	22,809	4.5	23,666	5.0
Loans, net of allowance for credit losses	314,703	61.7	289,597	61.5
Segregated fund net assets	34,079	6.7	28,959	6.1
Derivative financial instruments	10,862	2.1	7,579	1.6
Other assets	16,264	3.2	15,856	3.4
Total assets	\$ 510,242	100.0%	\$ 470,942	100.0%
Liabilities and equity				
Deposits	\$ 329,494	64.7%	\$ 300,946	64.0%
Insurance contract liabilities	34,737	6.8	34,538	7.3
Commitments related to securities sold short	15,913	3.1	13,249	2.8
Commitments related to securities lent or sold under repurchase agreements	15,937	3.1	20,633	4.4
Derivative financial instruments	8,861	1.7	6,112	1.3
Segregated fund net liabilities – Investment contracts	30,496	6.0	25,329	5.4
Other liabilities	27,682	5.4	27,483	5.8
Subordinated notes	4,810	0.9	3,962	0.8
Equity	42,312	8.3	38,690	8.2
Total liabilities and equity	\$ 510,242	100.0%	\$ 470,942	100.0%

ASSETS

As at December 31, 2025, Desjardins Group's total assets stood at \$510.2 billion, up \$39.3 billion, or 8.3%, since December 31, 2024.

Cash and deposits with financial institutions totalled \$5.8 billion as of December 31, 2025, a figure comparable to 2024. Securities, including those borrowed or purchased under reverse repurchase agreements, increased by \$5.5 billion, or 4.5%, reflecting liquidity management activities.

Desjardins Group's outstanding loan portfolio, net of the allowance for credit losses, grew by \$25.1 billion, or 8.7%, mainly due to residential mortgages which increased by \$19.0 billion, or 10.5%. Business and government loans have risen by \$6.5 billion, or 7.5% since December 31, 2024. Outstanding consumer, credit card and other personal loans are down by \$0.3 billion, or 1.0%, since the end of 2024.

Information on the quality of Desjardins Group's loan portfolio is presented in Section 4.2, "Risk management," on pages 68 to 72 of this MD&A.

Segregated fund net assets were up \$5.1 billion, or 17.7%, on account of the increase in the fair value of the portfolio as a result of financial market developments coupled with growth in contract holders.

Derivative financial instrument assets rose by \$3.3 billion, or 43.3%, owing primarily to financial market developments and exchange rate fluctuations.

LIABILITIES

Desjardins Group's total liabilities amounted to \$467.9 billion as at December 31, 2025, up \$35.7 billion, or 8.3%, since December 31, 2024.

Outstanding deposits grew by \$28.5 billion, or 9.5%. The increase in business and government deposits, which accounted for 47.9% of the total deposit portfolio, was largely responsible for this growth. These outstanding deposits were up \$18.6 billion, or 13.3%, owing in particular to various securities issued in Canadian, U.S. and international markets, and growth in business member and client deposits in the caisse network. Outstanding personal deposits, which accounted for 52.0% of the total deposit portfolio, were up \$9.8 billion, or 6.1%. Deposits from deposit institutions are up by \$0.2 billion since the end of 2024.

Desjardins Group's insurance contract liabilities rose by \$0.2 billion, or 0.6%, primarily on account of the change in liabilities as a result of property and casualty insurance operations.

Commitments related to securities sold short and lent or sold under repurchase agreements decreased by \$2.0 billion, or 6.0%, to a volume of \$31.9 billion.

Derivative financial instrument liabilities were up by \$2.7 billion, or 45.0%, owing primarily to financial market developments.

Segregated fund net liabilities were up by \$5.2 billion, or 20.4%, on account of the increase in the fair value of the portfolio due to financial market developments coupled with growth in contract holders.

Subordinated notes increased by \$0.8 billion, or 21.4%, owing to an issue of \$1,250 million on January 24, 2025, and two issues of 220 million Swiss francs and 20 billion yen on June 26, 2025 in non-viability contingency capital (NVCC)-eligible subordinated notes. On May 26, 2025, the Federation repurchased NVCC-eligible subordinated notes amounting to \$1 billion and maturing on May 26, 2030.

EQUITY

Equity has increased by \$3.6 billion, or 9.4%, since December 31, 2024, mainly due to net surplus earnings for the year after member dividends of \$3.4 billion.

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

Table 17 – Information about member dividends, remuneration and dividends

For the years ended December 31

(in millions of dollars)	2025	2024	2023
Member dividends	\$ 505	\$ 437	\$ 412
Remuneration on F capital shares	234	266	293
Dividends	148	157	56
	\$ 887	\$ 860	\$ 761

Note 21, "Capital stock," and Note 22, "Share capital," to the Combined Financial Statements provide additional information about Desjardins Group's capital stock and share capital.

3.2 Capital management

Capital management is crucial to the financial management of Desjardins Group with an objective to ensure the financial soundness and sustainability of the Desjardins Cooperative Group. To help safeguard a capital level and structure that maintains the confidence of members and clients and optimizes financial capital costs, the organization has a target capital structure that takes into account the banking industry regulatory requirements, Desjardins Group's objectives for maintaining its credit ratings and the risk profiles of the organization and its components. The target structure is subject to change and updated annually by the Board of Directors of the Federation based on changes in the above factors.

Desjardins Group's Integrated Capital Management Framework

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

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

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

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

The current situation and the forecasts show that, overall, Desjardins Group has a solid capital base that allows it to continue to be one of the best-capitalized Canadian financial institutions and meet its targets.

Regulatory framework

Desjardins Group's regulatory capital ratios are calculated in accordance with the *Capital Adequacy Guideline* issued by the AMF and applicable, in particular, to financial services cooperatives. The Guideline takes into account the global regulatory framework for more resilient banks and banking systems (Basel III) issued by the Bank for International Settlements.

In accordance with the applicable regulatory framework, a minimum amount of capital must be maintained on a combined basis by all the Desjardins Group components. Some of these components are subject to separate requirements regarding regulatory capital, liquidity and funding, which are set by regulatory authorities governing trusts, credit unions, insurers and securities, among other things. Desjardins Group oversees and manages the capital requirements of these entities to ensure efficient use of capital and continuous compliance with the applicable regulations.

In this regard, it should be mentioned that the life and health insurance subsidiary under provincial jurisdiction is subject to the *Capital Adequacy Requirements Guideline – Life and Health Insurance* issued by the AMF. The property and casualty insurance subsidiaries under provincial jurisdiction must comply with the *Guideline on Capital Adequacy Requirements – Property and Casual Insurance* issued by the AMF. The property and casualty insurance subsidiaries under federal jurisdiction must comply with the OSFI's *Minimum Capital Test – Guideline* for property and casualty insurance companies.

For the purpose of calculating capital, Desjardins Financial Corporation Inc., the holding corporation that mainly includes the insurance companies, was deconsolidated and presented as a Desjardins Group partial capital deduction under the rules for significant investments stated in the *Capital Adequacy Guideline*. Desjardins Financial Corporation Inc. is subject to the AMF's *Capital Adequacy Requirements Guideline – Life and Health Insurance*.

In addition, Desjardins Group has been required to maintain a minimum loss absorbing capacity at all times in order to support its internal recapitalization (bail-in) in the event of failure. Such capacity is composed of regulatory capital instruments and unsecured external long-term debt that meets the criteria under the *Total Loss Absorbing Capacity Guideline* issued by the AMF.

The following table presents a summary of the regulatory minimum ratios set by the AMF under Basel III.

Table 18 – Summary of ratios regulated by the AMF under Basel III

(as a percentage)	Minimum ratio	Capital conservation buffer	Minimum ratio including capital conservation buffer	Supplement applying to D-SIFIs ⁽¹⁾⁽²⁾	Minimum ratio including capital conservation buffer and supplement applying to D-SIFIs	Capital and leverage ratio as at December 31, 2025
Tier 1A capital ratio ⁽³⁾	> 4.5%	2.5%	> 7.0%	1.0%	> 8.0%	23.7%
Tier 1 capital ratio ⁽³⁾	> 6.0	2.5	> 8.5	1.0	> 9.5	23.7
Total capital ratio ⁽³⁾	> 8.0	2.5	> 10.5	1.0	> 11.5	26.1
TLAC ratio ⁽⁴⁾	> 21.5	N/A	> 21.5	N/A	> 21.5	35.8
Leverage ratio ⁽⁵⁾	> 3.0	N/A	> 3.0	0.5	> 3.5	7.8
TLAC leverage ratio ⁽⁶⁾	> 6.75	N/A	> 6.75	N/A	> 6.75	11.6

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

⁽²⁾ At its discretion, the AMF may also set higher target ratios when warranted by circumstances. In this regard, the AMF could activate the countercyclical buffer when it considers that excess credit growth is associated with a build-up of system-wide risk. Based on this assessment, a countercyclical buffer requirement representing between 0% and 2.5% of total risk-weighted assets (RWA) will be put in place when circumstances warrant. This requirement will be lifted when the risk either crystallizes or dissipates.

⁽³⁾ The capital ratios are expressed as a percentage of regulatory capital to risk-weighted assets.

⁽⁴⁾ The TLAC ratio is expressed as a percentage of regulatory capital and TLAC-eligible instruments (as set out in the TLAC Guideline) compared to risk-weighted assets at the level of the resolution group, which is deemed to be Desjardins Group, excluding Caisse Desjardins Ontario Credit Union Inc.

⁽⁵⁾ The leverage ratio is calculated by dividing Tier 1 capital by the exposure measure, which is an independent measure of risk and includes: (1) on-balance sheet exposures, (2) securities financing transaction exposures, (3) derivative exposures, and (4) off-balance sheet items.

⁽⁶⁾ The TLAC leverage ratio is calculated by dividing the sum total of regulatory capital and TLAC-eligible instruments (as set out in the TLAC Guideline) by the exposure measure at the level of the resolution group.

Regulatory developments

Desjardins Group continues to monitor changes in capital requirements and to assess their impact on the capital ratios and the leverage ratio.

In January 2026, the AMF issued a new revision to the *Capital Adequacy Guideline*. The proposed changes are in effect as of January 1, 2026. No significant impact on Desjardins Group's regulatory capital ratios is anticipated.

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

Compliance with requirements

As at December 31, 2025, the Tier 1A, Tier 1 and total capital ratios of Desjardins Group, calculated in accordance with Basel III requirements, were 23.7%, 23.7% and 26.1%, respectively. The leverage ratio was 7.8%.

As at December 31, 2025, the Tier 1A capital ratio was up 157 basis points, compared to December 31, 2024, owing primarily to increases in reserves and surplus earnings for the year combined with initiatives to optimize risk-weighted assets.

The TLAC ratio and the TLAC leverage ratio were 35.8% and 11.6%, respectively, as at December 31, 2025.

Desjardins Group and all its components that are subject to minimum regulatory requirements with respect to capitalization were in compliance with said requirements as at December 31, 2025.

Regulatory capital and other TLAC instruments

The following tables present Desjardins Group's main capital components, regulatory capital balances and other TLAC instruments, as well as risk-weighted assets, regulatory ratios, and changes in regulatory capital and other TLAC instruments during the year.

Table 19 – Main capital components and other TLAC instruments

Regulatory capital and other TLAC instruments				
Total capital				
Tier 1 capital		Tier 2 capital	Other TLAC instruments	
Tier 1A ⁽¹⁾	Tier 1B ⁽¹⁾			
Eligible items	<ul style="list-style-type: none"> Reserves and undistributed surplus earnings Eligible accumulated other comprehensive income F capital shares 	<ul style="list-style-type: none"> Non-controlling interests⁽²⁾ 	<ul style="list-style-type: none"> Eligible portion of allowance for credit losses NVCC subordinated notes⁽³⁾ Eligible qualifying shares 	<ul style="list-style-type: none"> TLAC senior notes
Deductions	<ul style="list-style-type: none"> Mainly significant investments in financial entities⁽⁴⁾ 	<ul style="list-style-type: none"> Investment in preferred shares of a component excluded from consolidation for regulatory capital purposes 	<ul style="list-style-type: none"> Investment in preferred shares of a component excluded from consolidation for regulatory capital purposes Subordinated financial instrument 	
Regulatory adjustments	<ul style="list-style-type: none"> Goodwill Software Other intangible assets Net defined benefit plan assets Deferred tax assets essentially resulting from loss carryforwards Provision deficit Gains and losses from fluctuations in the fair value of financial liabilities due to changes in the entity's credit risk Equity investments in investment funds subject to the fallback approach 			

⁽¹⁾ The Tier 1A and Tier 1B ratios are the equivalent of the financial institutions' CET1 and AT1 ratios for financial services cooperatives regulated by the AMF.

⁽²⁾ The amount of non-controlling interests is determined, in particular, based on the nature of the operations and the capitalization level of the investee.

⁽³⁾ These notes meet the Non-Viability Contingent Capital (NVCC) requirements of the *Capital Adequacy Guideline*. To be eligible, the notes must include a clause requiring the full and permanent conversion into a Tier 1A capital instrument at the point of non-viability.

⁽⁴⁾ Represent the portion of investments in the components deconsolidated for regulatory capital purposes (mainly Desjardins Financial Corporation Inc.) that exceeds 10% of capital, net of regulatory adjustments. In addition, when the non-deducted balance, plus deferred tax assets, net of corresponding deferred tax liabilities, exceeds 15% of the adjusted capital, the surplus is also deducted from this capital. The net non-deducted balance is subject to risk weighting at a rate of 250%.

Table 20 – Regulatory capital and other TLAC instruments

As at December 31

(in millions of dollars and as a percentage)

	2025	2024
Tier 1A capital		
F capital shares ⁽¹⁾	\$ 4,589	\$ 4,789
Reserves and undistributed surplus earnings	36,394	32,783
Eligible accumulated other comprehensive income	692	256
Deductions ⁽²⁾	(5,207)	(4,671)
Total Tier 1A capital	36,468	33,157
Total Tier 1 capital⁽³⁾	36,468	33,157
Tier 2 capital		
Eligible instruments ⁽⁴⁾	4,837	3,989
Eligible portion of allowance for credit losses	127	99
Deductions	(1,350)	(976)
Total Tier 2 capital	3,614	3,112
Total regulatory capital (Tiers 1 and 2)	\$ 40,082	\$ 36,269
Total regulatory capital for TLAC purposes⁽⁵⁾	39,085	35,328
TLAC senior notes	14,085	12,469
Total loss absorbing capacity (TLAC) available	53,170	47,797
Risk-weighted assets and leverage ratio exposures		
Risk-weighted assets	153,681	149,621
Risk-weighted assets for TLAC purposes ⁽⁵⁾	148,562	145,372
Leverage ratio exposure	468,023	434,089
TLAC leverage ratio exposure ⁽⁵⁾	459,957	427,337
Ratios		
Tier 1A capital ratio	23.7%	22.2%
Tier 1 capital ratio	23.7	22.2
Total capital ratio	26.1	24.2
TLAC ⁽⁵⁾	35.8	32.9
Leverage ratio	7.8	7.6
TLAC leverage ratio ⁽⁵⁾	11.6	11.2

(1) Including capital shares held in the Trust Fund of the Federation.

(2) Deductions from Tier 1A consist of regulatory adjustments (\$1,074 million, \$567 million in 2024), significant investments (\$3,483 million, \$3,958 million in 2024) and items that could not be deducted from Tiers 1B and 2 because of insufficient capital in these tiers (\$650 million, \$146 million in 2024).

(3) No Tier 1B capital instrument has been issued to date.

(4) Corresponds to eligible qualifying shares and NVCC subordinated notes. For further information, see Note 19, "Subordinated notes," of the Combined Financial Statements and "Template CCA – Main features of regulatory capital instruments and other TLAC-eligible instruments" in the Pillar 3 Report.

(5) Data calculated at the resolution group level, which is deemed to be Desjardins Group, excluding Caisse Desjardins Ontario Credit Union Inc.

The Federation is able to issue non-viability contingent capital (NVCC)-eligible instruments on Canadian, U.S. and international markets. As at December 31, 2025, the balance of outstanding eligible NVCC instruments totalled \$4.8 billion. Should there be a trigger event as defined in the *Capital Adequacy Guideline*, these notes would automatically and immediately be converted into Tier 1A capital of the Federation.

On May 26, 2025, the Federation repurchased NVCC-eligible subordinated notes amounting to \$1 billion and maturing on May 26, 2030, at a price equal to their par value, plus accrued and unpaid interest to May 26, 2025 exclusively.

In addition, Desjardins Group has been issuing TLAC-eligible debt to meet the minimum requirements for a total of \$14.1 billion as at December 31, 2025.

On December 12, 2025, the Board of Directors of the Federation approved an interest payment of \$234 million to holders of F capital shares.

Table 21 – Change in regulatory capital and other TLAC instruments

For the years ended December 31

(in millions of dollars)	2025	2024
Tier 1A capital		
Balance at beginning of year	\$ 33,157	\$ 28,678
Increase in reserves and undistributed surplus earnings ⁽¹⁾	3,611	3,421
Eligible accumulated other comprehensive income	436	964
F capital shares ⁽²⁾	(200)	(100)
Deductions	(536)	194
Balance at end of year	36,468	33,157
Total Tier 1 capital⁽³⁾	36,468	33,157
Tier 2 capital		
Balance at beginning of year	3,112	2,067
Eligible instruments	848	1,008
Eligible portion of allowance for credit losses	28	37
Deductions	(374)	—
Balance at end of year	3,614	3,112
Total capital	\$ 40,082	\$ 36,269
Total regulatory capital for TLAC purposes⁽⁴⁾	\$ 39,085	\$ 35,328
Other TLAC instruments		
Balance at beginning of the year	12,469	10,292
TLAC senior notes	1,616	2,177
Balance at end of year	14,085	12,469
Total loss absorbing capacity (TLAC) available⁽⁴⁾	\$ 53,170	\$ 47,797

⁽¹⁾ Amount including the change in defined benefit pension plans.⁽²⁾ On August 11 and 12, 2025, the Federation redeemed for cancellation 10 million F capital shares held in the Trust Fund, in addition to redeeming for cancellation 10 million shares on March 24, 2025.⁽³⁾ No Tier 1B capital instrument has been issued to date.⁽⁴⁾ Data calculated at the resolution group level, which is deemed to be Desjardins Group, excluding Caisse Desjardins Ontario Credit Union Inc.

Risk-weighted assets (RWA)

Desjardins Group calculates RWA for credit risk, market risk and operational risk.

Credit risk

- Desjardins uses the Internal Ratings-Based Approach for credit risk.
- This approach is used for retail exposures – Personal as well as for most exposures in the asset classes consisting of sovereign borrowers, financial institutions, businesses and SMEs similar to other retail client exposures.
- The Standardized Approach is used to measure the credit risk of certain exposures related to components of lesser importance, as well as asset classes that are not significant in terms of amount and perceived risk profile.

Market risk

- Desjardins Group uses the standardized approach framework for the calculation of market risk RWA.

Operational risk

- Desjardins uses the Standardized Approach to calculate operational risk.

Desjardins is also subject to an RWA floor. When the RWA modelled are lower than the RWA calculated using the Standardized Approach multiplied by a factor set by the AMF, the difference is added to the denominator of the regulatory capital ratio, as specified in the AMF's *Capital Adequacy Guideline*.

As indicated in the following table, risk-weighted assets totalled \$153.7 billion as at December 31, 2025. Of this amount, \$125.3 billion was for credit risk, \$4.5 billion for market risk and \$23.9 billion for operational risk. As at December 31, 2024, risk-weighted assets stood at \$149.6 billion.

Table 22 – Risk-weighted assets

	Internal Ratings-Based Approach		Standardized Approach		Total as at December 31, 2025				Total as at December 31, 2024
	Exposures ⁽¹⁾	Risk-weighted assets	Exposures ⁽¹⁾	Risk-weighted assets	Exposures ⁽¹⁾	Risk-weighted assets	Capital requirements ⁽²⁾	Average risk weighting rate	Risk-weighted assets
(in millions of dollars and as a percentage)									
Credit risk other than counterparty risk									
Sovereign borrowers	\$ 115,756	\$ 6,951	\$ 5,325	\$ 16	\$ 121,081	\$ 6,967	\$ 557	5.8%	\$ 7,154
Non-central government public sector entities	—	—	9,229	1,847	9,229	1,847	148	20.0	1,798
Financial institutions	5,236	1,177	2,944	1,149	8,180	2,326	186	28.4	2,356
Businesses	46,984	25,166	13,491	11,827	60,475	36,993	2,959	61.2	35,313
Securitizations	—	—	144	205	144	205	16	142.2	284
Equities	—	—	803	1,810	803	1,810	145	225.3	1,854
SMEs similar to other retail client exposures	10,579	6,083	335	258	10,914	6,341	507	58.1	6,201
Real estate	190,119	28,326	5,821	4,081	195,940	32,407	2,593	16.5	32,208
Other retail client exposures (excluding SMEs)	22,027	6,287	837	158	22,864	6,445	516	28.2	6,330
Qualifying revolving retail client exposures	14,675	3,870	1,568	1,182	16,243	5,052	404	31.1	5,389
Subtotal – Credit risk other than counterparty risk	405,376	77,860	40,497	22,533	445,873	100,393	8,031	22.5	98,887
Counterparty risk									
Sovereign borrowers	16	1	—	—	16	1	—	3.4	—
Financial institutions	7,398	2,629	40	8	7,438	2,637	211	35.5	1,707
Businesses	2	1	78	78	80	79	6	99.3	297
Trading portfolio	1,883	1,022	775	648	2,658	1,670	134	62.8	2,177
Credit valuation adjustment (CVA) charge ⁽³⁾	—	—	—	3,771	—	3,771	302	—	2,715
Additional requirements for banking and trading portfolio	—	—	269	15	269	15	1	5.4	19
Subtotal – Counterparty risk	9,299	3,653	1,162	4,520	10,461	8,173	654	78.1	6,915
Other assets ⁽⁴⁾	—	—	—	—	30,406	16,727	1,338	55.0	16,043
Total credit risk	414,675	81,513	41,659	27,053	486,740	125,293	10,023	25.7	121,845
Market risk⁽³⁾	—	—	—	4,504	—	4,504	360	—	4,901
Operational risk	—	—	—	23,884	—	23,884	1,911	—	22,875
Total risk-weighted assets	\$ 414,675	\$ 81,513	\$ 41,659	\$ 55,441	\$ 486,740	\$ 153,681	\$ 12,294	31.6%	\$ 149,621

⁽¹⁾ Net exposures after credit risk mitigation (net of loss allowance for expected credit losses on credit-impaired loans other than retail clients, except for credit card loans, using the Standardized Approach, excluding those using the Internal Ratings-Based Approach, according to the *Capital Adequacy Guideline*).

⁽²⁾ The capital requirement is 8% of risk-weighted assets.

⁽³⁾ Data as at December 31, 2024, reflect the provisions relating to the revised market risk and credit valuation adjustment (CVA) risk frameworks arising from the Basel III regulatory reforms. These provisions became effective on January 1, 2024.

⁽⁴⁾ This item includes, in particular, the portion of investments below a certain threshold in components deconsolidated for regulatory capital purposes (mainly Desjardins General Insurance Group Inc. and Desjardins Financial Security Life Insurance Company), which is weighted at 250%. In addition, this category excludes the CVA charge and additional requirements related to the banking and trading portfolio, which are disclosed in the counterparty credit risk section.

Movements in risk-weighted assets

In credit risk, fluctuations in RWA for 2025 were segmented into two items, namely credit risk other than counterparty risk and counterparty risk.

- In credit risk other than counterparty risk, the \$2.2 billion net increase in RWA was chiefly due to:
 - Growth in portfolio size, which resulted in a \$7.8 billion increase in RWA.
 - Changes in exchange rates, resulting in a \$1.2 billion increase in RWA.
 - Update of models resulting in a \$4.1 billion decrease in RWA.
 - Changes in portfolio quality, generating a \$2.5 billion decrease in RWA.
 - Changes in policies and procedures resulting in an \$0.2 billion decrease in RWA.
- For counterparty risk, a \$1.3 billion increase in RWA resulted primarily from changes in portfolio quality and size, partially offset by changes in policies and procedures.

In market risk, a \$0.4 billion decrease in RWA was observed, mainly due to a fluctuation in risk levels.

In operational risk, a \$1.0 billion increase in RWA resulted from fluctuations in revenue generated, partially offset by changes in methods and policies.

Table 23 – Change in risk-weighted assets⁽¹⁾

As at December 31

(in millions of dollars)	2025			2024		
	Credit risk other than counterparty risk	Counterparty risk	Total	Credit risk other than counterparty risk	Counterparty risk	Total
Credit risk						
Risk-weighted assets at beginning of year	\$ 114,930	\$ 6,915	\$ 121,845	\$ 108,805	\$ 6,508	\$ 115,313
Size of portfolio ⁽²⁾	7,829	1,609	9,438	9,034	419	9,453
Quality of portfolio ⁽³⁾	(2,533)	(290)	(2,823)	(2,651)	848	(1,803)
Updating of models ⁽⁴⁾	(4,065)	(87)	(4,152)	323	—	323
Policies and procedures ⁽⁵⁾	(225)	—	(225)	(1,855)	(984)	(2,839)
Acquisitions and transfers	—	—	—	—	—	—
Change in exchange rates	1,184	26	1,210	1,274	124	1,398
Total changes in risk-weighted assets	2,190	1,258	3,448	6,125	407	6,532
Risk-weighted assets at end of year	\$ 117,120	\$ 8,173	\$ 125,293	\$ 114,930	\$ 6,915	\$ 121,845

(in millions of dollars)	2025	2024
Market risk		
Risk-weighted assets at beginning of year	\$ 4,901	\$ 2,881
Change in risk levels ⁽⁶⁾	(397)	2,743
Policies and procedures ⁽⁵⁾	—	(723)
Total changes in risk-weighted assets	(397)	2,020
Risk-weighted assets at end of year	\$ 4,504	\$ 4,901
Operational risk		
Risk-weighted assets at beginning of year	\$ 22,875	\$ 22,287
Revenue generated	1,193	1,562
Policies and procedures ⁽⁵⁾	(184)	(974)
Total changes in risk-weighted assets	1,009	588
Risk-weighted assets at end of year	\$ 23,884	\$ 22,875

⁽¹⁾ Data as at December 31, 2024, reflect the provisions relating to the revised market risk and credit valuation adjustment (CVA) risk frameworks arising from the Basel III regulatory reforms. These provisions became effective on January 1, 2024.

⁽²⁾ Increase or decrease in underlying risk exposures.

⁽³⁾ Change in risk mitigation factors and portfolio quality.

⁽⁴⁾ Change in risk models and parameters.

⁽⁵⁾ Regulatory changes and evolution development in the regulatory capital calculation methods.

⁽⁶⁾ Relates to the change due to changes in positions and market volatility.

3.3 Off-balance sheet arrangements

In the normal course of operations, Desjardins Group enters into various off-balance sheet arrangements, including assets under management and under administration on behalf of its members and clients, credit instruments, guarantees, and structured entities, including securitization.

ASSETS UNDER MANAGEMENT AND UNDER ADMINISTRATION

As at December 31, 2025, Desjardins Group administered, on behalf of its members and clients, assets totalling \$673.0 billion, for an increase of \$72.0 billion, or 12.0% since December 31, 2024. Financial assets entrusted to Desjardins Group as wealth manager amounted to \$122.8 billion as at December 31, 2025, representing an increase of \$18.5 billion, or 17.8% since December 31, 2024. The increase in assets under management and under administration resulted from growth in the volume of assets managed and administered, and higher asset values driven by financial market developments.

Assets under management and under administration by Desjardins Group are composed essentially of financial assets in the form of investment funds, securities held in custody and assets accumulated by pension funds. They do not belong to Desjardins Group, but to its members and clients and, as a result, they are not recognized on the Combined Balance Sheets. The Wealth Management segment is primarily responsible for the activities related to assets under management and under administration.

Table 24 – Assets under management and under administration

As at December 31

(in millions of dollars)

	2025	2024 ⁽¹⁾
Assets under management⁽²⁾		
Institutions and individuals	\$ 29,087	\$ 28,116
Investment funds	93,669	76,104
Total assets under management	\$ 122,756	\$ 104,220
Assets under administration⁽²⁾		
Individual and institutional trust and custodial services	\$ 462,358	\$ 414,366
Investment funds	210,649	186,602
Total assets under administration	\$ 673,007	\$ 600,968

⁽¹⁾ Some data have been restated to conform with the current year's presentation.⁽²⁾ For further information about supplementary financial measures, see the Glossary on pages 106 to 110.

CREDIT INSTRUMENTS

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

Note 27, "Commitments, guarantees and contingent liabilities," to the Combined Financial Statements provides more detailed information about these credit instruments.

GUARANTEES

Desjardins Group also enters into various guarantee and indemnification agreements with its members and clients in the normal course of operations. These agreements remain off-balance sheet arrangements and include guarantees and standby letters of credit. Note 27, "Commitments, guarantees and contingent liabilities," to the Combined Financial Statements provides information about these off-balance sheet arrangements.

STRUCTURED ENTITIES

Desjardins Group enters into various financial transactions with structured entities in the normal course of operations to diversify its sources of funding and manage its capital. Structured entities are usually created for a unique and distinct purpose, and they frequently have limited activities. These entities may be included in Desjardins Group's Combined Balance Sheets if it has control over them. Detailed information concerning significant exposure to structured entities not included in Desjardins Group's Combined Balance Sheets is provided below. Note 13, "Interests in other entities," to the Combined Financial Statements provides more information about structured entities.

Securitization of Desjardins Group's financial assets

Desjardins Group participates in the *National Housing Act* (NHA) Mortgage-Backed Securities Program to manage its liquidities and capital. Transactions carried out under this program sometimes require the use of a structured entity, the Canada Housing Trust (CHT), set up by Canada Mortgage and Housing Corporation (CMHC) under the Canada Mortgage Bonds (CMB) Program. Note 8, "Derecognition of financial assets," to the Combined Financial Statements provides more information about the securitization of Desjardins Group's loans.

4.0 Risk management

The shaded areas and tables marked with an asterisk (*) in this section contain information about credit, market and liquidity risks in accordance with IFRS 7, "Financial Instruments: Disclosures." They also contain an analysis of how Desjardins Group assesses its risks as well as a description of its risk management objectives, policies and methods. IFRS 7 provides that risk disclosures may be included in the MD&A. Consequently, the shaded areas and tables marked with an asterisk (*) contain audited information and are an integral part of the Combined Financial Statements, as explained in Note 28, "Financial instrument risk management," to the Combined Financial Statements.

4.1 Risk factors that could impact future results

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

4.1.1 Main risks and emerging risks

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

	Description
Geopolitical uncertainties	<p>Geopolitical tensions continue to run high. U.S. persistence in wishing to acquire Greenland has strained that country's relations with Europe, leading to a new threat of escalation in the form of customs tariffs that ultimately was avoided. U.S. military intervention in Venezuela is also fueling these tensions. The peace process to resolve the Israeli-Palestinian conflict remains fragile. The war between Ukraine and Russia is creating lasting tensions between Moscow and the West. The strategic rivalry between China and the U.S. regarding Taiwan could intensify. The resulting instability could undermine the economic climate and investments, disrupt supply chains, negatively affect financial markets and create more political and economic crises. The situation is resulting in a push for major military investments and spending, putting more pressure on public finances.</p> <p>The weakening of U.S. regulators could lead to trouble and, ultimately, to fiscal imbalances, not to mention environmental or even public health issues. The polarized political climate and certain degree of radicalization, amplified by recent decisions made by the U.S. administration, could lead to uncertainty and even weaken liberal democracy.</p>
Trade tensions with the United States	<p>Overall, Canada's situation with regard to trade tensions with the U.S. is not as bad as initially feared. Yet, the impacts differ significantly, depending on the industry. The Canada-United States-Mexico trade agreement (CUSMA) as well as other exemptions currently in effect allow nearly 90% of Canadian exports to enter the U.S. tariff free. However, some sectors are in a much more difficult situation due to specific tariffs or other measures. These include steel, aluminum, non-U.S. components in vehicles, trucks, copper products, softwood lumber, and certain wood products, such as cabinets. Ultimately, the weighted effective tariff rate on trade last November was approximately only 4% for Canada and 6.3% for Québec.</p> <p>There continue to be many risks. The U.S. administration remains unpredictable and new tariffs may be decreed for specific sectors. There is one key risk regarding exemptions under CUSMA: if they were to be abolished, there would be significant consequences for the Canadian and Québec economies.</p>
Household and corporate indebtedness, and interest rate fluctuations	<p>With the rise in housing prices, debt service has considerably increased for many households. Despite the recent key interest rate cut, many households will have to renew their mortgage with a higher interest rate between now and the end of 2026. Many businesses now face more difficult conditions as a result of the trade tensions with the U.S. In such conditions, an increasing number of households and businesses could experience difficulties in assuming their financial obligations. As a result, their solvency could significantly deteriorate.</p> <p>Interest rates came down in 2025, but are expected to fluctuate very little in 2026. However, due to the trade tensions with the U.S., there is still considerable uncertainty regarding changes to inflation and, therefore, policy rates. The trade conflict may even impact some global supply chains, which could create a supply shock on inflation, requiring an interest rate adjustment.</p> <p>Desjardins Group has sound practices in granting and managing mortgage financing, including a stress test involving interest rates for mortgage financing, which should allow it to circumvent this risk.</p>

	Description
Artificial intelligence	<p>Artificial intelligence (AI) is a strategic lever to boost operational efficiency, improve services and support innovation. The key risk for Desjardins Group would be to delay adopting AI compared to other market players, which could compromise agility, curb productivity improvements and weaken its competitive position, notably because this would contribute to the obsolescence of products and services offered to members and clients. However, using AI also creates some general risks in terms of algorithmic bias, reliability of results, cybersecurity, intellectual property, and use of personal information. These issues must be taken into account to ensure the proper, ethical and safe use of AI. If the financial industry were eventually to massively adopt AI, this will create other risks that will need to be mitigated, notably regarding the suitability of technology platforms, supplier dependence on such platforms, maintenance of high-quality data and the availability of specialized personnel.</p> <p>Desjardins Group is taking a strict approach, collaborating with the AMF and OSFI to create a responsible management framework for AI. Desjardins recently submitted comments to the AMF following the publication, on July 3, 2025 of its draft guideline on AI use. This guideline sets out expectations for overseeing and managing the risks involved in using artificial intelligence systems. Stronger governance is considered essential. In this context, Desjardins is stepping up its efforts to provide strict supervision, notably for opaque models, in accordance with the applicable legal and regulatory frameworks. Data quality is also a key concern since any error could lead to less robust results.</p> <p>In the broader context where AI is quickly being adopted in the financial sector, Desjardins Group is stepping up its efforts to remain competitive. Strategic priorities include information security, technology optimization, specialized skills development, use of generative AI as well as tools such as Microsoft 365 Copilot. These initiatives will generate value, boost organizational agility and meet members' and clients' expectations.</p>
Security breaches (including cybersecurity)	<p>Cyber threats have evolved very quickly in recent years, particularly given the current geopolitical and socio-economic environment as well as the growing use of AI. The aggregation of new services and online exposure are becoming increasingly complex, while malicious actors are using increasingly sophisticated methods. A cyber attack or security incident could impact the confidentiality, availability and integrity of information and systems, ultimately leading to financial costs, compliance-related disciplinary measures, strategic and operating issues, a tarnished brand image, etc. To deal with this situation, Desjardins Group continues to invest in its security program, notably its internal processes, technologies, employee and infrastructure monitoring, including critical and sensitive applications. These efforts include optimizing processes for responding to incidents, recruiting, training, awareness building and the strengthening of technological facilities to quickly flag threats and incidents and then take prompt action to deal with them. Moreover, Desjardins Group has held cyber security insurance for a number of years—a key addition to its strategy for responding to risks relating to a major cyber security incident. In short, Desjardins Group has the means and the ability to protect the information of its members and clients, including their personal information.</p>
Technological developments	<p>Innovative technologies are being increasingly taken into consideration and adopted by financial institutions. Technologies, such as artificial intelligence, represent a crucial vector for transforming business processes and models. Use of these technologies exposes financial institutions to risks relating to cyber threats, but also helps to ensure system stability, the modernizing of infrastructure, systems interdependence, and digital transformation. Moreover, members' and clients' growing needs to access banking transactions remotely and at any time require pursuing the technological shift that is well underway at Desjardins. At the same time, regulatory authorities' expectations are increasingly demanding, and financial sector requirements continue to grow in terms of managing technology risk. The growing presence of FinTech and InsurTech, which offer simple, innovative technology solutions that meet the expectations of members and clients, puts more pressure on traditional financial institutions to adapt. To meet the needs of its members and clients, Desjardins Group is in line with this trend and is actively managing this operational and strategic risk, notably, by strengthening and rationalizing the technology ecosystem through investments, by continuously managing its technology, and by reviewing and diversifying its products, services and distribution channels.</p>
Data risk	<p>Data represent a vital tool for Desjardins Group. They can be available in various formats and a number of initiatives have been launched to transform our data into strategic assets. The goal is to leverage data and analytics to improve the member and client experience, drive growth, manage risk and enhance organizational efficiency. However, this transformation also involves significant risks. They include the possibility of information confidentiality and security violations, which may result in financial losses, reputational harm and regulatory sanctions.</p> <p>Collecting and processing large datasets also raises the risk of cyber attacks and sensitive data breaches. To manage these risks proactively and remain aligned with best industry practices, Desjardins Group has implemented the necessary management frameworks to protect its sensitive information, comply with applicable regulations, maintain its reputation and safeguard the trust of its members and clients. These frameworks are strengthened as necessary, continuously operationalized and integrated into Desjardins Group's operational processes.</p>
Regulatory developments	<p>The financial services industry is one of the most tightly monitored and regulated, and industry regulation has been rapidly expanding for many years now. This trend is in response to a number of socio-economic phenomena: the development of new, increasingly complex financial products, ongoing volatility in the securities market, increasingly complex financial fraud, the fight against money laundering and terrorist financing, the fight against tax evasion, compliance with economic sanctions and the protection of personal information, environmental, social and governance issues, etc.</p> <p>Although Desjardins Group actively monitors and manages regulatory risk, constant changes to regulations, its complexity and its uncertainty could have an impact on the performance of its operations, its reputation, its strategies and its financial objectives.</p> <p>As an independent supervisory function, the Vice-President and Chief Compliance and Privacy Officer, Desjardins Group promotes a proactive approach to compliance by fully integrating it into the organization's regular operations. Maintaining an effective compliance management framework mobilizes significant amounts of technical, human and financial resources.</p>

Description	
Fraud risk	<p>Although this is a well-known risk in the financial services industry, we note that fraud cases fluctuate significantly in number from year to year. Rapidly evolving technology, significant advances in artificial intelligence, and the growing complexity of fraud schemes make prevention increasingly challenging for financial institutions. Desjardins Group continues its efforts to combat fraud, in particular by investing in its systems and processes, training employees and raising member and client awareness.</p>
Social and environmental risk	<p>In a context where the impact of climate change risks is widely recognized, the loss of biodiversity is also recognized as a major systemic risk. More than 50% of global GDP depends directly or indirectly on ecosystems (pollinization, water quality or climate regulation). The degradation thereof could impact company viability. The materialization of environmental risks initially affects members and clients, but this also has an impact on the Desjardins Group's operations, with possible financial impacts (asset impairment, higher credit losses, loss experience and litigation) as well as reputational damage (decreased brand value, loss of members, clients and investors, and impact on talent attraction and retention).</p> <p>Social risks are also becoming more strategically important since they have an impact on the economic stability, reputation, and regulatory compliance of financial institutions.</p> <p>These risks, which are closely tied to other risk categories and influenced by the broader political, economic, and societal context, must be monitored constantly. Faithful to its mission as a cooperative, Desjardins is committed to understanding and managing these issues better to ensure that it remains resilient and is able to support its members and clients in making the transition and adapting accordingly. It has therefore launched a number of governance and ESG risk integration initiatives. For more information see the Environmental, Social and Governance (ESG) Risks section.</p>

4.1.2 Other risk factors that could impact future results

	Description
General economic and business conditions in regions in which Desjardins Group operates	General economic and business conditions in the regions where Desjardins Group operates may significantly affect its income and surplus earnings. These conditions include short- and long-term interest rates, inflation, debt securities market fluctuations, foreign exchange rates, financial market volatility, tighter liquidity conditions in certain markets, the level of indebtedness, the strength of the economy, consumer spending and saving habits, and the volume of business conducted by Desjardins Group in a given region.
Critical accounting estimates and accounting standards	The Combined Financial Statements are prepared in accordance with the IFRS. The accounting policies used by Desjardins Group determine how it reports its financial position and results of operations, and management may be required to make estimates or rely on assumptions about matters that are inherently uncertain. Any change in these estimates and assumptions, as well as in accounting standards and policies, may have a significant impact on Desjardins Group's financial position and results of operations. Accounting policies and future accounting changes are described in Note 2, "Accounting policies," to the Combined Financial Statements.
Geographic concentration	Although Desjardins Group is diversified through its insurance operations, its banking operations are heavily concentrated in Quebec. As at December 31, 2025, its loans to Quebec members and clients therefore accounted for 88.2% of its aggregate loan portfolio. As a result of this significant geographic concentration, its results largely depend on economic conditions in Quebec. Any deterioration in these conditions could adversely impact: <ul style="list-style-type: none"> • past due loans; • problem assets and foreclosed property; • claims and lawsuits; • the demand for products and services; • the value of collateral available for loans, especially mortgages, and by extension, clients' and members' borrowing capacity, the value of assets associated with impaired loans and collateral coverage.
Credit ratings	The credit ratings assigned to Desjardins Group by rating agencies are instrumental to its access to sources of wholesale funding and the cost of such funding. These ratings may be revised or withdrawn at any time by the agencies. In addition, a significant downgrade to various ratings could push up Desjardins Group's cost of funding, reduce its access to financial markets, and increase additional obligations required by its counterparties.
Dependency on third parties	We need to rely on third parties in order to provide members and clients with top-quality, secure services. These third parties and their suppliers, such as IT, office automation, telecommunications, and cloud, play a major role in supporting Desjardins Group's operations as well as in implementing technological innovations that allow Desjardins to improve the services it offers to members and clients. Using third parties can, however, generate certain risks. Inadequate management of third-party risk could affect the organization's ability to provide the services that members and clients need. For example this type of risk could have an impact on information security, business continuity, and reputational risk. Desjardins Group is taking the necessary steps to mitigate these risks in the current environment. The oversight process used for outsourcing, together with the incident management process, allow Desjardins to adequately prevent and handle third-party risk.
Ability to recruit and retain talent	Desjardins Group's future performance is based in part on its ability to recruit, develop and retain key talent. With the uncertain Canadian economy and continued labour market tightness, we face stiff competition in attracting and retaining skilled people across the organization. In addition, multiple changes have gathered pace in workplaces over the past year, including the gradual introduction of AI, psychological wellness challenges and flexible working arrangements. Consequently, this risk aspect is periodically monitored through the governance mechanisms of the Human Resources function, quarterly to the Desjardins Group Management Committee and annually with filing a report with Desjardins Group's Human Resources Commission. These mechanisms serve to deploy the appropriate strategies to put in place the success factors that enhance the organization's competitiveness as an employer.
Taxation risk	Government tax policies, such as the Canadian, provincial and foreign tax laws, and their interpretations by tax authorities and courts, are constantly evolving. These numerous changes and the complexity in interpreting and applying legislation may have a significant impact on the tax expense amounts, the deferred tax balances and the effective tax rate during the year when they occur and, consequently, on the calculation of Desjardins Group's surplus earnings.
Other factors	Other factors that may have a potential impact on Desjardins Group's future. These factors include unforeseen changes in consumer spending and saving habits, the possible impact on operations of international conflicts, public health crises, such as pandemics and epidemics or any other similar event affecting the local, national or global economy, as well as Desjardins Group's ability to anticipate and manage the risks associated with these factors properly despite a disciplined risk management environment. Desjardins Group cautions the reader that factors other than the foregoing could affect future results. Investors and other stakeholders relying on forward-looking statements to make decisions with respect to Desjardins Group should carefully consider these factors as well as other uncertainties, potential events, and industry factors or other items specific to Desjardins Group that could adversely impact its future results.

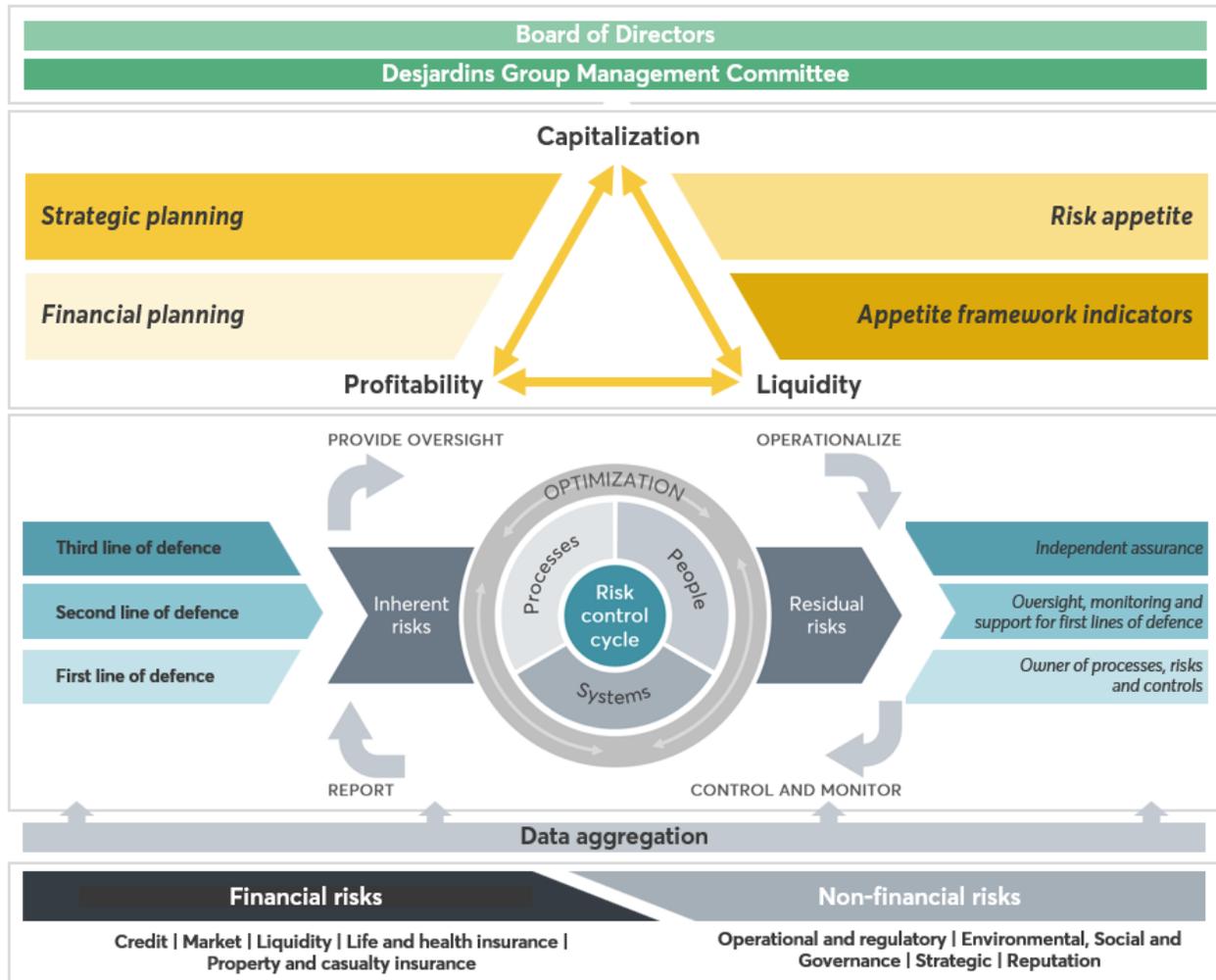
4.2 Risk management

4.2.1 Integrated Risk Management Framework

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

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

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



Risk identification

Desjardins Group is exposed to various risks in the normal course of business. Strict management of these risks is a priority for Desjardins Group, its purpose being to support its major orientations, particularly regarding its financial soundness as well as its sustained and profitable growth. Desjardins Group has a risk log that sets out the main categories and subcategories of risks which could affect it. The log is updated periodically and is used as a basis to make a quantitative and qualitative assessment of risk materiality, to determine Desjardins Group's risk profile and to implement appropriate strategies to mitigate risk.

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

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

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

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

Desjardins-wide integrated stress testing

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

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

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

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

During Desjardins-wide stress testing in 2025, the scenarios developed separately considered the possibility of a global debt crisis and severe recession. A reverse stress testing scenario was also analyzed, representing a major financial crisis. The results obtained from the assessment of these scenarios show that Desjardins Group's current capitalization levels would be enough to withstand the economic deterioration considered and that its capital ratios would still exceed regulatory limits and its own risk appetite limits.

The exercise is tied in with Desjardins Group's integrated financial planning and is an essential component of the Internal Capital Adequacy Assessment Program (ICAAP). The results of the stress testing exercise are used as a complement to the results of the economic capital quantification in determining capitalization targets. The impact of stress testing on indicators during periods of economic slowdown and other indicators on profitability, capitalization and liquidity is taken into consideration to pinpoint areas where the Desjardins Group is vulnerable to the risks relating to the selected crises. This makes it possible to compare severe events to our risk appetite for the risk relating to these activities.

The scenarios quantified in the integrated stress testing exercise are part of a range of scenarios used by Desjardins Group to identify, assess and manage risks. They include the stress testing scenarios on which is based the living will exercise as well as the regulatory scenario developed using the assumptions prescribed by the AMF. This latter exercise is performed according to the frequency set by the AMF, generally every two years. The last regulatory scenario, *Global Stress Test* designed by the *Financial Stability Board*, was carried out in 2023. The Macro Stress Test, a new regulatory scenario, will be quantified in 2026.

Ad hoc scenarios can also be quickly quantified to respond to specific situations, and at the request of senior management or the regulatory authorities to support the organization's strategic initiatives.

Risk disclosure

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

Risk appetite

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

The risk appetite framework reflects Desjardins Group's risk-taking values, mission and philosophy. It provides an understanding and allows for the stringent management of the risks relating to its operations in the interest of members and clients. It also helps ensure that Desjardins only engages in new activities for which the risks have been defined, assessed and understood. It is based on the following:

- Developing a strategic plan to achieve Desjardins Group's mission and goals and regularly updating this plan to ensure that it is implemented and aligned with the organization's risk appetite, financial constraints, and evolving internal and external environments.
- Ensuring Desjardins Group's financial sustainability by preserving a capitalization level that meets credit rating goals, limits financing costs and complies with regulatory requirements.
- Managing liquidities and refinancing activities in order to guard against liquidity risk.
- Thanks to adequate profitability in light of risk exposure, ensuring Desjardins Group's sustainability to be able to give back to members and communities and to meet its financial commitments.
- Managing Desjardins Group's exposure to interest rate risk arising from banking, insurance, pension plan and trading strategies to limit the impact of interest rate changes.
- Generating a return sufficient to support Desjardins Group's insurance and short-term trading contract obligations while remaining prudent in managing any associated risks.
- Managing exposure to insurance risk by pursuing the objective of diversifying Desjardins Group's risk profile when expected medium- or long-term profitability meets or exceeds the set targets for adjusted returns.
- Protecting Desjardins Group's reputation with its members, clients, communities, regulatory authorities and other stakeholders, while respecting its cooperative values.
- Asserting Desjardins Group's cooperative nature and always doing what's best for our members and clients while contributing to community development.
- Acting as Desjardins Group's socio-economic leader in the development of a low greenhouse gas emission economy and supporting members, clients and other stakeholders in the transition.
- Ensuring credit risk and long-term returns remain suitable for Desjardins Group's members and clients to support them and communities throughout the relationship.
- Avoiding excessively large risk concentrations.
- Monitoring the uncertainty surrounding the geopolitical and economic dynamics and adjusting business decisions accordingly.
- Maintaining an effective control environment and promoting sound management of operational and regulatory risks including technological, information security and personal information protection risks.

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

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

Integrated risk management approach

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

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

Other methods used to support the integrated risk management approach and to promote accountability for risk include:

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

Risk management and the Integrated Risk Management Framework are based on the following guidelines that provide in particular for:

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

Compensation in relation to risk management

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

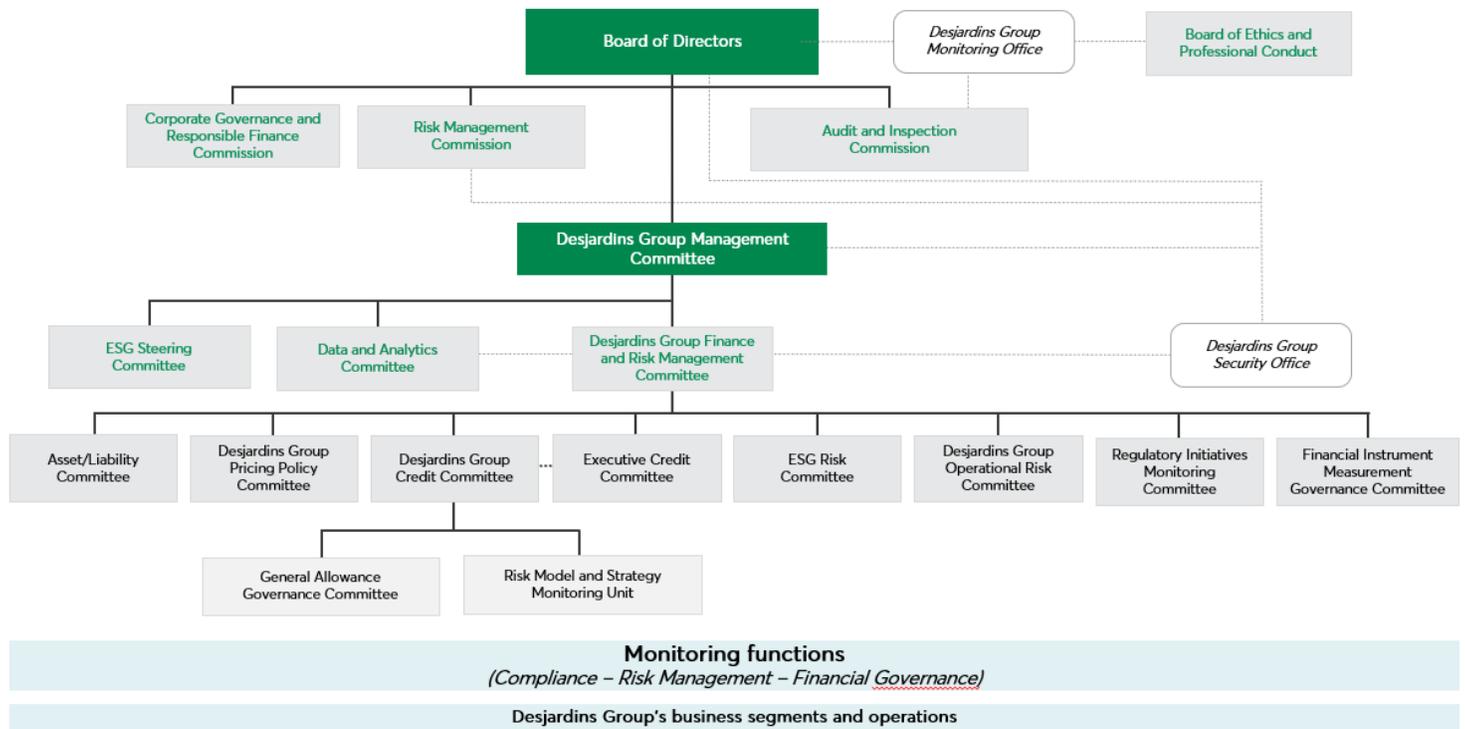
Acting as a subcommittee of the Board of Directors of the Federation, the Human Resources Commission is responsible for making recommendations to the Board of Directors with respect to all aspects of total compensation for all Desjardins Group employees, managers and senior executives.

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

The long-term incentive plan that was introduced in 2024 for Desjardins Group Management Committee members ensures that it is well aligned with achieving Desjardins Group's development goals and strategies, without encouraging excessive risk-taking. The long-term scope of this plan allows for the creation of economic value and sustainable development for members and clients. The new President and Chief Executive Officer benefits from this plan.

Risk management governance

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



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

The Board is supported in this regard by the Risk Management Commission, the Audit and Inspection Commission, the Board of Ethics and Professional Conduct and the Desjardins Group Management Committee. Further information about these bodies is found in the Corporate Governance section of the 2025 Desjardins Group Annual Report.

The Desjardins Group Management Committee makes recommendations to the Board of Directors of the Federation concerning risk management guidelines and strategies and ensures that they are implemented effectively and efficiently. The Committee relies on the Desjardins Group Finance and Risk Management Committee, the ESG Steering Committee and the Data and Analytics Committee.

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

The Data and Analytics Committee ensures that the priority placed on data and analytics is aligned with the organization's business objectives and strategic policy directions. It also monitors and reports on compliance and risk management for governance and data valorization.

The Desjardins Group Finance and Risk Management Committee is responsible for ensuring that the on- or off-balance sheet principal risks to which Desjardins Group is or will be exposed directly or through one or more of its subsidiaries, have been identified and measured, and for assessing the potential impact of identified risks on business strategies. This committee is supported by the following committees:

- The Executive Credit Committee recommends significant commitments requiring the approval of the Board of Directors of the Federation and approves significant commitments up to the limits delegated by the Desjardins Group Finance and Risk Management Committee.
- The Desjardins Group Credit Committee approves large credit commitments, which are within its own delegated limits taking into account ESG analysis, and monitors activities related to assessing and quantifying credit risk. In its monitoring role, the committee is supported by the risk model and strategy monitoring unit and by the General Allowance Governance Committee.
- The Desjardins Group Operational Risk Committee has a cross-sector view and monitors the different categories of operational and regulatory risks to which Desjardins Group is exposed.
- The ESG Risk Committee has a cross-sector view and monitors the ESG factors to which Desjardins Group is exposed.
- The Asset/Liability Committee supports the Desjardins Group Finance and Risk Management Committee in providing interest rate and liquidity risk management oversight and monitoring.
- The Desjardins Group Pricing Policy Committee supports the Desjardins Group Finance and Risk Management Committee in ensuring compliance with the framework governing pricing and pricing consistency with Desjardins Group's strategic objectives and financial targets.
- The Regulatory Initiatives Monitoring Committee supports the Desjardins Group Finance and Risk Management Committee by monitoring significant regulatory initiatives and making recommendations as required. In addition, it monitors regulatory initiatives aimed at mitigating a significant regulatory risk for the organization and discusses any material element related to regulatory risk, including regulatory developments and trends observed in the industry.
- The Financial Instrument Measurement Governance Committee has the general role and responsibilities of supporting the Desjardins Group Finance and Risk Management Committee in reviewing and recommending complex or specific financial instrument measurement cases.

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

Operations management approach based on the three lines of defence model

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

	1 - PROVIDE OVERSIGHT	2 - OPERATIONALIZE (IDENTIFY, ASSESS AND MITIGATED)	3 - CONTROL AND MONITOR	4 - REPORT
<i>First line of defence</i>	<ul style="list-style-type: none"> Is responsible for the performance of its activities Knows and adheres to established risk management frameworks, including the Risk Appetite Framework Completes required training and participates in awareness activities 	<ul style="list-style-type: none"> Manages its activities while adhering to the organization's risk appetite Identifies and assesses its operational risks, manages gaps between its processes, practices and controls, and escalates them as needed Develops, deploys and validates risk mitigation processes, controls and approaches to close gaps Coaches and trains employees on how to apply risk mitigation processes, controls and methods and makes them accountable Establishes practices to ensure compliance with frameworks is maintained over time 	<ul style="list-style-type: none"> Ensures that employees adopt and apply the processes and controls Measures and monitors the performance of the processes and controls deployed Adjusts processes and controls as required Demonstrates compliance with risk management frameworks on request Triggers the escalation process set out in the frameworks if one of the triggers is activated Participates in the drafting of action plans and their follow-up Performs required risk analyses 	<ul style="list-style-type: none"> Provides reporting on its operations and associated risks Produces and reports on its risk profile Transmits the information required for Desjardins Group analyses and reports on its operational risks to the second line of defence
<i>Second line of defence</i>	<ul style="list-style-type: none"> Establishes risk management frameworks (including the Risk Appetite Framework) and ensures their application Establishes the expectations of the first line of defence, the escalation processes and the triggers for their activation Trains and raises awareness of the first line of defence in relation to organizational expectations, including the second line of defence frameworks Has the risk management frameworks approved by the appropriate organizational authority 	<ul style="list-style-type: none"> Advises and equips the first line of defence with respect to operationalizing the frameworks and implementing risk mitigation processes, controls and methods such that it fulfils its responsibilities Provides complementary expertise, a cross-functional vision, monitoring and constructive criticism regarding risk management Monitors emerging risks for Desjardins Group 	<ul style="list-style-type: none"> Conducts monitoring, including objective reviews, issues the resulting findings to stakeholders and monitors the implementation of action plans Performs monitoring and critical reviews, and tests the effectiveness of the controls deployed by the first line of defence Monitors for proper enforcement of risk management frameworks and escalation processes 	<ul style="list-style-type: none"> Monitors the risk levels of the processes and controls deployed Reports to the various stakeholders (senior management, authorities and regulators) as set out in the framework
<i>Third line of defence</i>	<ul style="list-style-type: none"> Gives an independent opinion on the effectiveness of governance, risk management and internal controls and issues findings and advice to improve effectiveness Provides objective assurance to the Desjardins Group Management Committee and the Federation's Board of Directors regarding the overall effectiveness of governance, and risk and control management 			

First line of defence

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

Second line of defence

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

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

Third line of defence

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

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

4.2.2 Basel capital accord

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

The Basel III framework is essentially based on three pillars:

- the first pillar sets out the requirements for risk-weighted regulatory capital;
- the second pillar deals with the supervisory review process;
- the third pillar stipulates financial disclosure requirements.

Credit risk

- Desjardins uses the Internal Ratings-Based Approach for credit risk.
- This approach is used for retail loan portfolios – Personal and for most exposures in the asset classes consisting of sovereign borrowers, financial institutions, businesses and SMEs similar to other retail client exposures.
- The Standardized Approach is used to measure the credit risk of certain exposures related to components of lesser importance, as well as asset classes that are not significant in terms of amount and perceived risk profile.

Market risk

- Desjardins Group uses the standardized approach framework for the calculation of market risk RWA.

Operational risk

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

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

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

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

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

In the course of its operations, Desjardins Group is exposed to various risks. The table on the following page provides its risk profile by business segment. Economic capital is broken down to illustrate the relative size of the risks associated with the various business segments.

The distribution of risk-weighted assets shows Desjardins Group's exposure to credit risk, market risk and operational risk for the purposes of regulatory capital measurement.

Table 25 – Economic capital and risk-weighted assets by business segment and by risk type

As at December 31, 2025

(in millions of dollars and as a percentage)

		Economic capital		Risk-weighted assets	
Desjardins Group		Banking activities		Credit risk	\$ 125,293
		Credit risk	46.9%	Market risk	4,504
		Market risk	1.5	Operational risk	23,884
		Operational risk	6.6	RWA floor adjustment	—
		Other risks ⁽¹⁾	1.3		
		Total banking activities	56.3		
		Insurance activities	37.4		
		Risk related to goodwill and other intangible assets ⁽²⁾	6.3		
Business segment	Personal and Business Services	Wealth Management and Life and Health Insurance	Property and Casualty Insurance	Other	
Balance sheet ⁽³⁾	Assets \$ 384,301	Assets \$ 82,940	Assets \$ 14,226	Assets \$ 28,775	
Economic capital	Proportion of total for Desjardins Group	42.3%	17.1%	18.1%	22.5%
	Banking activities				
	Credit risk	71.5	3.0	—	38.1
	Market risk	2.3	—	—	1.7
	Operational risk	12.6	3.4	—	—
	Other risks ⁽⁴⁾	13.6	3.6	—	60.2
	Total banking activities	100.0	10.0	—	100.0
Risk-weighted assets	Insurance activities ⁽⁵⁾	—	90.0	100.0	—
	Risk related to goodwill and other intangible assets ⁽²⁾	—	—	—	—
Risk-weighted assets	Credit risk	\$ 100,595	\$ 6,265	\$ 4,552	\$ 13,881
	Market risk	3,443	5	—	1,056
	Operational risk	19,438	461	—	3,985
Risk profile	Desjardins Group is exposed to credit risk, market risk, operational risk and other risks, including in particular liquidity risk, interest rate risk, strategic risk, reputation risk and insurance risk.				

⁽¹⁾ Includes defined benefit plan risk, liquidity risk, interest rate risk, strategic risk, reputation risk and the diversification effect.

⁽²⁾ The economic capital amount for the risk related to goodwill and other intangible assets is the carrying amount of these assets. This amount has not been broken down by business segment.

⁽³⁾ The different adjustments required to prepare the Combined Financial Statements as well as intersegment balance eliminations are classified in the asset amount of the Other category.

⁽⁴⁾ Includes liquidity risk, interest rate risk, strategic risk and reputation risk. The risk related to other credit assets and deferred tax assets, defined benefit plan risk and the diversification effect are not allocated to business segments.

⁽⁵⁾ For insurance operations, economic capital is the total amount of economic capital calculated for life and health and P&C insurance activities. This economic capital covers all risks.

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

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

4.2.3 Credit risk

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

Desjardins Group is exposed to credit risk first through its personal, business and government loans, which represented 61.7% of combined balance sheet assets as at December 31, 2025, compared to 61.5% at the end of 2024. It is also exposed through various other commitments, including letters of credit and transactions involving derivative financial instruments as well as securities transactions.

The macroeconomic environment remains highly uncertain, in particular with respect to the evolution of trade relations with the United States, geopolitical tensions and market correction risk. Therefore, management has to continue making particularly complex judgments to estimate the allowance for credit losses in such a situation. Expert adjustments are applied to the evaluation of the allowance for expected credit losses to account for relevant risk factors related to the macroeconomic environment that are not reflected in the models.

Desjardins Group continues to incorporate climate risks into its management practices, including those relating to credit risk. At this stage, the initial scenario analyses do not indicate any significant impact on expected credit losses as at December 31, 2025.

The tariffs imposed and potential impacts on our members and clients could dampen debtors' ability to pay. However, our credit portfolio remains in good shape despite the economic uncertainty. Members and clients affected in this environment may also draw on support measures.

Credit risk management

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

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

Framework

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

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

Assessment of regulatory capital

Desjardins Group uses the Internal Ratings-Based (IRB) Approach to assess credit risk. However, some exposures are exempt from IRB Approach requirements because of units or components of lesser importance, and asset classes that are not significant in terms of amount and risk profile. In order to apply the IRB Approach, Desjardins Group had to make internal estimates to calculate the probability of default (PD), loss given default (LGD) and exposure at default (EAD).

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

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

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

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

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

Differences between the parameters used for accounting and regulatory capital purposes

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

	Regulatory capital	IFRS 9
PD	<ul style="list-style-type: none"> Estimated using a long-term average for a full economic cycle. Projected over the next 12 months. Definition of default associated with an instrument for which payments have been past due for over 90 days, or certain other criteria. 	<ul style="list-style-type: none"> Estimated at a point in time for the next 12 months or for the lifetime of the instrument. Based on past experience, current conditions and relevant forward-looking information. Corresponds to the definition of default used for regulatory capital purposes.
LGD	<ul style="list-style-type: none"> Based on losses that would be expected during an economic downturn. Subject to certain regulatory floors. Takes into account all direct and indirect recovery costs. Discounted to account for the recovery period until default using the discount rate required for regulatory capital purposes. 	<ul style="list-style-type: none"> Based on past experience, current conditions and relevant forward-looking information. Excessive conservatism and floors are excluded. Takes into account only direct recovery costs. Discounted to account for the recovery period until default using the initial effective interest rate.
EAD	<ul style="list-style-type: none"> Equal to drawn amounts plus expected use of undrawn amounts before default. 	<ul style="list-style-type: none"> Equal to drawn amounts plus expected use of undrawn amounts before default and taking into account forward-looking expectations.
Discounting	<ul style="list-style-type: none"> No discounting between the date of default and the reporting date. 	<ul style="list-style-type: none"> Discounting from the date of default to the reporting date using the initial effective interest rate.

More specifically, credit and counterparty risk exposure includes the following categories:

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

As at December 31, 2025, the EAD was \$495.2 billion before using CRM techniques and \$456.1 billion after using CRM techniques. The complete results of the credit risk assessment by type of exposure, asset class and the calculation methods of the Standardized Approach and the Basel III Internal Ratings-Based Approach as required by the AMF are found in Table 26, "Risk Exposure by Asset Class (Exposure at default [EAD])."

Desjardins Group uses the Internal Ratings-Based Approach on 87.0% of exposure at default. Consequently, 13.0% of exposure at default is, for now, assessed using the Standardized Approach. Desjardins Group periodically reviews portfolios subject to the Standardized Approach to determine whether the Advanced Internal Ratings-Based Approach should be applied.

Table 26 – Risk exposure by asset class (Exposure at default [EAD])^{(1)*}

As at December 31

(in millions of dollars and as a percentage)	2025							
	Used exposure	Unused exposure	Repo-style transactions	OTC derivatives	Off-balance sheet exposure	Total	Net exposure ⁽²⁾	Part of EAD as a % of total
Standardized Approach								
Sovereign borrowers	\$ 2,869	\$ —	\$ —	\$ —	\$ —	\$ 2,869	\$ 5,325	0.6%
Non-central government public sector entities	7,538	1,535	—	—	58	9,131	9,229	1.8
Financial institutions	2,088	56	952	7	24	3,127	2,984	0.6
Businesses	8,706	2,895	2,894	1	2,125	16,621	13,569	3.4
SMEs similar to other retail client exposures	263	85	—	—	8	356	335	0.1
Real estate	7,982	561	—	—	—	8,543	5,821	1.7
Revolving retail client exposures	1,115	453	—	—	—	1,568	1,568	0.3
Other retail client exposures (excluding SMEs)	332	564	—	—	4	900	837	0.2
Securitization	144	—	—	—	—	144	144	—
Equities	706	97	—	—	—	803	803	0.2
Trading portfolio	—	—	19,817	334	—	20,151	775	4.1
Subtotal – Standardized Approach	31,743	6,246	23,663	342	2,219	64,213	41,390	13.0
Internal Ratings-Based Approach								
Sovereign borrowers	43,265	1,375	96	—	1,832	46,568	115,772	9.4
Non-central government public sector entities	—	—	—	—	—	—	—	—
Financial institutions	3,390	1,137	18	7,385	709	12,639	12,634	2.5
Businesses	41,997	8,931	—	1	1,013	51,942	46,986	10.5
SMEs similar to other retail client exposures	7,610	4,174	—	1	87	11,872	10,579	2.4
Real estate	222,050	30,288	—	—	—	252,338	190,119	50.9
Revolving retail client exposures	6,637	8,038	—	—	—	14,675	14,675	3.0
Other retail client exposures (excluding SMEs)	15,338	8,056	—	—	7	23,401	22,027	4.7
Trading portfolio	—	—	16,138	1,462	—	17,600	1,883	3.6
Subtotal – Internal Ratings-Based Approach	340,287	61,999	16,252	8,849	3,648	431,035	414,675	87.0
Total	\$ 372,030	\$ 68,245	\$ 39,915	\$ 9,191	\$ 5,867	\$ 495,248	\$ 456,065	100.0%
2024								
(in millions of dollars and as a percentage)	Used exposure	Unused exposure	Repo-style transactions	OTC derivatives	Off-balance sheet exposure	Total	Net exposure ⁽²⁾	Part of EAD as a % of total
Standardized Approach								
Sovereign borrowers	\$ 4,458	\$ —	\$ —	\$ —	\$ —	\$ 4,458	\$ 6,119	1.0%
Non-central government public sector entities	7,225	1,635	—	—	42	8,902	8,989	1.9
Financial institutions	1,751	53	—	28	21	1,853	2,520	0.4
Businesses	10,381	3,842	4,799	22	2,057	21,101	16,253	4.6
SMEs similar to other retail client exposures	224	89	—	—	7	320	304	0.1
Real estate	7,036	441	—	—	—	7,477	5,551	1.6
Revolving retail client exposures	1,064	431	—	—	—	1,495	1,495	0.3
Other retail client exposures (excluding SMEs)	442	557	—	—	5	1,004	877	0.2
Securitization	48	—	—	—	—	48	48	—
Equities	689	142	—	—	—	831	831	0.2
Trading portfolio	—	—	22,072	581	—	22,653	1,096	4.9
Subtotal – Standardized Approach	33,318	7,190	26,871	631	2,132	70,142	44,083	15.2
Internal Ratings-Based Approach								
Sovereign borrowers	39,513	1,434	5	—	76	41,028	99,911	8.9
Non-central government public sector entities	—	—	—	—	—	—	—	—
Financial institutions	4,372	1,212	65	5,315	147	11,111	11,075	2.4
Businesses	34,216	8,160	—	—	631	43,007	38,203	9.3
SMEs similar to other retail client exposures	7,524	4,028	—	1	89	11,642	10,294	2.5
Real estate	201,350	28,565	—	—	—	229,915	178,077	49.9
Revolving retail client exposures	7,181	8,055	—	—	—	15,236	15,236	3.3
Other retail client exposures (excluding SMEs)	14,992	8,084	—	—	6	23,082	21,714	5.2
Trading portfolio	—	—	14,279	1,084	—	15,363	1,462	3.3
Subtotal – Internal Ratings-Based Approach	309,148	59,538	14,349	6,400	949	390,384	375,972	84.8
Total	\$ 342,466	\$ 66,728	\$ 41,220	\$ 7,031	\$ 3,081	\$ 460,526	\$ 420,055	100.0%

(1) The definition of exposure classes related to regulatory capital requirements differs from the accounting classification.

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

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

Table 27 – Exposure at default – Businesses, sovereign borrowers and financial institutions by industry*

As at December 31

(in millions of dollars)	2025						
	Used exposure	Unused exposure	Repo-style transactions	OTC derivatives	Off-balance sheet exposure	Total	Net exposure ⁽¹⁾
Agriculture	\$ 11,445	\$ 642	\$ —	\$ —	\$ 29	\$ 12,116	\$ 13,381
Mining	177	364	—	—	84	625	627
Oil and gas	382	438	—	—	16	836	836
Utilities	4,504	1,329	—	—	179	6,012	6,012
Construction	3,231	952	—	—	295	4,478	4,637
Manufacturing	5,294	1,480	—	—	157	6,931	7,038
Wholesale trade	2,374	518	—	—	77	2,969	3,003
Retail trade	3,812	765	—	1	20	4,598	4,643
Transportation	1,737	507	—	—	68	2,312	2,323
Information industry	630	509	—	—	75	1,214	1,225
Finance and insurance	11,443	2,456	2,810	7,393	3,961	28,063	25,299
Real estate	6,164	1,716	—	—	128	8,008	39,769
Professional services	1,303	517	—	—	82	1,902	1,894
Management of companies	1,194	350	—	—	37	1,581	1,588
Administrative services	895	210	—	—	19	1,124	1,139
Education	155	61	—	—	1	217	220
Health care	983	117	—	—	3	1,103	3,061
Arts and entertainment	206	60	—	—	1	267	286
Accommodation	832	59	—	—	2	893	952
Other services	643	115	—	—	12	770	805
Public agencies	43,067	1,076	96	—	64	44,303	75,340
Other businesses	1,844	153	1,054	—	393	3,444	3,192
Total	\$ 102,315	\$ 14,394	\$ 3,960	\$ 7,394	\$ 5,703	\$ 133,766	\$ 197,270

(in millions of dollars)	2024						
	Used exposure	Unused exposure	Repo-style transactions	OTC derivatives	Off-balance sheet exposure	Total	Net exposure ⁽¹⁾
Agriculture	\$ 10,402	\$ 573	\$ —	\$ —	\$ 18	\$ 10,993	\$ 12,336
Mining	427	342	—	—	26	795	797
Oil and gas	229	433	—	—	17	679	679
Utilities	2,994	1,419	—	—	135	4,548	4,549
Construction	4,133	1,267	—	—	206	5,606	5,745
Manufacturing	4,615	1,464	—	—	132	6,211	6,317
Wholesale trade	2,139	460	—	—	70	2,669	2,706
Retail trade	3,287	1,012	—	—	16	4,315	4,360
Transportation	1,511	418	—	—	61	1,990	2,003
Information industry	391	705	—	—	2	1,098	1,116
Finance and insurance	12,060	2,564	1,494	5,365	979	22,462	21,084
Real estate	5,017	1,386	—	—	70	6,473	27,728
Professional services	1,466	494	—	—	225	2,185	2,030
Management of companies	1,321	284	—	—	31	1,636	1,641
Administrative services	783	152	—	—	24	959	972
Education	144	52	—	—	2	198	201
Health care	750	126	—	—	3	879	2,508
Arts and entertainment	233	61	—	—	1	295	316
Accommodation	524	48	—	—	2	574	623
Other services	1,042	145	—	—	6	1,193	1,214
Public agencies	39,750	1,138	5	—	124	41,017	71,897
Other businesses	1,473	158	3,370	—	782	5,783	3,259
Total	\$ 94,691	\$ 14,701	\$ 4,869	\$ 5,365	\$ 2,932	\$ 122,558	\$ 174,081

⁽¹⁾ After using credit risk mitigation (CRM) techniques, including collateral, guarantees and credit derivatives.

Credit granting

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

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

Retail loans

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

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

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

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

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

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

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

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

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

More specifically for PD, such back testing takes the form of various statistical tests to assess the following criteria:

- the model's discriminating power;
- the calibration of the model;
- the stability of model results.

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

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

Loans to businesses, sovereign borrowers and financial institutions

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

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

The following table presents the internal rating scale, as well as, in general, a correspondence with ratings of external agencies.

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

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

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

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

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

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

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

Other segments

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

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

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

Credit risk mitigation

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

For some loans, programs offered by various organizations, in particular CMHC and *La Financière agricole du Québec*, are used in addition to customary collateral. As at December 31, 2025, guaranteed or insured loans represented 22.7% of Desjardins Group's total gross loans, compared to 20.4% at the end of 2024. As a result of these additional measures, the residual credit risk is minimal for loans with such collateral. In order for enhanced credit offered by a guarantor to be considered a credit risk mitigation technique, the guarantor must meet certain specific criteria to allow this.

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

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

During the year ended December 31, 2025, no significant changes were made to the credit risk mitigation policies and no significant changes occurred in the quality of assets held as collateral.

Loan debt relief

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

Loans receiving relief amounted to \$2,116 million as at December 31, 2025, compared to \$1,878 million at the end of 2024. Of these loans, \$329 million was classified as gross impaired loans as at December 31, 2025, compared to \$216 million as at December 31, 2024.

File monitoring and management of higher risk files

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

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

Default situations

Identification of default

In accordance with the AMF's *Capital Adequacy Guideline*, the following two criteria are used to identify a default situation:

- Quantitative criterion: A borrower's payments are past due by more than 90 days.
- Qualitative criterion: Desjardins Group believes that a borrower is unlikely to repay his debt in full unless the appropriate action is taken, such as realization on collateral or a guarantee, where it exists.

These criteria are applicable to all clients.

Impact of default

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

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

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

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

Removing default

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

Monitoring of portfolio and reporting

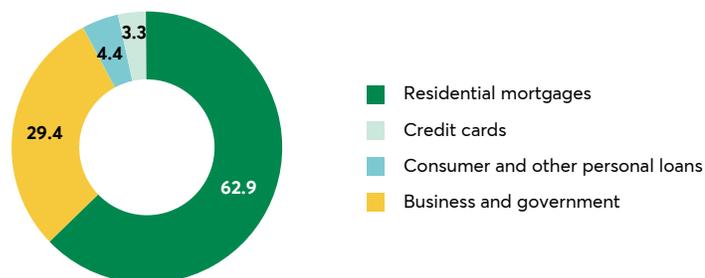
The Risk Management Executive Division oversees the management of all risks to which the organization is exposed, including credit risks. The operating methods require ongoing monitoring of the credit risks to which Desjardins Group is exposed, as well as periodic reporting on portfolio quality to the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

Breakdown and quality of loan portfolio

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

Breakdown of loans

As at December 31, 2025
(as a percentage)



Loans by borrower category and by industry are presented in the table below. As at December 31, 2025, the main sectors of the business loan portfolio were real estate, agriculture and construction. They accounted for 50.4% of the business loan portfolio, which amounted to \$88.8 billion. The main industries were the same as at December 31, 2024.

Table 30 – Loans by borrower category and by industry

As at December 31

(in millions of dollars)	2025		2024	
	Gross loans	Gross credit-impaired loans	Gross loans	Gross credit-impaired loans
Residential mortgages	\$ 198,876	\$ 446	\$ 179,920	\$ 454
Consumer, credit card and other personal loans	24,426	267	24,683	249
Public agencies ⁽¹⁾	4,000	—	3,391	—
Business				
Agriculture	13,839	350	12,871	385
Mining	295	2	591	47
Oil and gas	289	—	146	—
Utilities	4,416	101	3,105	3
Construction	9,620	304	9,711	204
Manufacturing	7,117	295	6,452	297
Wholesale trade	3,237	91	2,919	115
Retail trade	6,280	150	5,506	87
Transportation	2,275	52	2,034	18
Information industry	744	56	515	21
Finance and insurance	3,695	2	2,306	1
Real estate	21,325	309	20,161	211
Professional services	2,171	45	2,298	23
Management of companies	1,628	23	1,756	32
Administrative services	523	17	432	8
Education	326	7	275	7
Health care	5,643	59	5,060	108
Arts and entertainment	861	19	813	22
Accommodation	2,766	63	2,251	53
Other services	1,715	23	1,848	11
Other businesses	10	—	1,873	—
Total business loans	\$ 88,775	\$ 1,968	\$ 82,923	\$ 1,653
Total loans	\$ 316,077	\$ 2,681	\$ 290,917	\$ 2,356

⁽¹⁾ Including loans to governments.

Loans by geographic distribution are presented in the following table. Desjardins Group's operations are highly concentrated in Quebec. Therefore, as at December 31, 2025, the loans granted by Desjardins to members and clients in Quebec accounted for 88.2% of the total loan portfolio, compared to 88.3% as at December 31, 2024.

Table 31 – Loans by geographic distribution

As at December 31

(in millions of dollars)	2025		2024	
	Gross loans	Gross credit-impaired loans	Gross loans	Gross credit-impaired loans
Canada				
Quebec	\$ 278,732	\$ 2,214	\$ 256,972	\$ 1,997
Other Canadian provinces	37,047	467	33,485	359
Total – Canada	\$ 315,779	\$ 2,681	\$ 290,457	\$ 2,356
Other countries	298	—	460	—
Total	\$ 316,077	\$ 2,681	\$ 290,917	\$ 2,356

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

Table 32 – Gross loans past due but not credit-impaired⁽¹⁾

As at December 31

(in millions of dollars)	2025			2024		
	31 to 90 days	91 days or more	Total	31 to 90 days	91 days or more	Total
Residential mortgages	\$ 159	\$ 75	\$ 234	\$ 165	\$ 113	\$ 278
Consumer, credit card and other personal loans	157	26	183	195	36	231
Business and government	51	94	145	84	110	194
	\$ 367	\$ 195	\$ 562	\$ 444	\$ 259	\$ 703

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

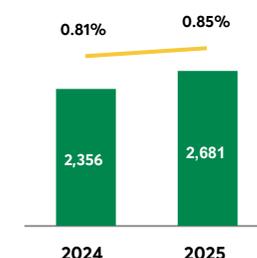
As at December 31, 2025, according to Note 7, "Loans and allowance for credit losses," to the Combined Financial Statements, the allowance for expected credit losses on loans stood at \$1,374 million and the allowance for expected credit losses on off-balance sheet items was \$111 million, for a total of \$1,485 million, up \$65 million compared to December 31, 2024.

This change reflects an unfavourable migration in credit quality and an increase in loan portfolio volume. For more information on the methodology and assumptions used to estimate the loss allowance for expected credit losses, refer to Note 2, "Accounting policies," and Note 7, "Loans and allowance for credit losses," to the Combined Financial Statements.

Gross credit-impaired loans outstanding are the loans included in Stage 3 of the impairment model. The ratio of gross credit-impaired loans, as a percentage of the total gross loans and acceptances portfolio, was 0.85% as at December 31, 2025, compared to 0.81% as at December 31, 2024. The allowance for credit losses on credit-impaired loans totalled \$673 million as at December 31, 2025, for a provisioning rate on credit-impaired loans of 25.1%, compared to 26.1% as at December 31, 2024.

Gross credit-impaired loans and gross credit-impaired loan ratios

As at December 31
(in millions of dollars and as a percentage)



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

Table 33 – Gross credit-impaired loans by borrower category

As at December 31

	2025					2024	
	Gross carrying amount			Allowance for credit losses on credit-impaired loans	Net credit-impaired loans	Gross credit-impaired loans	Net credit-impaired loans
	Gross loans and acceptances	Gross credit-impaired loans ⁽¹⁾					
(in millions of dollars and as a percentage)							
Residential mortgages	\$ 198,876	\$ 446	0.22%	\$ 33	\$ 413	\$ 454	\$ 424
Consumer, credit and other personal loans	24,426	267	1.09	190	77	249	84
Business and government	92,775	1,968	2.12	450	1,518	1,653	1,233
Total	\$ 316,077	\$ 2,681	0.85%	\$ 673	\$ 2,008	\$ 2,356	\$ 1,741

⁽¹⁾ For more information on the gross credit-impaired loans/gross loans and acceptances ratio, which is a supplemental financial measure, see the Glossary on pages 106 to 110.

Table 34 – Change in gross credit-impaired loans

For the years ended December 31

	2025	2024
(in millions of dollars)		
Gross credit-impaired loans at beginning of year	\$ 2,356	\$ 1,964
Gross loans that became credit-impaired during the year	3,277	3,535
Loans returned to unimpaired status ⁽¹⁾	(2,337)	(2,691)
Write-offs and recoveries	(615)	(452)
Other changes	—	—
Gross credit-impaired loans at end of year	\$ 2,681	\$ 2,356

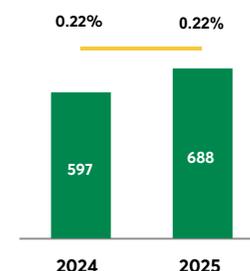
⁽¹⁾ Includes returns to unimpaired status and payments on impaired accounts.

Desjardins Group's provision for credit losses totalled \$688 million for 2025, compared to \$597 million in 2024. The 2025 provision reflects an unfavourable migration of credit quality and a higher volume in the loan portfolios.

The credit loss provisioning rate was 0.22% at the end of fiscal 2025, which is comparable to 2024.

Additional information about the credit risk related to the recognition and measurement of the allowance for credit losses is presented in Note 2, "Accounting policies," and Note 7, "Loans and allowance for credit losses," to the Combined Financial Statements.

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



The following tables are presented to meet the disclosure requirements of the *Residential Hypothecary Lending Guideline* issued by the AMF. They present the residential mortgage portfolio of the caisse network in Quebec and Caisse Desjardins Ontario Credit Union Inc. by product type and geographic area, as well as the corresponding loan-to-value ratios.

Table 35 – Residential mortgage portfolio⁽¹⁾

 Caisse network in Quebec and Caisse Desjardins Ontario Credit Union Inc.⁽²⁾
 As at December 31

(in millions of dollars and as a percentage)	2025							
	Guaranteed or insured loans ⁽³⁾		Uninsured loans ⁽⁴⁾		Home equity lines of credit ⁽⁵⁾		Total	
Quebec	\$ 31,309	97.6%	\$ 103,219	95.1%	\$ 6,302	94.8%	\$ 140,830	95.7%
Ontario	734	2.3	5,322	4.9	345	5.2	6,401	4.3
Other ⁽⁶⁾	19	0.1	51	—	—	—	70	—
All geographic areas	\$ 32,062	100.0%	\$ 108,592	100.0%	\$ 6,647	100.0%	\$ 147,301	100.0%

(in millions of dollars and as a percentage)	2024							
	Guaranteed or insured loans ⁽³⁾		Uninsured loans ⁽⁴⁾		Home equity lines of credit ⁽⁵⁾		Total	
Quebec	\$ 30,514	97.7%	\$ 96,125	95.2%	\$ 6,109	95.1%	\$ 132,748	95.8%
Ontario	696	2.2	4,874	4.8	318	4.9	5,888	4.2
Other ⁽⁶⁾	19	0.1	48	—	—	—	67	—
All geographic areas	\$ 31,229	100.0%	\$ 101,047	100.0%	\$ 6,427	100.0%	\$ 138,703	100.0%

⁽¹⁾ Represents all loans secured by a property with up to four units. Residential mortgages on properties with up to four units held outside of the caisse network in Quebec and Caisse Desjardins Ontario Credit Union Inc. totalled \$225 million as at December 31, 2025 and \$235 million as at December 31, 2024.

⁽²⁾ Caisse Desjardins Ontario Credit Union Inc. is not legally subject to the AMF rules but is instead subject to the Financial Services Regulatory Authority of Ontario (FSRA) rules.

⁽³⁾ Term mortgages and the amortized portion of home equity lines of credit for which Desjardins Group has a full or partial guarantee or insurance from a mortgage insurer (public or private) or a government.

⁽⁴⁾ Conventional term mortgages including the conventional amortized portion of home equity lines of credit and amortized consumer loans secured by a property with up to four units.

⁽⁵⁾ Unamortized portion of home equity lines of credit and consumer lines of credit secured by a property with up to four units.

⁽⁶⁾ Represents the geographic areas of Canada other than Quebec and Ontario.

Table 36 – Average loan-to-value (LTV) ratio for uninsured residential mortgages granted during the year

 Caisse network in Quebec and Caisse Desjardins Ontario Credit Union Inc.⁽¹⁾
 For the years ended December 31

(average loan to value ratio, by geographic area)	2025			2024		
	Uninsured loans ⁽²⁾	Home equity lines of credit and related loans ⁽³⁾	Total uninsured	Uninsured loans ⁽²⁾	Home equity lines of credit and related loans ⁽³⁾	Total uninsured
Quebec	65.9%	61.7%	63.1%	63.5%	62.8%	63.0%
Ontario	65.2	63.7	64.5	64.5	62.1	63.2
Other ⁽⁴⁾	77.7	50.9	73.9	60.6	75.1	69.0
All geographic areas	65.8%	61.8%	63.1%	63.6%	62.8%	63.1%

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

⁽²⁾ Conventional term mortgages and amortized consumer loans secured by a property with up to four units.

⁽³⁾ Home equity lines of credit including related amortized loans and consumer lines of credit secured by a property with up to four units.

⁽⁴⁾ Represents the geographic areas of Canada other than Quebec and Ontario.

The following table presents Desjardins Group's residential mortgage portfolio by remaining amortization period.

Table 37 – Remaining amortization period for residential mortgages⁽¹⁾⁽²⁾
Caisse network in Quebec and Caisse Desjardins Ontario Credit Union Inc.⁽³⁾
As at December 31

(in millions of dollars in gross loans and as a percentage of the total by remaining amortization category)	Total amortized loans			
	2025		2024	
0 to 10 years	\$ 9,758	6.9%	\$ 9,390	7.1%
10 to 20 years	46,317	32.9	43,556	32.9
20 to 25 years	69,725	49.6	68,338	51.7
25 to 30 years	13,199	9.4	7,150	5.4
30 to 35 years	133	0.1	170	0.1
35 years or more ⁽⁴⁾	1,522	1.1	3,672	2.8
All amortization periods	\$ 140,654	100.0%	\$ 132,276	100.0%

⁽¹⁾ The caisse network's variable-rate mortgages represented 29.1% as at December 31, 2025 (23.2% as at December 31, 2024).

⁽²⁾ In accordance with Desjardins Group's internal practices, the remaining amortization period for residential mortgages is limited to 30 years. However, exceeding this 30-year maximum amortization is permitted in certain exceptional situations.

⁽³⁾ Caisse Desjardins Ontario Credit Union Inc. is not legally subject to the AMF rules but rather to the FSRA rules.

⁽⁴⁾ Negative amortization loans are included in the over 35 years category, which reflects the impact of interest rate hikes on the variable-rate mortgage portfolio.

International exposures

As at December 31, 2025, Desjardins Group credit risk exposures outside of Canada and the U.S. represented 1.8% of the total exposures.

Counterparty and issuer risk

Counterparty and issuer risk is a credit risk relative to different types of securities, derivative financial instrument and securities lending transactions.

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

A large proportion of Desjardins Group's risk exposure is to the different levels of government in Canada, Quebec public and parapublic entities and major Canadian banks. For most of these counterparties and issuers, the credit rating is A- or higher. Apart from its U.S. sovereign debt holdings and its commitments to major international banks, Desjardins Group's exposure to foreign entities is low.

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

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

The credit risk associated with derivative financial instruments traded over the counter refers to the risk that a counterparty will fail to honour its contractual obligations toward Desjardins Group at a time when the fair value of the instrument is positive for Desjardins. This risk normally represents a small fraction of the notional amount. It is quantified using two measurements, namely replacement cost and the credit risk equivalent. Replacement cost refers to the current replacement cost of all contracts with a positive fair value. Credit risk equivalent is equal to the sum of this replacement cost and the potential credit exposure. In addition, Desjardins Group applies a credit valuation adjustment (CVA) when pricing derivative financial instruments to take into account the risk that a counterparty will fail to honour its contractual obligations. This adjustment takes into account observable credit spreads in the market, future exposures estimated from advanced quantitative models that include the effects of master netting agreements, collateral and guarantees swapped. A dedicated Desjardins Group team measures the CVA and develops strategies for hedging associated risks. A committee aims to oversee CVA risks, particularly the market risk limits of the derivative financial instruments portfolio as well as hedging strategies (the optimization of collateral and guarantees and the targeted use of derivatives). An ongoing monitoring process ensures hedging effectiveness is regularly measured, strategies are adjusted, and models and processes are periodically reviewed to adapt to market developments. Desjardins Group limits counterparty risk exposure by entering into master agreements called International Swaps and Derivatives Association (ISDA) agreements, which define the terms and conditions for the transactions. These agreements provide for netting to determine the net exposure in the event of default. In addition, a Credit Support Annex can be added to the master agreement in order to request the counterparties to pay or secure the current market value of the positions when such value exceeds a certain threshold. The value of these different measures and the impact of the master netting agreements is presented in Note 20, "Derivative financial instruments and hedging activities," to the Combined Financial Statements.

Desjardins Group also limits its risk by doing business with counterparties that have a high credit rating. Note 20, "Derivative financial instruments and hedging activities," to the Combined Financial Statements presents derivative financial instruments by type of counterparty.

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

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

Additional information about credit risk is presented in Note 5, "Offsetting financial assets and liabilities," Note 20, "Derivative financial instruments and hedging activities," and Note 27, "Commitments, guarantees and contingent liabilities," to the Combined Financial Statements.

4.2.4 Market risk

Market risk refers to the risk of loss arising from changes in the fair value of financial instruments as a result of fluctuations in the parameters affecting this value, in particular, interest rates, exchange rates, credit spreads, equity prices and their volatility.

Desjardins Group is exposed to market risk through its trading activities, which result primarily from short-term transactions conducted with the intention of profiting from current price movements or to provide arbitrage revenue. Desjardins Group is also exposed to market risk through its non-trading activities, which group together mainly asset/liability management transactions in the course of its traditional banking activities as well as investment portfolios related to its insurance operations. Desjardins Group and its components have adopted policies that set out the principles, limits and procedures to use in managing market risk.

Governance

Desjardins Group's components are primarily structured into different legal entities to deliver products and services that can be distributed to Desjardins Group members and clients. These legal entities manage financial instruments exposed to market risk and are subject to different regulatory environments in the banking, securities brokerage, wealth management, life and health insurance and property and casualty insurance industries. The board of directors of these entities delegate to various committees the responsibility of setting up systems and procedures to establish measures adapted to their operations and regulatory environments. These measures, together with the appropriate follow-up procedures, are added to their respective policies and guidelines. The function of the Risk Management Executive Division is to monitor these measures and ensure compliance with the said policies. The main measures used and their follow-up processes are described in the following pages.

Desjardins Group also has frameworks and processes including guidelines for allocating transactions in trading or banking portfolios. Accordingly, controls exist to ensure that the classification is appropriate and in accordance with the regulations in effect.

Link between market risk and the Combined Balance Sheets

The following table presents the link between the main Combined Balance Sheet data and the positions included in its trading activities and non-trading activities. The principal market risks associated with non-trading activities are also indicated in the table.

Table 38 – Link between market risk and the Combined Balance Sheets

As at December 31, 2025

(in millions of dollars)	Combined Balance Sheets	Exposed to market risk			Principal risks associated with non-trading activities
		Trading activities ⁽¹⁾⁽²⁾	Non-trading activities ⁽³⁾	Not exposed to market risk	
Assets					
Cash and deposits with financial institutions	\$ 5,848	\$ —	\$ 5,848	\$ —	Interest rate
Securities					
Securities at fair value through profit or loss	46,384	15,217	31,167	—	Interest rate, FX, price
Securities at fair value through other comprehensive income	59,251	—	59,251	—	Interest rate, FX, price
Securities at amortized cost	42	—	42	—	Interest rate
Securities borrowed or purchased under reverse repurchase agreements	22,809	15,703	7,106	—	Interest rate
Loans, net of allowance for credit losses	314,703	—	314,703	—	Interest rate
Segregated fund net assets	34,079	—	34,079	—	Interest rate, price
Derivative financial instruments	10,862	521	10,341	—	Interest rate, FX, price
Other assets	16,264	—	—	16,264	
Total assets	\$ 510,242	\$ 31,441	\$ 462,537	\$ 16,264	
Liabilities and equity					
Deposits	\$ 329,494	\$ —	\$ 329,494	\$ —	Interest rate
Insurance contract liabilities	34,737	—	34,737	—	Interest rate
Commitments related to securities sold short	15,913	15,128	785	—	Interest rate
Commitments related to securities lent or sold under repurchase agreements	15,937	11,768	4,169	—	Interest rate
Derivative financial instruments	8,861	653	8,208	—	Interest rate, FX, price
Segregated fund net liabilities – Investment contracts	30,496	—	30,496	—	Interest rate, price
Other liabilities	27,682	—	655	27,027	Interest rate
Subordinated notes	4,810	—	4,810	—	Interest rate
Equity	42,312	—	—	42,312	
Total liabilities and equity	\$ 510,242	\$ 27,549	\$ 413,354	\$ 69,339	

See next page for footnotes.

Table 38 – Link between market risk and the Combined Balance Sheets (continued)

As at December 31, 2024

(in millions of dollars)	Combined Balance Sheets	Exposed to market risk			Principal risks associated with non-trading activities
		Trading activities ⁽¹⁾⁽²⁾	Non-trading activities ⁽³⁾	Not exposed to market risk	
Assets					
Cash and deposits with financial institutions	\$ 5,977	\$ —	\$ 5,977	\$ —	Interest rate
Securities					
Securities at fair value through profit or loss	41,961	13,210	28,751	—	Interest rate, FX, price
Securities at fair value through other comprehensive income	57,302	—	57,302	—	Interest rate, FX, price
Securities at amortized cost	45	—	45	—	Interest rate
Securities borrowed or purchased under reverse repurchase agreements	23,666	20,159	3,507	—	Interest rate
Loans, net of allowance for credit losses	289,597	—	289,597	—	Interest rate
Segregated fund net assets	28,959	—	28,959	—	Interest rate, price
Derivative financial instruments	7,579	983	6,596	—	Interest rate, FX, price
Other assets	15,856	—	—	15,856	
Total assets	\$ 470,942	\$ 34,352	\$ 420,734	\$ 15,856	
Liabilities and equity					
Deposits	\$ 300,946	\$ —	\$ 300,946	\$ —	Interest rate
Insurance contract liabilities	34,538	—	34,538	—	Interest rate
Commitments related to securities sold short	13,249	12,589	660	—	Interest rate
Commitments related to securities lent or sold under repurchase agreements	20,633	20,459	174	—	Interest rate
Derivative financial instruments	6,112	685	5,427	—	Interest rate, FX, price
Segregated fund net liabilities – Investment contracts	25,329	—	25,329	—	Interest rate, price
Other liabilities	27,483	—	713	26,770	Interest rate
Subordinated notes	3,962	—	3,962	—	Interest rate
Equity	38,690	—	—	38,690	
Total liabilities and equity	\$ 470,942	\$ 33,733	\$ 371,749	\$ 65,460	

(1) Trading activity positions for which the risk measure is VaR.

(2) The amounts presented under trading activities take intra-group eliminations into account.

(3) Positions mainly related to non-trading banking activities and insurance activities.

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

The market risk of trading portfolios is managed on a daily basis under specific frameworks, which specify the risk factors to be measured and the limit for each of these factors as well as the total. Tolerance limits are also provided for various stress tests. Compliance with these limits is monitored daily, and a market risk dashboard is produced on a daily basis and sent to senior management. Any limit that is exceeded is immediately analyzed and appropriate action is taken.

The main tool used to measure this risk is "Value at Risk" (VaR). VaR is an estimate of the potential loss over a certain time interval at a given confidence level. A Monte Carlo VaR is calculated daily on the trading portfolios, using a 99% confidence level and a holding horizon of one day. It is therefore reasonable to expect a loss exceeding the VaR figure once every 100 days. The calculation of VaR is based on historical data for a one-year interval.

The aggregate VaR for Desjardins Group's trading activities by risk category are presented in the table below. Equity price risk, foreign exchange risk and interest rate risk are the three market risk categories to which Desjardins Group is exposed. These risk factors are taken into account in measuring the market risk of the trading portfolio. They are reflected in the VaR table presented below. The definition of a trading portfolio meets the various criteria defined in the *Capital Adequacy Guideline* issued by the AMF.

Table 39 – Market risk measures for the trading portfolio*

(in millions of dollars)	As at December 31, 2025		For the year ended December 31, 2025			As at December 31, 2024		For the year ended December 31, 2024		
			Average	High	Low			Average	High	Low
Equities	\$	0.4	\$ 0.4	\$ 0.7	\$ 0.3	\$	0.3	\$ 0.3	\$ 0.4	\$ 0.1
Foreign exchange		0.6	0.6	2.1	0.2		0.4	0.6	2.4	0.1
Interest rate		1.7	5.4	9.7	1.5		4.0	4.8	7.9	2.5
Diversification effect ⁽¹⁾		(1.0)	(1.0)	N/A ⁽²⁾	N/A ⁽²⁾		(0.6)	(0.9)	N/A ⁽²⁾	N/A ⁽²⁾
Aggregate VaR	\$	1.7	\$ 5.4	\$ 9.8	\$ 1.4	\$	4.1	\$ 4.8	\$ 7.8	\$ 2.5

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

⁽²⁾ The highs and lows of the various market risk categories can relate to different dates. It is not relevant to calculate a diversification effect.

The average of the trading portfolio's aggregate VaR was \$5.4 million for 2025, up \$0.6 million compared to 2024.

Aggregate VaR is an appropriate measure for a trading portfolio but must be interpreted by taking into account certain limits, in particular the following ones:

- This measure does not allow future losses to be predicted if the actual market fluctuations differ markedly from those used to do the calculations.
- This measure is used to determine the potential losses for a one-day holding period, not the losses on positions that cannot be liquidated or hedged during this one-day period.
- This measure does not provide information on potential losses beyond the selected confidence level of 99%.

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

Back testing

Back testing, which is a comparison of the VaR with the hypothetical and actual profits and losses (P&L) on portfolios, is performed daily to ensure the quality and accuracy of the VaR model.

Stress-testing

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

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

Structural interest rate risk management

Desjardins Group is exposed to structural interest rate risk, which represents the potential impact of interest rate fluctuations on net interest income and the economic value of equity. This risk is the main component of market risk for Desjardins Group's traditional banking activities other than trading, such as accepting deposits and granting loans, as well as for its securities portfolios used for long-term investment purposes and as liquidity reserves.

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

Some Combined Balance Sheet items are considered non-interest-rate-sensitive instruments, including investments in equities, non-performing loans, non-interest-bearing deposits, non-maturity deposits with an interest rate not referenced to a specific rate (such as the prime rate), and equity. As dictated in its policies, Desjardins Group's management practices are based on prudent assumptions with respect to the maturity profile used in its models to determine the interest rate sensitivity of such instruments.

In addition to the total sensitivity gap, the main structural interest rate risk factors are:

- The trend in interest rate level and volatility.
- The changes in the shape of the interest rate curve.
- Member and client behaviour in their choice of products.
- The financial intermediation margin.
- The optionality of the various financial products offered.

In order to mitigate risk factors, sound and prudent management is applied to optimize net interest income while reducing the negative incidence of interest rate movements. The established policies describe the principles, limits and procedures that apply to structural interest rate risk management. Simulations are used to measure the effect of different variables on changes in net interest income and the economic value of equity. These policies specify the structural interest rate risk factors, the risk measures selected, the risk tolerance levels and the management limits as well as the procedures in the event that limits are exceeded. Structural interest rate risk is assessed at the required frequency according to portfolio volatility (daily, monthly or quarterly).

The assumptions used in the simulations are based on an analysis of historical data and on the effects of various interest rate environments on changes in such data. These assumptions concern changes in the structure of assets and liabilities, including modelling for non-maturity deposits, in member and client behaviour, and in pricing. Desjardins Group's Asset/Liability Committee is responsible for analyzing and approving the global matching strategy on a monthly basis while respecting the parameters defined in structural interest rate risk management policies.

The table below presents the potential impact before income taxes, with regard to structural interest rate risk management associated with banking activities, of a sudden and sustained 100-basis-point increase and decrease in interest rates on net interest income and the economic value of equity for Desjardins Group, assuming the balance sheet is stable and management takes no measures to mitigate risk.

Table 40 – Interest rate sensitivity (before income taxes)^{(1)*}

As at December 31

(in millions of dollars)	2025		2024	
	Net interest income ⁽²⁾	Economic value of equity ⁽³⁾	Net interest income ⁽²⁾	Economic value of equity ⁽³⁾
Impact of a 100-basis-point increase in interest rates	\$ 167	\$ (1,200)	\$ 54	\$ (1,213)
Impact of a 100-basis-point decrease in interest rates	(136)	1,163	(20)	1,104

⁽¹⁾ Interest rate sensitivity related to insurance activities is not reflected in the amounts above. For information on interest rate sensitivity related to insurance activities, refer to Note 16, "Insurance and reinsurance contracts," to the Combined Financial Statements.

⁽²⁾ Represents the interest rate sensitivity of net interest income for the next 12 months.

⁽³⁾ Represents the sensitivity of the present value of assets, liabilities and off-balance sheet instruments.

Foreign exchange risk management

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

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

Price risk management

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

Management of price risk related to real estate activities

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

Management of price risk related to stock markets

The insurance components may also be exposed to price risk related to stock markets, particularly through the equity securities and derivative financial instruments they hold as well as the minimum guarantees provided under segregated fund contracts, whose value is affected by market fluctuations. They manage this risk using the different limits set in policies and a hedging program to mitigate the effect of market volatility. For additional information, see Note 16, "Insurance and reinsurance contracts," to the Combined Financial Statements.

4.2.5 Liquidity risk

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

Desjardins Group manages liquidity risk in order to ensure that it has timely and cost-effective access to the funds needed to meet its financial obligations as they become due, in both routine and crisis situations. Managing this risk involves maintaining a sufficient level of liquid securities, ensuring stable and diversified sources of funding, monitoring indicators and having a contingency plan in the event of a liquidity crisis.

Liquidity risk management is a key component of the overall risk management strategy. Desjardins Group has established policies describing the principles, limits, risk appetite thresholds as well as the procedures that apply to liquidity risk management. These policies are reviewed on a regular basis to ensure that they are appropriate for the operating environment and prevailing market conditions. They are also updated to reflect regulatory requirements and sound liquidity risk management practices. Given that the insurance companies are subject to specific regulatory requirements, they manage their liquidity risks based on their own needs while following Desjardins Group guidelines. The securities held by these components are not taken into account in the valuation of Desjardins Group's liquidity reserves.

Desjardins Group's Treasury ensures stable and diversified sources of institutional funding by type, source and maturity. It uses a wide range of financial products and borrowing programs on various markets for its funding needs. Through these operations, the funding needs of Desjardins Group components can be satisfied under conditions comparable to those offered on financial markets.

Furthermore, Desjardins Group issues covered bonds and securitizes loans insured by CMHC in the course of its day-to-day operations. Desjardins Group is also eligible for the Bank of Canada's various intervention programs and loan facilities for Emergency Lending Assistance advances.

The implementation of Basel III strengthens international minimum liquidity requirements through the application of a liquidity coverage ratio (LCR), a net stable funding ratio (NSFR) and the use of Net Cumulative Cash Flow (NCCF). Under its liquidity risk management policy, Desjardins Group already produces these ratios, and reports them on a regular basis to the AMF.

Liquidity risk measurement and monitoring

Desjardins Group determines its liquidity needs by reviewing its current operations and evaluating its future forecasts for balance sheet growth and institutional funding conditions. Various analyses are used to determine the actual liquidity levels of assets and the stability of liabilities based on observed behaviours or contractual maturities. Maintaining liquidity reserves of high-quality assets is required to offset potential cash outflows following a disruption in financial markets, or events that would restrict its access to funding or result in a serious run on deposits.

The minimum liquid asset levels to be maintained by Desjardins Group are specifically prescribed by policies. Daily management of these securities and the reserve level to be maintained is centralized at Desjardins Group Treasury and is subject to monitoring by the Risk Management function under the supervision of the Desjardins Group Finance and Risk Management Committee. Securities eligible for liquidity reserves must meet high security and negotiability criteria and provide assurance of their adequacy in the event of a severe liquidity crisis.

In addition to complying with regulatory ratios, a Desjardins-wide stress testing program has been set up. This program incorporates the concepts put forward by the Basel Committee on Banking Supervision (BCBS) in *Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring*. The scenarios make it possible to:

- measure the magnitude of potential cash outflows in a crisis situation;
- implement liquidity ratios and levels to be maintained across Desjardins Group;
- assess the potential marginal cost of such events, depending on the type, severity and level of the crisis.

Liquidity risk indicators

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

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

Liquid assets

The following tables present a summary of Desjardins Group's liquid assets, which do not include assets held by the insurance subsidiaries because those assets are committed to covering insurance liabilities and not the liquidity needs of Desjardins Group's other components. Liquid assets constitute Desjardins Group's primary liquidity reserve for all its operations. Encumbered liquid assets mainly include liquid assets that are pledged as collateral or cannot be used due to regulatory, legal, operational or other restrictions.

Table 41 – Liquid assets⁽¹⁾

As at December 31, 2025

(in millions of dollars)	Liquid assets held by Desjardins Group	Securities held as collateral – Securities financing and derivative trading	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	\$ 5,047	\$ —	\$ 5,047	\$ 675	\$ 4,372
Securities					
Issued or guaranteed by Canada, provinces and municipal corporations in Canada, school or public corporations in Canada, and foreign public administrations	60,228	22,441	82,669	32,152	50,517
Other securities in Canada	7,755	1,304	9,059	1,508	7,551
Issued or guaranteed by foreign issuers	348	18	366	20	346
Loans					
Insured residential mortgage-backed securities	14,542	—	14,542	1,020	13,522
Total	\$ 87,920	\$ 23,763	\$ 111,683	\$ 35,375	\$ 76,308

As at December 31, 2024

(in millions of dollars)	Liquid assets held by Desjardins Group	Securities held as collateral – Securities financing and derivative trading	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	\$ 4,996	\$ —	\$ 4,996	\$ 469	\$ 4,527
Securities					
Issued or guaranteed by Canada, provinces and municipal corporations in Canada, school or public corporations in Canada, and foreign public administrations ⁽²⁾	54,098	24,098	78,196	32,245	45,951
Other securities in Canada ⁽²⁾	8,272	1,666	9,938	2,266	7,672
Issued or guaranteed by foreign issuers	321	7	328	9	319
Loans					
Insured residential mortgage-backed securities	17,334	—	17,334	1,691	15,643
Total	\$ 85,021	\$ 25,771	\$ 110,792	\$ 36,680	\$ 74,112

⁽¹⁾ Excluding assets held by insurance subsidiaries.

⁽²⁾ Comparative figures have been restated to conform with the presentation for the current year due to a more refined methodology. Additional information is presented in Note 4 to the Combined Financial Statements, "Fair Value of Financial Instruments".

Table 42 – Unencumbered liquid assets by entity⁽¹⁾

As at December 31

(in millions of dollars)	2025	2024
Federation	\$ 54,177	\$ 49,022
Caisse network	19,135	22,303
Other entities	2,996	2,787
Total	\$ 76,308	\$ 74,112

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

Encumbered assets

In the course of its day-to-day operations, Desjardins Group pledges securities, loans and other assets as collateral, mainly with regard to financing operations, participation in clearing and payments systems and operations related to insurance contract liabilities.

The following table presents, for all assets on the Combined Balance Sheets and securities held as collateral, those that are encumbered as well as those that may be pledged as collateral as part of funding or other transactions.

Table 43 – Encumbered assets

As at December 31, 2025

(in millions of dollars)	Breakdown of total assets						
	Combined Balance Sheet assets	Securities held as collateral	Total assets	Encumbered assets		Unencumbered assets	
				Pledged as collateral	Other ⁽¹⁾	Available as collateral	Other ⁽²⁾
Cash and deposits with financial institutions	\$ 5,848	\$ —	\$ 5,848	\$ 202	\$ 675	\$ 4,170	\$ 801
Securities	105,677	32,180	137,857	42,339	1,091	57,081	37,346
Securities borrowed or purchased under reverse repurchase agreements	22,809	—	22,809	—	—	—	22,809
Loans, net of allowance for credit losses	314,703	—	314,703	46,300	—	77,564	190,839
Segregated fund net assets	34,079	—	34,079	—	—	—	34,079
Other assets	27,126	—	27,126	—	—	—	27,126
Total	\$ 510,242	\$ 32,180	\$ 542,422	\$ 88,841	\$ 1,766	\$ 138,815	\$ 313,000

As at December 31, 2024

(in millions of dollars)	Breakdown of total assets						
	Combined Balance Sheet assets	Securities held as collateral	Total assets	Encumbered assets		Unencumbered assets	
				Pledged as collateral	Other ⁽¹⁾	Available as collateral	Other ⁽²⁾
Cash and deposits with financial institutions	\$ 5,977	\$ —	\$ 5,977	\$ 189	\$ 469	\$ 4,338	\$ 981
Securities	99,308	30,024	129,332	41,438	314	50,964	36,616
Securities borrowed or purchased under reverse repurchase agreements	23,666	—	23,666	—	—	—	23,666
Loans, net of allowance for credit losses	289,597	—	289,597	39,159	—	70,727	179,711
Segregated fund net assets	28,959	—	28,959	—	—	—	28,959
Other assets	23,435	—	23,435	—	—	—	23,435
Total	\$ 470,942	\$ 30,024	\$ 500,966	\$ 80,786	\$ 783	\$ 126,029	\$ 293,368

⁽¹⁾ Assets that cannot be used for legal or other reasons.

⁽²⁾ "Other" unencumbered assets include those of the insurance companies as well as other assets that in management's opinion would not be immediately available for collateral or funding purposes in their current form. Some of these other assets could eventually be assigned to the central bank as collateral.

Liquidity coverage ratio

The liquidity coverage ratio (LCR) was developed by the BCBS to promote the short-term resilience of the liquidity risk profile of financial institutions, and incorporated into the *Liquidity Adequacy Guideline* issued by the AMF. The LCR is the ratio of a stock of unencumbered high-quality liquid assets to net cash outflows over the next 30 days in the event of an acute liquidity stress scenario.

Under the AMF's *Liquidity Adequacy Guideline*, high-quality liquid assets qualifying for the purpose of calculating the LCR consist of assets that can be converted quickly into cash at little or no loss of value on financial markets. For Desjardins Group, such high-quality liquid assets are comprised primarily of cash and highly rated securities issued or guaranteed by various levels of government. This guideline also prescribes weightings for cash inflows and outflows.

The AMF stipulates that this ratio is not to be less than the minimum requirements of 100% in the absence of stressed conditions. This ratio is proactively managed by Desjardins Group's Treasury, and an appropriate level of high-quality liquid assets is maintained for adequate coverage of the theoretical cash outflows associated with the standardized crisis scenario within the Basel III framework. Desjardins Group's main sources of theoretical cash outflows are a potential serious run on member and client deposits and a sudden drying-up of the short-term institutional funding sources used on a day-to-day basis by Desjardins Group.

The table below presents quantitative information regarding the LCR, based on the template recommended in the AMF's *Liquidity Adequacy Guideline* for disclosure requirements.

Table 44 – Liquidity coverage ratio⁽¹⁾

	For the quarter ended December 31, 2025		For the quarter ended September 30, 2025
	Total non-weighted value ⁽²⁾ (average ⁽³⁾)	Total weighted value ⁽⁴⁾ (average ⁽³⁾)	Total weighted value ⁽⁴⁾ (average ⁽³⁾)
(in millions of dollars and as a percentage)			
High-quality liquid assets			
Total high-quality liquid assets	N/A	\$ 66,102	\$ 65,818
Cash outflows			
Retail deposits and small business deposits, including:	\$ 111,774	8,820	8,746
Stable deposits	52,422	1,573	1,588
Less stable deposits	59,352	7,247	7,158
Unsecured wholesale funding, including:	49,492	20,700	22,602
Operational deposits (all counterparties) and deposits in cooperative bank networks	18,832	4,560	4,917
Non-operational deposits (all counterparties)	24,291	9,771	8,820
Unsecured debt	6,369	6,369	8,865
Secured wholesale funding	N/A	201	163
Additional requirements, including:	28,575	6,009	5,922
Outflows related to exposures on derivatives and other collateral required	2,220	2,216	2,175
Outflows related to funding loss on debt products	414	414	552
Credit and liquidity facilities	25,941	3,379	3,195
Other contractual funding liabilities	3,557	1,673	1,906
Other contingent funding liabilities	99,519	2,703	2,843
Total cash outflows	N/A	\$ 40,106	\$ 42,182
Cash inflows			
Secured loans (e.g. reverse repurchase agreements)	\$ 26,770	\$ 848	\$ 834
Inflows related to completely effective exposures	3,769	1,884	1,777
Other cash inflows	74	74	190
Total cash inflows	\$ 30,613	\$ 2,806	\$ 2,801
		Total adjusted value⁽⁵⁾	Total adjusted value⁽⁵⁾
Total high-quality liquid assets		\$ 66,102	\$ 65,818
Total net cash outflows		37,300	39,381
Liquidity coverage ratio		178%	167%

⁽¹⁾ Excluding the insurance subsidiaries.

⁽²⁾ The non-weighted values of cash inflows and outflows represent unpaid balances either maturing or falling due and payable within 30 days.

⁽³⁾ The ratio is presented based on the average daily data for the quarter.

⁽⁴⁾ Weighted values are calculated after the "haircuts" prescribed for high quality liquid assets and the rates prescribed for cash inflows and outflows have been applied.

⁽⁵⁾ The total adjusted value takes into account, if applicable, the caps prescribed by the AMF for high-quality liquid assets and cash inflows.

Desjardins Group disclosed an average LCR of 178% for the quarter ended December 31, 2025, compared to 167% in the previous quarter. This improvement is mainly the result of the reduced concentration of debt maturities during the period. For the quarter ended December 31, 2025, high-quality liquid assets averaged approximately \$66.1 billion (\$65.8 billion as at September 30, 2025) of which 95% (95% as at September 30, 2025) was composed of Level 1 assets under Basel III criteria. These include, in particular, coins and banknotes, deposits with central banks, and securities issued or secured by sovereign issuers.

Net stable funding ratio

The net stable funding ratio (NSFR) was developed by the BCBS to promote the medium- and long-term resilience of the liquidity risk profile of financial institutions, and was incorporated into the AMF's *Liquidity Adequacy Guideline*. The NSFR requires financial institutions to maintain a stable funding and capitalization profile in relation to the composition of their assets and off-balance sheet activities. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk for all on- and off-balance sheet items, and promotes funding stability.

This ratio presents the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). The amount of ASF designates the portion of capital and liabilities considered stable over a one-year horizon. Liabilities with the longest contractual maturities are the most significant contributors to the increase in the ratio. The ASF is composed mainly of capital, retail and business deposits, as well as wholesale funding liabilities. The amount of RSF is measured based on the broad characteristics of the liquidity risk profile of assets and off-balance sheet exposures. The RSF is composed mainly of mortgages, other institutional loans and, to a lesser extent, other assets and off-balance-sheet items. The amounts of ASF and RSF are weighted to reflect the degree of stability of liabilities and the liquidity of assets. According to the AMF's *Liquidity Adequacy Guideline*, this ratio should be equal to at least 100% on an on-going basis.

The table below presents quantitative information regarding the NSFR, based on the template recommended in the AMF's *Liquidity Adequacy Guideline* for disclosure requirements.

Table 45 – Net Stable Funding Ratio⁽¹⁾

(in millions of dollars and as a percentage)	As at December 31, 2025					As at
	Unweighted value by residual maturity				Weighted value	September 30,
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year		2025
					Weighted value	
Available Stable Funding (ASF) item						
Capital	\$ 41,607	\$ —	\$ —	\$ 3,806	\$ 45,413	\$ 45,012
Regulatory capital	41,607	—	—	3,806	45,413	45,012
Other capital instruments	—	—	—	—	—	—
Retail deposits and deposits from small business customers	86,721	49,370	21,467	45,346	188,712	187,201
Stable deposits	48,341	7,031	4,966	12,382	69,703	69,303
Less stable deposits	38,380	42,339	16,501	32,964	119,009	117,898
Wholesale funding	32,963	47,308	5,010	28,191	50,167	51,807
Operational deposits	16,020	—	—	—	8,010	8,175
Other wholesale funding	16,943	47,308	5,010	28,191	42,157	43,632
Liabilities with matching interdependent assets	—	574	975	21,162	—	—
Other liabilities ⁽²⁾	37,935			18,718	—	—
NSFR derivative liabilities ⁽²⁾	N/A			4,735	N/A	N/A
All other liabilities and equity not included in the above categories	37,935	13,983	—	—	—	—
Total ASF	N/A	N/A	N/A	N/A	\$ 284,292	\$ 284,020
Required Stable Funding (RSF) item						
Total NSFR high-quality liquid assets	N/A	N/A	N/A	N/A	\$ 872	\$ 616
Deposits held by other financial institutions for operational purposes	\$ —	\$ —	\$ —	\$ —	—	—
Performing loans and securities	22,740	74,247	46,748	173,427	197,228	194,471
Performing loans to financial institutions secured by Level 1 high-quality liquid assets	—	23,403	—	—	1,170	1,161
Performing loans to financial institutions secured by non-Level 1 high-quality liquid assets and unsecured performing loans to financial institutions	—	1,652	200	100	380	624
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs), of which:	16,172	29,124	20,934	80,402	104,638	96,562
Loans with a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	—	10,368	7,807	12,395	8,057	8,035
Performing residential mortgages, of which:	6,568	19,830	25,073	90,666	88,730	93,319
Loans with a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	6,568	19,830	25,073	90,666	88,730	93,319
Securities that are not in default and do not qualify as high-quality liquid assets, including exchange-traded equities	—	238	541	2,259	2,310	2,805
Assets with matching interdependent liabilities	—	574	975	21,162	—	—
Other assets ⁽²⁾	—			33,666	14,666	16,371
Physical traded commodities, including gold	—	N/A	N/A	N/A	—	—
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties ⁽²⁾	N/A			617	525	453
NSFR derivative assets ⁽²⁾	N/A			10,737	430	358
NSFR derivative liabilities before deduction of variation margin posted ⁽²⁾	N/A			8,601	—	—
All other assets not included in the above categories	—	—	1	13,710	13,711	15,560
Off-balance sheet items ⁽²⁾	N/A			121,324	3,201	3,221
Total RSF	N/A	N/A	N/A	N/A	\$ 215,967	\$ 214,679
Net Stable Funding Ratio	N/A	N/A	N/A	N/A	132%	132%

⁽¹⁾ Excluding the insurance subsidiaries.

⁽²⁾ The amounts in these lines include the categories of residual maturities of less than 6 months, 6 months to less than 1 year and 1 year or more.

For the quarter ended December 31, 2025, the NSFR remained stable compared to the previous quarter at 132%, despite an increase in the amount of stable funding required, mainly attributable to loan growth, which exceeded the increase in available stable funding.

Sources of funding

Core funding, which includes capital, long-term liabilities and a diversified deposit portfolio, is the foundation upon which Desjardins Group's liquidity position depends. The solid base of deposits from individuals combined with wholesale funding, diversified in terms of both the programs used as well as the staggering of contractual maturities, allows Desjardins Group to maintain high regulatory liquidity ratios while ensuring their stability. For more information on contractual maturities, see the table "Contractual maturities of on-balance sheet items and off-balance sheet commitments" in Note 28, "Financial instrument risk management," to the Combined Financial Statements. Total deposits, including wholesale funding, presented on the Combined Balance Sheets amounted to \$329.5 billion as at December 31, 2025, up \$28.5 billion since December 31, 2024. Additional information on deposits is presented in Section 3.1, "Balance sheet management," of this MD&A.

Funding programs and strategies

As Desjardins Group's treasurer, the Federation meets the needs of the organization's members and clients. Its first priority is to implement appropriate strategies to identify, measure and manage risks, and these strategies are regulated by policies. In 2025, the Federation maintained a liquidity level sufficient to meet Desjardins Group's needs through its strict treasury policy, solid institutional funding and sustained growth in member and client savings during the year. Short-term wholesale funding is used to finance very liquid assets while long-term wholesale funding is mainly used to finance less liquid assets and to support reserves of liquid assets.

In order to secure long-term funding at the lowest cost on the market, the Federation maintains an active presence in the federally-guaranteed mortgage loan securitization market under the *National Housing Act* (NHA) Mortgage-Backed Securities Program. In addition, to ensure stable funding, it diversifies its sources from institutional markets. It therefore resorts to the capital markets when conditions are favourable, and makes public and private issues of term notes on Canadian, U.S. and international markets, as required.

The main programs currently used by the Federation are as follows:

Table 46 – Main funding programs

As at December 31, 2025

	Maximum authorized amount
Short-term notes (U.S.)	US\$20 billion
Short-term notes (multi-currency)	€5 billion
Medium-term notes (Canadian) ⁽¹⁾	\$13 billion
Medium-term and subordinated notes (multi-currency) ⁽¹⁾	€15 billion
Medium-term and subordinated notes (Australian) ⁽¹⁾	A\$3 billion
Covered bonds (multi-currency) ⁽¹⁾⁽²⁾	\$32 billion
NVCC subordinated notes (Canadian) ⁽¹⁾	\$9 billion

⁽¹⁾ Sustainable bonds may be issued under these funding programs in compliance with the Desjardins Sustainable Bond Framework.

⁽²⁾ The maximum authorized amount remains subject to the prudential limit set by the AMF.

The following table presents the remaining terms to maturity of wholesale funding.

Table 47 – Remaining contractual term to maturity of wholesale funding

As at December 31

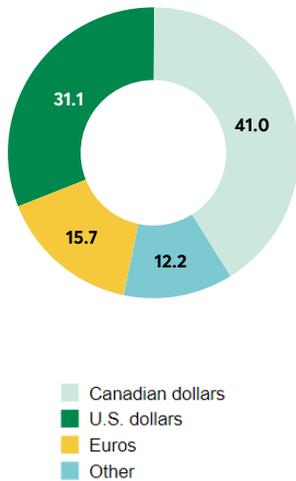
	2025								2024
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Total – Less than 1 year	1 to 2 years	Over 2 years	Total	Total
(in millions of dollars)									
Bearer discount notes	\$ 774	\$ 289	\$ —	\$ 8	\$ 1,071	\$ —	\$ —	\$ 1,071	\$ 2,678
Commercial paper	8,076	8,104	2,282	956	19,418	—	—	19,418	15,942
Medium-term notes	2,613	—	—	484	3,097	3,707	10,378	17,182	15,970
Mortgage loan securitization	—	198	372	968	1,538	1,570	19,409	22,517	16,722
Covered bonds	—	—	807	3,162	3,969	4,591	9,439	17,999	15,430
Subordinated notes	—	—	—	—	—	—	4,810	4,810	3,962
Total	\$ 11,463	\$ 8,591	\$ 3,461	\$ 5,578	\$ 29,093	\$ 9,868	\$ 44,036	\$ 82,997	\$ 70,704
Including:									
Secured	\$ —	\$ 198	\$ 1,179	\$ 4,130	\$ 5,507	\$ 6,161	\$ 28,848	\$ 40,516	\$ 32,152
Unsecured	11,463	8,393	2,282	1,448	23,586	3,707	15,188	42,481	38,552

Desjardins Group's total wholesale funding presented in the table above was carried out by the Federation. Total wholesale funding rose by \$12.3 billion compared to December 31, 2024, resulting primarily from increases in mortgage loan securitization and the issuance of commercial paper and covered bonds. Desjardins Group does not foresee any event, commitment or requirement that could have a major impact on its ability to raise funds through wholesale funding or its members' and clients' deposits.

In addition, Desjardins Group diversifies its funding sources in order to limit its reliance on a single currency. The “Wholesale funding by currency” table presents a breakdown of borrowings on markets and subordinated notes by currency. These funds are obtained primarily through short- and medium-term notes, mortgage loan securitization, covered bonds and subordinated notes.

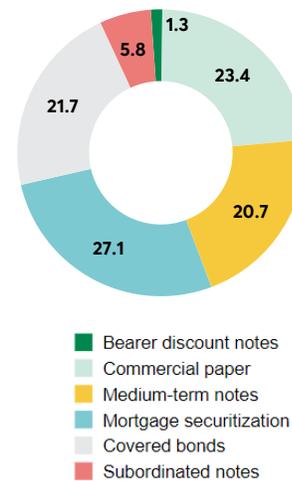
Wholesale funding by currency

As at December 31, 2025
(as a percentage)



Wholesale funding by category

As at December 31, 2025
(as a percentage)



Moreover, the Federation participated in new issues under the NHA Mortgage-Backed Securities Program for a total amount of \$7.6 billion in 2025. During the same period and at the beginning of 2026, the Federation also made the following issues:

- On January 14, 2025, an issue totalling €750 million, subject to the bail-in regime, under its multi-currency medium-term note program.
- On January 15, 2025, an issue totalling £600 million under its legislative covered bond program.
- On January 24, 2025, an issue totalling C\$1,250 million in notes eligible as NVCC under its Canadian NVCC subordinated notes program.
- On January 27, 2025, an issue totalling US\$600 million subject to the bail-in regime, under its multi-currency medium-term note program.
- On January 29, 2025, an issue totalling 175 million Swiss francs under its legislative covered bond program.
- On May 29, 2025, an issue totalling €750 million under a legislative covered bond program.
- On June 26, 2025, an issue totalling 220 million Swiss francs of NVCC-eligible subordinated notes under its multi-currency medium-term note program.
- On June 26, 2025, an issue totalling 20 billion yen in NVCC-eligible subordinated notes under its multi-currency medium-term note program.
- On August 25, 2025, an issue totalling C\$500 million, subject to the internal recapitalization (bail-in) regime, under its Canadian medium-term note program and in accordance with the Desjardins Sustainable Bond Framework .
- On August 26, 2025, an issue totalling US\$750 million, subject to the internal recapitalization (bail-in) regime, under its multi-currency medium-term note program.
- On September 29, 2025, an issue totalling €750 million, subject to the internal recapitalization (bail-in) regime, under its multi-currency medium-term note program.
- On October 8, 2025, an issue totalling £400 million, subject to the internal recapitalization (bail-in) regime, under its multi-currency medium-term note program.
- On December 2, 2025, an issue totalling £500 million under its legislative covered bond program.
- On December 11, 2025, an issue totalling 3 billion yen, subject to the bail-in regime, under its multi-currency medium-term note program.
- On December 17, 2025, an issue totalling 335 million Swiss francs under its legislative covered bond program.
- On January 16, 2026, an issue totalling C\$1.5 billion subject to the bail-in regime, under its medium-term note program.
- On January 21, 2026, an issue totalling €1 billion subject to the bail-in regime, under its multi-currency medium-term note program.

Outstanding notes issued under the Federation’s medium-term funding programs amounted to \$57.7 billion as at December 31, 2025, compared to \$48.1 billion as at December 31, 2024. The outstanding notes for these issues are presented under “Deposits – Business and government” on the Combined Balance Sheets.

Overall, these transactions made it possible to adequately meet the liquidity needs of Desjardins Group, to better diversify its sources of funding and to further extend the average term.

Credit ratings of securities issued and outstanding

Desjardins Group’s credit ratings affect its ability to access sources of funding on capital markets, as well as the conditions of such funding. They are also a factor considered in certain Desjardins Group transactions involving counterparties.

Rating agencies assign credit ratings and related ratings outlooks based on their own proprietary methodology, which includes a number of analytical criteria, including factors that are not under Desjardins Group’s control. The rating agencies evaluate Desjardins Group on a combined basis and recognize its capitalization, its consistent financial performance, its significant market shares in Quebec and the quality of its assets. Consequently, the credit ratings of the Federation, a reporting issuer, are backed by Desjardins Group’s financial strength.

The Federation has first-class credit ratings that are among the best of the major Canadian and international banking institutions.

Highlighted decisions by rating agencies concerning Desjardins Group's instruments:

- On June 10, 2025, Fitch maintained the ratings of the instruments issued by the Federation and their outlook as "stable."
- On July 11, 2025, DBRS maintained the ratings of the instruments issued by the Federation and their outlook as "stable."
- On October 2, 2025, Standard & Poor's maintained the ratings of the instruments issued by the Federation and their outlook as "stable."
- On November 17, 2025, Moody's maintained the ratings of the instruments issued by the Federation and their outlook as "stable."

These rating decisions reflect Desjardins Group's strength in Quebec, where it has leading market shares in multiple industries.

The following table shows the different credit ratings assigned to the Federation's financial instruments.

Table 48 – Credit ratings of securities issued and outstanding

	DBRS	FITCH	MOODY'S	STANDARD & POOR'S
Fédération des caisses Desjardins du Québec				
Counterparty/Deposits ⁽¹⁾	AA	AA	Aa1	A+
Short-term debt	R-1 (high)	F1+	P-1	A-1
Medium- and long-term debt, senior excluded from bail-in regime ⁽²⁾	AA	AA	Aa2	A+
Medium- and long-term debt, senior ⁽³⁾	AA (low)	AA-	A1	A-
NVCC subordinated notes	A (low)	A	A2	BBB+
Covered bonds	—	AAA	Aaa	—
Outlook	Stable	Stable	Stable	Stable

⁽¹⁾ Represents Moody's long-term deposit rating and counterparty risk rating, S&P's issuer credit rating, DBRS's long-term deposit rating, and Fitch's long-term issuer default rating, long-term deposit rating and derivative counterparty rating.

⁽²⁾ Includes issuable senior medium- and long-term debt that would be excluded from the bail-in regime applicable to Desjardins Group.

⁽³⁾ Includes issued senior medium- and long-term debt that qualifies for the bail-in regime applicable to Desjardins Group.

Desjardins Group regularly monitors the additional level of obligations that its counterparties would require in the event of a credit rating downgrade for the Federation. This monitoring enables Desjardins Group to assess the impact of such a downgrade on its funding capabilities and its ability to perform transactions in the normal course of its operations as well as ensure that it has the additional liquid assets and collateral to meet its obligations. Currently, Desjardins Group is not obliged to provide additional collateral in the event of its credit rating being lowered three notches by one or more credit rating agencies.

4.2.6 Operational risk

Operational risk is the risk of inadequacy or failure attributable to processes, people, internal systems or external events and resulting in losses or failure to achieve objectives, and takes into consideration the impact of failures to achieve the strategic objectives of the component concerned or Desjardins Group, if applicable.

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

On August 22, 2024, OSFI issued the final version of Guideline E-21, *Operational Risk Management and Resilience*, in which it raises its expectations for managing operational risk and establishes new ones for the operational resilience as well as business continuity risk, crisis, change and data risk management. The Guideline applies to federally-regulated financial institutions as well as to certain Desjardins Group entities. The Guideline's expectations will be gradually phased in at Desjardins Group, which should result in full compliance by September 1, 2026, the deadline by which OSFI expects entities to be fully compliant.

Operational Risk Management Framework

The operational risk management framework identifies, assesses, quantifies, manages, mitigates, monitors and discloses operational risks based on the Desjardins Group's risk appetite. It relies on guiding principles and best practices for managing operational risks, as well as clearly defined roles and responsibilities to ensure that these risks are managed prudently and effectively. It also makes a connection with other areas of risk to ensure integrated and consistent operational risk management. This framework promotes a proactive, dynamic and consistent approach for managing operational risks within the organization.

The Framework is constantly reviewed to ensure its adequacy and relevance based on development in industry practices or new regulations.

Governance

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

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

More specifically, the primary mandate of the Desjardins Group Operational Risk Committee is to monitor the various categories of operational and regulatory risks to which Desjardins Group is exposed. It is composed of the owners of the operational and regulatory risk categories, and has a cross-sector perspective for managing these risks. In particular, it ensures that the operational risk management framework meets the Desjardins Group's needs and regulatory requirements.

Information technology and security risk

An information technology (IT) risk refers to the risk related to the inability to continue to manage/perform and to modernize infrastructure, applications or technology data bases. A security risk may be the risk of theft, loss, leak or disclosure of confidential information/data, through an intentional or unintentional act, such as an insider threat, error, negligence or omission, or even cyber-attacks.

Technology is an crucial element in the development, maintenance and resilience of Desjardins Group's operations. A failure or disruption of IT systems may have a serious impact on members and clients, as well as on the organization's operations. These risks are at the very core of risk management activities. Therefore, at the same time and in conjunction with business continuity activities, Desjardins Group ensures proper resilience, significant availability and tolerance for errors/failures in its critical technology ecosystem to promote the availability of its services with members and clients.

In this context, Desjardins Group's objective is to optimize its capabilities in terms of its resources, tools and technologies to ensure the efficiency, effectiveness and ongoing performance of its security program and related functions, notably through its security operations centre. Desjardins Group is implementing modernization programs to prevent disruptions to its technological environments and critical assets, and is continuously updating preventive and reactive security controls to address internal and external threats. To manage and monitor these risks effectively, the organization analyzes scenarios and major changes and monitors operational events. Moreover, dedicated governance has been put in place to monitor risks and contain them at an acceptable tolerance level, as established by the organization, and to follow the standards for good practice in the industry.

Furthermore, the Desjardins Group Security Office protects members and clients, their assets and their personal information, in accordance with the evolving regulatory and normative landscape. Desjardins Group proactively monitors these changing requirements, within this framework, to maintain strict compliance, notably with those requirements set out in Bill C-8 (*Critical Cyber Systems Protection Act*, or CCSPA), which relates to cybersecurity, amending the *Telecommunications Act* and making consequential amendments to other Acts. This includes, without limitation, introducing appropriate protection mechanisms and the measures needed to manage and communicate security incidents.

Third party risk

A third party risk refers to the risk of loss and/or incidents as a result of the business relationship with a third party, the terms of governance and monitoring of the business relationship, as well as the performance of the service entrusted to an (external or internal) third party. A third party is an entity with which one or more Desjardins Group entities collaborate in the performance of a duty, activity or process. This includes suppliers of goods and services of all kinds and their subcontractors, business and strategic partners, and internal (intra-group) service providers.

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

On October 9, 2025, the AMF published a draft guideline on third-party risk management. A public consultation was held and Desjardins Group submitted its comments in late December 2025 and is awaiting the next steps. The draft guideline sets out the AMF's expectations for the management of third-party risks with the objective of promoting sound and prudent management and bolstering the operational resilience of financial institutions. The expectations presented relate to all agreements between financial institutions and third parties, whose implementation should take into account the criticality and level of risk for each agreement.

Business continuity risk

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

Business impact assessments can identify the organization's priority activities or processus, based on an assessment of interruption events, considering operational, reputation, regulatory, strategic and financial aspects. Owing to the changing nature of any organization and the implied impact on its level of preparation, updates are required annually, or whenever there is a significant change, by adding change management and continuous improvement principles. The business continuity approach ensures that continuity solutions are identified, implemented and approved by business sector vice-presidents to maintain acceptable service levels for members and clients. Exercises are planned at regular intervals to check, on the one hand, the appropriateness and performance of the identified solutions, on the other hand, that optimal personnel are prepared.

Model risk

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

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

To ensure strict management of model risk, Desjardins Group applies a risk management framework in accordance with the AMF's guideline on model risk across the organization. The model risk management guideline encompasses all traditional models, artificial intelligence (AI) and machine learning (ML).

This framework specifies roles, responsibilities and their life cycle activities, such as design, validation, monitoring, performance and approval of models in keeping with risk appetite.

In accordance with the regulatory requirements, the validation group for the models is independent from the teams in charge of developing models and those that use them. This work consists of evaluating the design methodology, including assumptions, data quality, model implementation and compliance with the applicable regulatory requirements.

Data risk

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

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

Approaches to identifying, measuring and monitoring operational risk

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

	Description
Risk and control identification and measurement	A standard inventory of operational risks to which Desjardins Group is exposed has been prepared and is used as the basis for determining the most significant operational risks and evaluating the effectiveness of the mitigation measures in place to attenuate them. The risk and control assessments, carried out on a periodic basis, can be related to projects, products that are already available or to be deployed, systems, processes, as well as to strategic initiatives. Consideration of various internal and external factors (losses, audit findings, etc.) is an integral part of these assessments. When the results indicate operational risk exposures that exceed the established appetite level, action plans are prepared to reduce exposure to the risk appetite limit.
Collection and analysis of internal events	Operational risk event data and loss data is collected to list and quantify events in accordance with predetermined thresholds. Operational risk events are indexed in a database. Through analysis, causes are better understood, trends are determined, and corrective measures are taken when necessary. Contingent liabilities, including the impact of litigation, are presented in Note 27, "Commitments, guarantees and contingent liabilities," to the Combined Financial Statements.
Risk indicators	To monitor their risk profile and track developments in it, business sectors monitor the risk indicators in the risk appetite framework allowing them to act proactively to changes in exposure levels to the most significant risks.
Risk disclosure	The nature and levels of operational risk are frequently disclosed to senior management as well as the various committees overseeing risk management. This promotes an effective management of operational risk that enables taking action quickly when required and establish the various priorities based on the significance of the risks involved.
Mitigation measures	Desjardins Group has a structure to ensure sound management of operational risks by overseeing the design and applying robust controls that contribute to risk mitigation. Once risks have been identified and assessed, Desjardins Group ensures they are maintained at an acceptable level, based on risk appetite, to promote achieving its goals and continuously ensures the effectiveness of the various existing internal control mechanisms. Accordingly, in the event that established tolerance thresholds are exceeded, action plans are put in place to ensure that risk-taking is always consistent with the organization's risk appetite framework and goals.
Scenario analysis	Scenario analysis consists of assessing events that could lead to a major operational risk, but have little likelihood of occurring, such as an earthquake. The analysis makes it possible to identify vulnerabilities to such risks within the organization in order to apply the required mitigation measures.
Risk-sharing and insurance programs	Desjardins Group has developed insurance programs to give itself additional protection against material operational losses. These programs offer protection based on the business segment's needs, the organization's risk tolerance, as well as emerging risks on the market.
Calculation of capital exposed to operational risk	Regulatory capital relating to operational risk has been calculated under the Standardized Approach in accordance with the AMF's <i>Capital Adequacy Guideline</i> . This approach involves a business indicator component (BIC), derived from Desjardins Group's financial statements. Lastly, capital requirements relating to operational risk are obtained by combining the BIC with a an internal loss multiplier.

4.2.7 Insurance risk

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

Life and health insurance risk refers to the risk that the amount and timing of benefits and expenses payable on life insurance, health insurance or annuity contract products differ from those expected.

Life and health insurance risk is composed of the following elements:

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

Property and casualty insurance risk is the risk that benefits and related expenses will differ from the amounts estimated when designing, pricing or measuring actuarial reserves of property and casualty insurance products for individuals and businesses.

Property and casualty insurance risk is composed of the following elements:

- Underwriting risk: Potential loss resulting from frequency, severity or related expenses (excluding catastrophes) greater than estimated during the design and pricing of insurance policies as well as the mismatch between the underwriting, contractual conditions and designed pricing. For example: fire, theft, water damage, vandalism, covered by the insurance products offered, excluding catastrophes, which mainly cover physical damage to property, bodily injury as well as liability of insureds, such as civil and legal liability, etc.
- Catastrophe risk: Potential loss resulting from the frequency or severity of catastrophes and related expenses being higher than estimated during the design and pricing of insurance policies.
- Reserve risk: Potential loss resulting from inadequate insurance claim provisions and in the estimation of the actuarial reserves of property and casualty insurance products.
- Reinsurance risk: Potential loss resulting from reinsurance undercoverage resulting in an unexpected increase in claims payable by the company.

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

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

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

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

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

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

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

The activities specific to the insurance subsidiaries expose them, in addition to insurance risk, to other types of risk, notably the risks identified in Note 16, "Insurance and reinsurance contracts," to the Combined Financial Statements, as well as other risk factors identified in Section 4.1, "Risk factors that could impact future results."

4.2.8 Strategic risk

Strategic risk refers to the risk of loss attributable to the occurrence of external and internal events or the implementation of inappropriate strategies or actions that may prevent Desjardins Group from achieving its strategic priorities including the interests of its members and clients.

This risk forms an integral part of Desjardins Group's Integrated Risk Management Framework and is the subject of the Strategic Risk Management Policy. It is first up to senior management and the Board of Directors to address and monitor the evolution of strategic directions of Desjardins Group according to its risk appetite and financial constraints. Events that could compromise the achievement of Desjardins Group's strategic objectives and, therefore, its competitiveness are systematically and periodically monitored. To this end, Desjardins Group has implemented a process to update its strategic plan each year including an objective review to factor in market developments, emerging risks, major industry trends, as well as the geopolitical landscape.

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

4.2.9 Reputation risk

Reputation risk refers to the risk that a negative perception by the stakeholders, whether or not justified, of Desjardins Group's practices, actions or lack of action could have a material unfavourable impact on revenues and equity or may significantly affect the confidence of its members and clients or, more broadly, public opinion.

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

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

4.2.10 Environmental, social and governance (ESG) risk

ESG risks are linked to an environmental, social or governance event or issue, which materializes as part of Desjardins Group's operations, financing, investing, insurance activities, or its commitments, the consequences of which could generate financial losses or reputational harm.

Environmental risk includes, in particular, climate change risks, biodiversity risk and any other risk relating to an event that may result in unexpected, accidental, voluntary or involuntary environmental damage. The Desjardins Group's directive for managing environmental risk factors defines two main risks:

- *Climate change-related risks include:*
 - *Acute physical risk factors (floods, storms, forest fires, heat waves, etc.) or chronic risk factors (rising temperatures, changes to precipitation patterns, etc.); and*
 - *transition-related risk factors, which may be of a political, regulatory, legal, or reputational nature, or may be attributable to technology advancement or market evolution (consumer preferences, raw material costs, etc.), but which, in all cases, result from the transition to a low greenhouse gas emission economy.*
- *Environmental degradation risks include:*
 - *acute physical risk factors (oil spills, pollution, forest fires, parasites affecting harvests, etc.) or chronic factors (disappearance of pollinators, loss of biodiversity, climate change, etc.);*
 - *transition-related risk factors, which may be of a political, legal, or reputational nature, or may be attributable to technology advancement or market evolution (consumer preferences, fresh water access, etc.), but which, in all cases, result from the transition to an economy that respects nature and biodiversity; and*
 - *systemic risks, which are defined as an entity's vulnerability to natural or financial system collapse, rather than failure for certain components*

Social risk, on the other hand, takes into account how Desjardins Group and the companies that it finances and invests in, work and act with employees, members, clients, partners, suppliers and communities. The Desjardins Group's social risk management directive defines two main social dimensions, with business issues, which can also be social risks:

- *Social Capital includes human rights and community relations, privacy of client information, data security and consumer welfare.*
- *Human Capital includes employment, recruiting, and employee diversity and inclusion practices.*

Governance risk includes Desjardins Group's internal governance risk covering the Federation, subsidiaries, caisses with regard to management and the various decision-making and democratic bodies, as well as external governance, in connection with the practices of the organizations with which Desjardins Group has relationships.

Desjardins understands the importance of appropriately managing its risks and gauging their current and future impact. The growing expectations regarding Desjardins Group's social impact management, the acceleration of environmental degradation (including climate change and biodiversity loss) and the increasingly visible impacts associated with it are prompting Desjardins to continue to improve its risk management practices, particularly by continuously integrating these risks into its business model, adhering to the three lines of defence model and raising employee awareness of ESG risks.

Given the constant, rapid change in this area, as well as the potential significant financial and reputational impacts, Desjardins is particularly careful to follow regulations and standards. In fact, there has been a general increase in regulatory and normative pressure in recent years, including Bill S-211 *Fighting Against Forced Labour and Child Labour in Supply Chains*, OSFI and AMF guidelines for managing climate risks, the fight against money laundering with amendments to the *Competition Act*, and the CSSB's Canadian sustainability disclosure standards. For more information, see the Regulatory environment section.

This increased regulatory and normative pressure is also evident with the development of frameworks such as the TNFD (*Taskforce on Nature-related Financial Disclosures*), which assesses and discloses dependence and impacts on nature, the TISFD (*Taskforce on Inequality and Social-related Financial Disclosures*), which includes a detailed social component or even biodiversity, changes to the CDP (*Carbon Disclosure Project*) questionnaire and GRI (*Global Reporting Initiative*) standards, as well as consultations to take place in 2026 regarding the third ISSB standard (Biodiversity, Ecosystems, Ecosystem Services).

ESG risk governance

ESG risks are overseen by the Board of Directors of the Federation, supported by the Desjardins Group Management Committee and the Risk Management Commission, which present recommendations regarding ESG risk management strategies, positioning, frameworks and the risk management framework (see Integrated Risk Management). In addition, the Audit and Inspection Commission oversees internal processes and controls relating to climate disclosure.

The ESG Risk Committee supports the Desjardins Group Finance and Risk Management Committee in performing its mandate by having a cross-sector perspective and monitoring ESG risk factors to which the Desjardins Group is exposed. It also ensures that:

- The proposed initiatives and strategic policy directions make an efficient and effective contribution to managing ESG-related risks.
- ESG factors are integrated into business decisions and activities, as well as cross-sector risk management practices.
- Regulatory and disclosure requirements are met.
- Action is monitored and prioritized to encourage forward-looking and well-coordinated management of the most significant ESG risks.

ESG Risk Management Framework

Govern

ESG risks form an integral part of Desjardins Group's Integrated Risk Management Framework and are the subject of the Desjardins Group Policy on Environmental, Social and Governance Risk Management. This Policy is accompanied by a statement of appetite and a risk appetite indicator, Desjardins Group's Environmental Risk Management Directive and Social Risk Management Directive, all aligned with Desjardins Group's risk register. These frameworks constitute the organization's ESG risk management framework.

Operationalize

These frameworks are operationalized across the organization by business segments and support functions, making it possible to periodically identify and evaluate the key risks and integrate ESG risk management practices into operations, activities and the decision-making process. This is achieved in collaboration with Risk Management and Sustainable Development Office professionals. Based on the evaluation and ranking of risks, and their alignment with the Desjardins Group's risk appetite, mitigation measures are implemented by sectors and support functions, as necessary.

Control and oversee

By overseeing risks as part of the second line of defence, the Risk Management function also helps to provide assurance that the organization's risk appetite is being respected. This function is responsible for cross-sectoral monitoring of ESG risk management practices. A plan is developed each year and includes critical reviews of risk assessments, assessments of the effectiveness of controls, specific oversight mandates and monitoring of the risk appetite indicator.

Report

The Risk Management function also reports on ESG-related risks to the committee and, if necessary, to the appropriate committees and commissions of Desjardins Group's Board of Directors and Executive Committee.

For more information on our ESG posture and initiatives, see the report entitled *Climate Action at Desjardins* and the *Social and Cooperative Responsibility Report* (which includes matters relating to the code of ethics and professional conduct, human rights and greenwashing).

4.2.11 Regulatory risks

The financial services industry is one of the most strictly regulated and monitored sectors. For several years, the regulatory framework has continued to be strengthened by its broader scope of application and increasingly complex requirements. The pressure exerted by regulatory authorities is mounting and their oversight powers are increasing, and this exposes Desjardins Group to monetary sanctions and greater reputation risk.

Regulatory authorities and bodies

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

Compliance management framework

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

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

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

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

This compliance management framework provides reasonable assurance that Desjardins Group's operations are carried out in compliance with applicable regulations. However, Desjardins Group may still not be able to predict the exact impact of regulatory developments and appropriately implement strategies to respond. It could then sustain an adverse impact on its financial performance, its operations and its reputation.

Additional information on other regulatory changes affecting the three risks below are presented under "Regulatory environment" in this MD&A.

Compliance organizational structure

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

Legal and regulatory

Legal and regulatory risk is the risk associated with the non-compliance by Desjardins Group with obligations arising from the anticipation, interpretation or application of a legislative or regulatory provision or a contractual commitment, which could have an impact on the conduct of its operations, its reputation, its strategies and its financial objectives.

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

In May 2025, following the adoption of its self-reporting and cooperation policy, the AMF implemented a program which encourages financial institutions to proactively report any failure or breach under a law administered by the AMF or its regulations (non-compliance) and encourages cooperation to reduce sanctions and accelerate investigations.

The Regulation respecting complaint processing and dispute resolution in the financial sector came into effect on July 1, 2025. Various efforts have been made to modernize and ensure compliance with processes for managing dissatisfaction and complaints. They make it possible to meet the new requirements.

Protection of personal information

Privacy risk is the risk associated with inadequate handling of personal information (theft or breach, loss, collection, consent management, use, disclosure, retention, destruction or infringement of the rights of individuals related to their personal information), through intentional or unintentional actions (internal threat, error, negligence or omission). The key consequences of privacy risk deal with Desjardins Group's reputation, compliance and potential financial losses.

The applicable laws and regulations, as well as technology that has an impact on privacy, are evolving quickly. Desjardins Group must take these changes into account to tailor its practices to these new realities.

Moreover, on August 11, 2025, the Office of the Privacy Commissioner of Canada published its *Guidance for processing biometrics - for businesses*, which sets out requirements and best practices for businesses that wish to use biometrics. The document is very similar to the guidelines provided by the Commission à l'information du Québec (CAI), notably with regard to consent, proportionality and legitimacy, security measures, accuracy, transparency and business responsibility.

Fraud and financial crimes

Fraud and financial crime risk is the risk associated with acts conducted illegally by internal or external parties with the intent to cause harm, benefit from them or misappropriate assets belonging to Desjardins Group, members or clients, or the risk associated with non-compliance by Desjardins Group with obligations arising from the anticipation, interpretation or application of a legislative or regulatory provision regarding financial crimes.

To protect members and clients as well as the organization, Desjardins Group continually improves its processes and solutions to adequately prevent, detect and deal with fraud. To do so, fraud risks are identified on an ongoing basis and effective and robust mitigation measures are constantly evolving. Desjardins Group also has a Financial Crime Governance Framework, which it is continuously improving.

Where the fight against money laundering and the financing of terrorism is concerned, a new bill was tabled in the House of Commons in the first half of 2025, increasing the administrative and pecuniary penalties that can be imposed by FINTRAC in addition to creating new criminal offences that are punishable by imprisonment. During the second quarter of 2025, FINTRAC also amended its *Administrative Monetary Penalty Policy* and published its *Supervisory Framework*. These changes are in keeping with the desire of the federal Finance Department to adopt a stricter approach regarding reporting entities that are failing to meet their obligations with regard to money laundering and the financing of terrorism.

5.0 Additional information

5.1 Controls and procedures

DISCLOSURE CONTROLS AND PROCEDURES

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

As at December 31, 2025, Desjardins Group management, in collaboration with the President and CEO, and the CFO, assessed the design and effectiveness of its DCPs. Based on the results of this assessment, the President and CEO, and the CFO concluded that the DCPs were adequately designed and effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Desjardins Group management, in collaboration with the President and CEO, and the CFO, have assessed the design and effectiveness of ICFR. This assessment was performed in accordance with the 2013 *Internal Control – Integrated Framework* published by the *Committee of Sponsoring Organizations of the Treadway Commission (COSO)* for financial controls and in accordance with the *Control Objectives for Information and Related Technologies (COBIT)* framework for IT general controls.

Based on the results of the assessment, the President and CEO, and the CFO, concluded that as at December 31, 2025, ICFR was adequately designed and effective.

The DCPs and ICFR set forth in Regulation 52-109 are applied in the Federation's Annual Information Form prepared in accordance with Regulation 51-102, and for the purposes of certifying Desjardins Group under Regulation 52-109, the Federation's information form is considered to be Desjardins Group's Annual Information Form.

CHANGE IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the year ended December 31, 2025, Desjardins Group did not make any significant changes to processes that materially affected, or may materially affect, its internal control over financial reporting.

Various other aspects of corporate governance are examined in more detail in the "Corporate governance" section of the 2025 Desjardins Group Annual Report.

5.2 Related party disclosures

In the normal course of operations, Desjardins Group offers financial services to related parties, including its associates, joint ventures and other related companies, and enters into agreements for operating services with them. It also pays its key management personnel compensation under normal market conditions, on terms similar to those offered to unrelated parties.

Furthermore, Desjardins Group provides its financial products and services, under normal market conditions, to its directors, its key management personnel and the persons related to them on terms similar to those offered to unrelated parties.

Desjardins Group's key management personnel are the members of its Board of Directors and its Management Committee. They are responsible for the planning, management and control of Desjardins Group's operations, and have the authority to perform their duties.

Desjardins Group has set up a process to obtain assurance that all transactions with its officers and the persons related to them have been carried out on terms similar to those offered to unrelated parties and in compliance with the legislative framework for its various components.

Additional information about related party transactions is presented in Note 30, "Related party disclosures," to the Combined Financial Statements.

5.3 Critical accounting policies and estimates

A description of the accounting policies used by Desjardins Group is essential to understanding the Combined Financial Statements as at December 31, 2025. The accounting policies are described in Note 2, "Accounting policies," to the Combined Financial Statements. Some of these policies are of particular importance in presenting Desjardins Group's financial position and operating results because they require management to make judgments as well as estimates and assumptions that may affect the reported amounts of some assets, liabilities, income and expenses, as well as related information. The accounting policies that required management to make difficult, subjective or complex judgments, often involving uncertainties, are discussed below.

The economic conditions, strongly affected by the uncertainty surrounding the evolution of American policies, continue to have a significant impact on the judgments, estimates and assumptions made by management in preparing the Combined Financial Statements for the year ended December 31, 2025. The judgments, estimates and assumptions that will be made for future periods will be reassessed in light of the development of these highly uncertain conditions and could therefore differ from those made in preparing the Combined Financial Statements for the year ended December 31, 2025. Desjardins Group is closely monitoring developments and their impact on its surplus earnings and financial position.

STRUCTURED ENTITIES

A structured entity is consolidated when it is controlled by a Desjardins Group entity. Management must make significant judgments when it assesses the various elements and all related facts and circumstances as a whole to determine whether control exists, especially in the case of structured entities.

Additional information about structured entities is presented in Note 13, "Interests in other entities," to the Combined Financial Statements.

DETERMINATION OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value measurement of financial instruments is determined using a three-level hierarchy, reflecting the importance of the inputs used for the measurements. Level 1 denotes measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities, while level 2 designates valuation techniques based primarily on observable market data. Level 3 concerns valuation techniques are not based primarily on observable market data.

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

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

Loans

The fair value of non-credit impaired 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 deposits 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 determined by discounting expected contractual cash flows at interest rates based on internal and market curves.

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 20, "Derivative financial instruments and hedging activities," to the Combined Financial Statements specifies the nature of derivative financial instruments held by Desjardins Group.

Financial instruments whose fair value equals their carrying amount

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

Additional information on the fair value of financial instruments is presented in Note 4, "Fair value of financial instruments," to the Combined Financial Statements. Note 2, "Accounting policies," to the Combined Financial Statements provides information on the classification and measurement of financial assets and financial liabilities.

DERECOGNITION OF FINANCIAL ASSETS

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

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

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

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

Additional information about the derecognition of financial assets is presented in Note 8, "Derecognition of financial assets," to the Combined Financial Statements.

IMPAIRMENT OF FINANCIAL INSTRUMENTS

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

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

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

Determination of significant increases in credit risk

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

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

Definition of default and credit-impaired financial asset

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

Measurement of the allowance for expected credit losses

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

The measurement of the allowance for expected credit losses is estimated for each exposure at the reporting date and is based on the result of multiplying the three credit risk parameters, namely PD, LGD and EAD. The result of this multiplication is then discounted using the effective interest rate. The parameters are estimated using an appropriate segmentation that considers common credit risk characteristics. For financial instruments in Stage 1 of the impairment model, credit risk parameters are projected over a maximum horizon of 12 months, while for those in Stage 2 or Stage 3, they are projected over the remaining life of the instrument.

To determine the credit risk parameters, financial instruments are aggregated based on their common credit risk characteristics.

The allowance for expected credit losses also considers information about future economic conditions. To incorporate forward-looking information relevant to the determination of significant increases in credit risk and the measurement of the allowance for expected credit losses, Desjardins Group uses the econometric models for credit risk projection. These models estimate the impact of macroeconomic variables on the various credit risk parameters. Desjardins Group uses three scenarios to determine the allowance for expected credit losses and assigns to each scenario a probability of occurrence. Desjardins Group may also make adjustments to take into account the relevant information that affects the measurement of the allowance for credit losses and that has not been incorporated into the credit risk parameters.

For credit-impaired financial assets that are individually material, measuring the allowance for expected credit losses is based on an extensive review of the borrower's situation and the realization of collateral held. The measurement represents a probability-weighted present value, calculated using the effective interest rate, of cash flow shortfalls that takes into consideration the impact of various scenarios that may materialize and information about future economic conditions.

Key data and assumptions

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

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

The macroeconomic environment remains highly uncertain, in particular with respect to the evolution of trade relations with the United States, geopolitical tensions and market correction risk. Therefore, management has to continue making particularly complex judgments to estimate the allowance for credit losses in such a situation. Expert adjustments are applied to the evaluation of the allowance for expected credit losses to account for relevant risk factors related to the macroeconomic environment that are not reflected in the models.

[Changes in the borrowers' credit risk rating or probability of default](#)

The borrowers' credit risk rating is the foundation of the credit risk assessment model. The rating of a borrower is directly related to its estimated PD. Many variables are taken into consideration in credit risk assessment models. Changes in the borrowers' credit risk rating have an impact on determining significant increases in credit risk, as this is mainly based on the change in the borrower's PD, and measuring the allowance for expected credit losses.

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

[Determination of significant increases in credit risk](#)

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

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

[Incorporation of forward-looking information](#)

Desjardins Group uses three different scenarios to determine the allowance for expected credit losses, namely a base scenario, an upside scenario and a downside scenario. Projections for each scenario are provided for a four-year horizon. The macroeconomic variables projected under each scenario and the related probability of occurrence have a significant impact on determining significant increases in credit risk and measuring the allowance for credit losses for expected credit losses. The models vary depending on the portfolios and include one or several of the main variables: gross domestic product, unemployment rate, the Consumer Price Index, housing prices, the corporate credit spread and the S&P/TSX index. The macroeconomic variable projection and the determination of the probabilities of occurrence are reviewed quarterly.

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

Additional information about loans and the allowance for credit losses, in particular a sensitivity analysis of the allowance for credit losses, is presented in Note 7, "Loans and allowance for credit losses" to the Combined Financial Statements.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

INSURANCE CONTRACT LIABILITIES

Insurance contract liabilities are measured mainly using two approaches, namely the general model and the premium allocation approach.

Note 16, "Insurance and reinsurance contracts," to the Combined Financial Statements provides information about accounting for the various life and health and property and casualty insurance contract liabilities, the main assumptions used and the impact on profit or loss of changes to assumptions.

Contracts to which the general measurement model is applied

On initial recognition, the liability for a group of insurance contracts corresponds to the liability for remaining coverage, which is the total of the fulfilment cash flows, namely the estimate of the future cash flows, the adjustment for the time value of money and the risk adjustment for non-financial risk, as well as the contractual service margin (CSM) which represents unearned profit. At each reporting date, the carrying amount of a group of insurance contracts corresponds to the sum of the liability for remaining coverage, comprising the fulfilment cash flows related to services to be provided in future periods, and the CSM, and the liability for incurred claims, comprising the fulfilment cash flows related to past service, such as incurred claims and other incurred insurance service expenses.

Contracts to which the premium allocation approach is applied

On initial recognition, the carrying amount of the liability for remaining coverage of a group of insurance contracts is equal to the premiums received, minus the insurance acquisition cash flows allocated to that group on such date and adjusted, as the case may be, by the amount arising from the derecognition of an asset for insurance acquisition cash flows and any other asset or liability previously recognized and related to this group. At each reporting date, the liability for remaining coverage of a group on insurance contracts is equal to its carrying amount at the beginning of the year, plus the premiums received and amounts relating to the amortization of insurance acquisition cash flows, less the amount of insurance acquisition cash flows allocated and the amount recognized as revenue.

Key estimates and assumptions

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

Estimates of future cash flows – Life and health insurance activities

The assumptions used to determine the estimates of future cash flows are those that are the most likely in management's judgment. The model used considers that best estimate future cash flows give the same result as the probability-weighted mean of the full range of possible outcomes. Assumptions are determined from the perspective of the life and health insurance subsidiary based on situations existing at the reporting date. The risks associated with the accuracy of the assumptions used to determine the estimates of future cash flows arise from the non-materialization of expected assumptions. The appointed actuary periodically carries out studies on the underwriting experience related to each assumption and modifies it, if appropriate, to take into account the current and future expected situation. Assumptions relating to mortality and longevity, morbidity, contract termination rate, expenses, taxes and policyholder dividends are prepared. In addition, the facts and circumstances indicating that a group of insurance contracts is or is becoming onerous are determined using judgment and data analysis.

Estimates of future cash flows – Property and casualty insurance activities

Facts and circumstances indicating a group is onerous

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

Liability for remaining coverage

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

Liability for incurred claims

The liability for incurred claims includes the individual estimates of loss for each reported claim as well as a provision for claims incurred but not reported by the insured persons, for other insurance service expenses that will have to be incurred to settle those claims and for shortfalls in the estimates of losses for claims reported. The liability for incurred claims is estimated using appropriate actuarial techniques for loss prospective valuation in accordance with the Canadian Institute of Actuaries standards. The main assumption underlying these methods is that past claims development can be used to project future claims development. An additional qualitative judgment is made to assess the extent by which past trends may not apply in the future and make the necessary adjustments or changes to adequately determine the liability for incurred claims that represents the probability-weighted mean of the possible outcomes for future claim payments. The assumptions used to develop this estimate are selected by risk category and geographic area. In addition, the estimates take into consideration various quantitative and qualitative factors, including the average settlement cost per claim, the average number of claims and claims severity and frequency trends, and other factors like inflation and changes in market factors, such as public behaviour towards claims and economic conditions, as well as internal factors, such as the composition of the portfolio of insurance contracts, the terms of those contracts and the claim handling procedures. A degree of judgment is also involved in assessing the extent to which external factors, such as court decisions and government legislation, can influence this estimate.

Other estimates and assumptions*Adjustments to reflect the time value of money*

The estimates of future cash flows have to be adjusted to reflect the time value of money and financial risks. Judgment is required in determining the yield curves to be used, as a result of the determination of the assets held in the reference portfolios, the risk-free rates, the adjustments for credit risk and the adjustments for liquidity.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the insurance subsidiaries require for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risks when they fulfill insurance contracts. The risks to which the risk adjustment for non-financial risk relate are insurance risk and other non-financial risks, such as lapse risk and expenditure risk, which is the risk of an unexpected increase in administration expenses related to managing the contract. This adjustment also reflects the degree of risk aversion of the insurance subsidiaries and a benefit to reflect the degree of diversification the insurance subsidiaries consider when determining this compensation. The risk adjustment for non-financial risk is determined at the consolidated level for each insurance subsidiary, net of reinsurance, and then allocated to each group of insurance contracts and each group of reinsurance contracts held based of their risk profile.

Contractual service margin (CSM)

At the end of each period, the life and health insurance subsidiary recognizes in the Combined Statements of Income an amount of the CSM based on coverage units allocated to services provided. To determine this amount, the CSM at the reporting date is allocated equally to each remaining coverage unit. Management has to make judgments to determine the appropriate coverage units that adequately reflect the quantity of insurance contract services provided over the insurance contract coverage period. The quantity of insurance contract services should consider the services arising from the insurance coverage as well as any investment-return services for insurance contracts without direct participation features and any investment-related services for insurance contracts with direct participation features. To determine the quantity of insurance contract services for the insurance coverage, the life and health insurance subsidiary uses the amount it expects the contract holder could claim if an insured event occurs.

PROVISIONS AND CONTINGENT LIABILITIES

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

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

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

Additional information is presented in Note 27, "Commitments, guarantees and contingent liabilities," to the Combined Financial Statements.

INCOME TAXES ON SURPLUS EARNINGS

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

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

Note 26, "Income taxes on surplus earnings," to the Combined Financial Statements provides additional information on income taxes on surplus earnings.

EMPLOYEE BENEFITS

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

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

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

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

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

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

Note 17, "Employee benefits – Pension and post-retirement benefit plans," to the Combined Financial Statements provides further information on accounting for defined benefit plans and on the sensitivity of the key assumptions.

5.4 Future accounting changes

Accounting standards and amendments issued by the IASB, but not effective as at December 31, 2025, are presented below. Regulatory authorities have stated that early adoption of these standards and amendments will not be permitted, unless they indicate otherwise.

IFRS 7, "Financial Instruments: Disclosures," and IFRS 9, "Financial Instruments"

In May 2024, the IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures," and IFRS 9, "Financial Instruments," following the post-implementation review of the requirements in IFRS 9 and the related requirements in IFRS 7.

The amendments to IFRS 9 seek to clarify the recognition and derecognition date for certain financial assets and liabilities, including the introduction of a new exception for the derecognition of financial liabilities before the settlement date when they are settled in cash through an electronic payment system if and only if a payment order has been issued and certain criteria are met. Desjardins Group has chosen to apply this exception. The amendments also aim to clarify and to provide additional guidance for assessing whether the cash flows of a financial asset are solely payments of principal and interest on the principal amount outstanding. Management believes that the classification of Desjardins Group's financial assets will not be affected by these amendments.

Desjardins Group will need to adopt the amendments of IFRS 9 as of January 1, 2026 retrospectively. However, restatement of comparative periods is not required, in accordance with transition requirements for amendments to the Standard. Accordingly, the retrospective impact of the application of the amendments to IFRS 9 will be recognized in the combined balance sheet as at January 1, 2026, the effective date of the amendments.

Desjardins Group estimates that the adoption of the amendments to IFRS 9 will result in, as at January 1, 2026, a decrease of \$634 million in "Cash and deposits with financial institutions", \$19 million in "Loans" and \$313 million in "Deposits", as well as an increase of \$645 million in "Other assets" and \$305 million in "Other liabilities" in the Combined Balance Sheet.

Concurrently with the publication of the amendments to IFRS 9, the IASB modified IFRS 7 to add new disclosures for certain instruments whose contractual terms could change cash flows as well as to improve the disclosures about equity instruments designated as at fair value through other comprehensive income. The disclosures will be required for fiscal years beginning on or after January 1, 2026.

IFRS 18, "Presentation and Disclosure in Financial Statements"

In April 2024, the IASB issued IFRS 18, "Presentation and Disclosure in Financial Statements," which will replace the current IAS 1, "Presentation of Financial Statements."

IFRS 18 introduces three new items to improve the presentation of information disclosed in financial statements. It introduces three new categories of revenue and expenses (operating, investing and financing) to improve the comparability of the income statement between companies. In addition, IFRS 18 intends to enhance the transparency of management-defined performance measures. Lastly, IFRS 18 provides guidance on how to present information in financial statements.

Desjardins Group is currently assessing the impact of adopting IFRS 18, which will be effective for years beginning on or after January 1, 2027.

5.5 Additional information required pursuant to the AMF's decision No. 2021-FS-0091

In addition to the entities comprising the Desjardins Cooperative Group (as defined in Section 1.1, "Profile and structure") and the subsidiaries of such entities, Desjardins Group's Combined Financial Statements include Caisse Desjardins Ontario Credit Union Inc. (CDO). The CDO's financial information is compared to that of Desjardins Group in the table below.

Table 49 – CDO's financial information

As at December 31 or for the years ended December 31

(in millions of dollars and as a percentage)	2025			2024		
	CDO	Desjardins Group Combined Balance Sheets	% proportion	CDO	Desjardins Group Combined Balance Sheets	% proportion
Total assets	\$ 15,190	\$ 510,242	3.0%	\$ 14,051	\$ 470,942	3.0%
Total liabilities	14,280	467,930	3.1	13,193	432,252	3.1
Total equity	910	42,312	2.2	858	38,690	2.2

(in millions of dollars and as a percentage)	2025			2024		
	CDO	Desjardins Group Combined Statements of Income	% proportion	CDO	Desjardins Group Combined Statements of Income	% proportion
Total net revenue	\$ 291	\$ 16,308	1.8%	\$ 222	\$ 14,660	1.5%
Surplus earnings before member dividends	58	3,811	1.5	37	3,356	1.1
Net surplus earnings for the year after member dividends	45	3,433	1.3	26	3,028	0.9

5.6 Five-year statistical review

Table 50 – Combined Balance Sheets

As at December 31

(in millions of dollars)	2025	2024	2023	2022	2021 ⁽¹⁾
ASSETS					
Cash and deposits with financial institutions	\$ 5,848	\$ 5,977	\$ 8,987	\$ 8,913	\$ 16,328
Securities					
Securities at fair value through profit of loss	46,384	41,961	36,627	33,987	39,772
Securities at fair value through other comprehensive income	59,251	57,302	51,692	51,258	53,286
Securities at amortized cost	42	45	46	50	41
	105,677	99,308	88,365	85,295	93,099
Securities borrowed or purchased under reverse repurchase agreements	22,809	23,666	13,678	17,024	12,019
Loans					
Residential mortgage	198,876	179,920	165,858	159,682	149,695
Consumer, credit card and other personal loans	24,426	24,683	24,239	24,211	24,386
Business and government	92,775	86,314	77,018	66,812	57,400
	316,077	290,917	267,115	250,705	231,481
Allowance for credit losses	(1,374)	(1,320)	(1,180)	(1,035)	(970)
	314,703	289,597	265,935	249,670	230,511
Segregated fund net assets	34,079	28,959	24,754	21,356	22,804
Other assets					
Clients' liability under acceptances	—	—	—	25	268
Premiums receivable	N/A	N/A	N/A	N/A	2,839
Derivative financial instruments	10,862	7,579	5,861	5,723	5,828
Amounts receivable from clients, brokers and financial institutions	3,030	3,096	2,801	3,486	2,557
Reinsurance contract assets	1,763	1,905	1,676	1,622	1,582
Right-of-use assets	425	454	476	543	530
Investment property	773	817	974	929	926
Property, plant and equipment	1,437	1,486	1,549	1,587	1,531
Goodwill	596	596	563	157	157
Intangible assets	1,225	1,255	1,186	663	497
Investments in companies accounted for using the equity method	1,241	1,241	1,477	1,465	1,380
Net defined benefits plan assets	1,301	724	46	679	62
Deferred tax assets	916	986	1,244	1,267	789
Other	3,557	3,296	3,368	3,540	3,378
	27,126	23,435	21,221	21,686	22,324
TOTAL ASSETS	\$ 510,242	\$ 470,942	\$ 422,940	\$ 403,944	\$ 397,085
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits					
Individuals	\$ 171,286	\$ 161,479	\$ 151,519	\$ 145,377	\$ 136,332
Business and government	157,800	139,223	127,219	114,172	101,644
Deposit institutions	408	244	591	287	379
	329,494	300,946	279,329	259,836	238,355
Insurance contract liabilities	34,737	34,538	32,961	30,202	34,762
Other liabilities					
Acceptances	—	—	—	25	268
Commitments related to securities sold short	15,913	13,249	11,686	9,859	11,342
Commitments related to securities lent or sold under repurchase agreements	15,937	20,633	12,032	24,565	31,177
Derivative financial instruments	8,861	6,112	6,626	6,691	5,500
Amounts payable to clients, brokers and financial institutions	14,357	14,195	9,350	8,978	7,938
Lease liabilities	517	534	553	622	596
Reinsurance contract liabilities	35	37	38	36	N/A
Segregated fund net liabilities – Investment contracts	30,496	25,329	21,233	17,826	22,796
Net defined benefit plan liabilities	655	713	867	654	1,048
Deferred tax liabilities	618	454	252	223	301
Other	11,500	11,550	10,669	9,092	7,516
	98,889	92,806	73,306	78,571	88,482
Subordinated notes	4,810	3,962	2,954	2,928	1,960
TOTAL LIABILITIES	467,930	432,252	388,550	371,537	363,559
EQUITY					
Capital stock	4,522	4,731	4,731	4,786	4,982
Undistributed surplus earnings	3,789	3,319	2,668	8,982	1,546
Accumulated other comprehensive income	692	256	(708)	(2,058)	765
Reserves	32,696	29,481	26,784	19,802	25,321
Equity – Group's share	41,699	37,787	33,475	31,512	32,614
Non-controlling interest	613	903	915	895	912
TOTAL EQUITY	42,312	38,690	34,390	32,407	33,526
TOTAL LIABILITIES AND EQUITY	\$ 510,242	\$ 470,942	\$ 422,940	\$ 403,944	\$ 397,085

⁽¹⁾ In accordance with the standards that were in force before Desjardins Group retrospectively adopted IFRS 17, "Insurance Contracts," on January 1, 2023, with restatement of the comparative periods for fiscal 2022.

Table 51 – Combined Statements of Income

For the years ended December 31

(in millions of dollars)	2025	2024	2023	2022	2021 ⁽¹⁾
INTEREST INCOME					
Loans	\$ 15,471	\$ 15,288	\$ 12,783	\$ 8,111	\$ 6,928
Securities	2,437	2,477	2,433	1,107	473
	17,908	17,765	15,216	9,218	7,401
INTEREST EXPENSE					
Deposits	7,516	8,056	6,459	2,829	1,508
Subordinated notes	189	165	139	78	65
Other	1,924	2,073	1,999	148	42
	9,629	10,294	8,597	3,055	1,615
NET INTEREST INCOME	8,279	7,471	6,619	6,163	5,786
NET PREMIUMS	N/A	N/A	N/A	N/A	11,278
INSURANCE SERVICE RESULT					
Insurance revenue	12,251	11,524	10,429	9,725	N/A
Insurance service expenses	(9,886)	(9,969)	(8,934)	(8,612)	N/A
Net reinsurance service income (expenses)	(248)	532	(129)	(55)	N/A
	2,117	2,087	1,366	1,058	N/A
NET INSURANCE FINANCE RESULT					
Net insurance investment income (loss)	1,933	2,363	2,971	(4,371)	N/A
Net insurance finance income (expenses)	(988)	(1,641)	(2,383)	4,594	N/A
Net reinsurance finance income (expenses)	29	73	103	(215)	N/A
	974	795	691	8	N/A
NET INSURANCE SERVICE INCOME	3,091	2,882	2,057	1,066	N/A
OTHER INCOME					
Deposit and payment service charges	569	527	483	448	424
Lending fees and card service revenues	1,079	1,038	951	965	735
Brokerage and investment fund services	1,595	1,480	1,339	989	1,108
Management and custodial service fees	1,091	901	751	662	732
Net other investment income (loss)	(66)	(205)	(72)	(343)	319
Overlay approach adjustment for insurance operations financial assets	N/A	N/A	N/A	N/A	(404)
Foreign exchange income (loss)	422	241	192	119	121
Other	248	325	257	271	221
	4,938	4,307	3,901	3,111	3,256
TOTAL NET REVENUE	16,308	14,660	12,577	10,340	20,320
PROVISION FOR CREDIT LOSSES	688	597	529	277	69
CLAIMS, BENEFITS, ANNUITIES AND CHANGES IN INSURANCE CONTRACT LIABILITIES	N/A	N/A	N/A	N/A	6,883
NON-INTEREST EXPENSE					
Salaries and employee benefits	5,975	5,483	5,428	5,120	4,437
Professional fees	921	821	817	1,084	1,013
Technology	1,306	1,217	1,131	924	893
Commissions	867	790	705	306	881
Occupancy costs	401	397	408	391	406
Communications	410	375	358	379	329
Business and capital taxes	172	148	123	118	459
Other	1,585	1,414	1,247	1,203	1,148
Gross non-interest expense	11,637	10,645	10,217	9,525	9,566
Non-interest expense included in insurance service expenses ⁽²⁾	(996)	(939)	(985)	(1,023)	N/A
NET NON-INTEREST EXPENSE	10,641	9,706	9,232	8,502	N/A
OPERATING SURPLUS EARNINGS	4,979	4,357	2,816	1,561	3,802
Income taxes on surplus earnings	1,168	1,001	557	319	860
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	3,811	3,356	2,259	1,242	2,942
Member dividends	505	437	412	403	387
Tax recovery on member dividends	(127)	(109)	(108)	(106)	(103)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 3,433	\$ 3,028	\$ 1,955	\$ 945	\$ 2,658
Of which:					
Group's share	\$ 3,321	\$ 2,895	\$ 1,884	\$ 927	\$ 2,515
Non-controlling interests' share	112	133	71	18	143

(1) In accordance with the standards that were in force before Desjardins Group retrospectively adopted IFRS 17, "Insurance Contracts," on January 1, 2023, with restatement of the comparative periods for fiscal 2022.

Table 52 – Selected financial measures

As at December 31 or for the years ended December 31

(in millions of dollars and as a percentage)	2025	2024 ⁽¹⁾	2023	2022	2021 ⁽²⁾
Tier 1A capital ratio ⁽³⁾	23.7%	22.2%	20.4%	20.2%	21.1%
Tier 1 capital ratio ⁽³⁾	23.7	22.2	20.4	20.2	21.1
Total capital ratio ⁽³⁾	26.1	24.2	21.9	21.9	22.1
TLAC ratio ⁽⁴⁾	35.8	32.9	29.4	28.7	26.5
Leverage ratio ⁽³⁾	7.8	7.6	7.3	7.6	8.5
TLAC leverage ratio ⁽⁴⁾	11.6	11.2	10.5	10.6	10.4
Liquidity coverage ratio ⁽⁵⁾	178	165	154	140	140
Net Stable Funding Ratio ⁽⁵⁾	132	129	124	126	129
Net interest margin ⁽⁶⁾	2.29	2.29	2.29	2.13	2.06
Operating leverage ⁽⁷⁾⁽⁸⁾	1.6	11.5	13.0	N/A	N/A
Return on equity ⁽⁷⁾	9.3	9.0	6.8	3.8	8.9
Credit loss provisioning rate ⁽⁷⁾	0.22	0.22	0.20	0.11	0.03
Gross credit-impaired loans/gross loans and acceptances ⁽⁷⁾	0.85	0.81	0.74	0.48	0.47
Efficiency ratio – Personal and Business Services ⁽⁷⁾	69.8	70.8	78.4	79.2	73.7
Insurance and annuity premiums – Wealth Management and Life and Health Insurance ⁽⁷⁾	\$ 6,496	\$ 6,890	\$ 6,313	\$ 5,806	\$ 5,667
On-balance sheet contractual service margin (CSM) – Wealth Management and Life and Health Insurance ⁽⁹⁾	2,385	2,585	2,595	2,627	N/A
Direct premiums written – Property and Casualty Insurance ⁽⁷⁾	7,996	7,565	6,856	6,205	6,053
Assets under administration ⁽⁷⁾	673,007	600,968	535,264	447,312	482,911
Assets under management ⁽⁷⁾	122,756	104,220	87,164	79,865	93,893
Average assets ⁽⁷⁾	496,448	447,745	409,820	399,913	383,204
Net interest income	8,279	7,471	6,619	6,163	5,786
Average net loans and acceptances ⁽⁷⁾	303,831	276,838	257,533	240,621	221,317
Average deposits ⁽⁷⁾	316,955	289,585	268,099	249,801	234,571
Risk-weighted assets ⁽³⁾	153,681	149,621	140,481	139,311	134,518

(1) Some data have been restated to conform with the current year's presentation.

(2) In accordance with the standards that were in force before Desjardins Group retrospectively adopted IFRS 17, "Insurance Contracts," on January 1, 2023, with restatement of the comparative periods for fiscal 2022.

(3) In accordance with the *Capital Adequacy Guideline* issued by the AMF for financial services cooperatives in particular. See Section 3.2, "Capital management."

(4) In accordance with the *Total Loss Absorbing Capacity Guideline* (TLAC Guideline) issued by the AMF and based on risk-weighted assets and exposures for purposes of the leverage ratio at the level of the resolution group, which is deemed to be Desjardins Group, excluding Caisse Desjardins Ontario Credit Union Inc. See Section 3.2, "Capital management."

(5) In accordance with the *Liquidity Adequacy Guideline* issued by the AMF. See Section 4.0, "Risk management."

(6) For more information about non-GAAP financial measures and ratios, see "Non-GAAP and other financial measures" on pages 3 to 5.

(7) For further information about supplementary financial measures, see the Glossary on pages 106 to 110.

(8) Given the changes in certain financial statement headings in order to reflect the new naming convention required following the adoption of IFRS 17, "Insurance Contracts," on January 1, 2023, with restatement of the comparative data for fiscal 2022 only, the data for calculating the operating leverage using the new naming convention are not available for the fiscal years prior to 2023.

(9) On-balance sheet CSM of \$2,599 million (\$2,838 million as at December 31, 2024) presented net of reinsurance in the amount of \$214 million (\$253 million as at December 31, 2024). Included in the line items "Insurance contract liabilities" and "Reinsurance contract assets (liabilities)" on the Combined Balance Sheets. For more information, see Note 16, "Insurance and reinsurance contracts," to the Combined Financial Statements.

5.7 Supplementary information

The tables below meet the financial disclosure requirements stipulated in the *Act Respecting Financial Services Cooperatives*.

Table 53 – Summary of the Federation's combined investments and loans

As at December 31

(unaudited, in millions of dollars and as a percentage)	2025											2024	
	Contractual maturities											Total	Average return ⁽¹⁾
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	No stated maturity	Total	Average return ⁽¹⁾		
Securities	\$ 34	\$ 351	\$ 2,215	\$ 993	\$ 4,970	\$ 7,312	\$ 18,332	\$ 11,231	\$ 104	\$ 45,542	3.93%	\$ 40,806	4.23%
Securities borrowed or purchased under reverse repurchase agreements	23,551	—	—	—	—	—	—	—	—	23,551	2.52	16,242	4.25
Loans	22,890	6,842	2,004	1,576	1,377	3,718	5,278	1,666	1,111	46,462	5.30	42,211	6.67
Loans to member caisses	15,484	12,071	14,636	18,004	10,092	32,960	53,705	5,606	108	162,666	4.06	135,348	5.14
Consumer, credit card and other personal loans	30	46	126	133	148	829	4,033	4,913	7,105	17,363	8.17	18,138	8.21
Allowance for credit losses	—	—	—	—	—	—	—	—	(706)	(706)	—	(745)	—
Total investments and loans	\$ 61,989	\$ 19,310	\$ 18,981	\$ 20,706	\$ 16,587	\$ 44,819	\$ 81,348	\$ 23,416	\$ 7,722	\$ 294,878	4.39%	\$ 252,000	5.49%

⁽¹⁾ Excluding the impact of derivative financial instruments.

Table 54 – Summary of combined deposits by member caisses

As at December 31

(unaudited, in millions of dollars and as a percentage)	2025											2024	
	Contractual maturities											Total	Average return
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	No stated maturity	Total	Average return		
Demand deposits	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 15,276	\$ 15,276	3.52%	\$ 13,121	4.43%
Term deposits	13,082	4,586	5,171	6,902	7,043	24,988	64,966	8,902	—	135,640	4.11	115,839	5.06
Total deposits by member caisses	\$ 13,082	\$ 4,586	\$ 5,171	\$ 6,902	\$ 7,043	\$ 24,988	\$ 64,966	\$ 8,902	\$ 15,276	\$ 150,916	4.04%	\$ 128,960	4.97%

Table 55 – General and other reserves

For the years ended December 31

(in millions of dollars)	General reserve	Capital gains reserve	Community Development Funds	Total
Balance as at December 31, 2023	\$ 23,050	\$ (642)	\$ 232	\$ 22,640
Transfer	892	1,782	21	2,695
Balance as at December 31, 2024	\$ 23,942	\$ 1,140	\$ 253	\$ 25,335
Transfer	1,510	1,664	19	3,193
Balance as at December 31, 2025	\$ 25,452	\$ 2,804	\$ 272	\$ 28,528

Glossary

Acceptance

Short-term debt security traded on the money market, guaranteed by a financial institution for a borrower in exchange for a stamping fee.

Advanced Internal Ratings-Based Approach

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

Allowance for credit losses

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

Amortized cost

For a financial asset or a financial liability, represents the historical cost at initial recognition, decreased or increased by amortization and any differences that made it fluctuate from initial recognition to maturity.

Annuity premium

Amount invested by a policyholder in order to receive annuity payments, immediately or after an accumulation period.

Assets under administration

Assets administered by a financial institution that are beneficially owned by its members or clients and are therefore not recognized on its Combined Balance Sheet. Services provided in respect of such assets are administrative in nature, such as custodial services, collection of investment income and settlement of buy and sell transactions.

Assets under management

Assets managed by a financial institution that are beneficially owned by its members or clients and are therefore not recognized on its Combined Balance Sheet. Services provided in respect of assets under management include selecting investments and offering investment advice. Assets under management may also be administered by the financial institution. In such case, they are also included in assets under administration.

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.

Average assets

Average of assets presented in the Combined Financial Statements at the end of the last five quarters calculated as of December 31.

Average core interest-bearing assets

Include securities, cash and deposits with financial institutions, as well as loans, and exclude life and health insurance and property and casualty insurance assets and assets related to trading activities, and other assets not generating net interest income. Average of balances at the end of the last five quarters calculated as of December 31.

Average core interest-bearing assets – Personal and Business Services

Include securities, cash and deposits with financial institutions, as well as loans, and excludes assets related to trading activities as well as assets related to capital market and liquidity management activities, and all other assets not generating net interest income – Personal and Business Services. Average of balances at the end of the last five quarters calculated as of December 31.

Average deposits

Average of deposits presented in the Combined Financial Statements at the end of the last five quarters calculated as of December 31.

Average equity – Group's share

Average equity – Group's share presented in the Combined Financial Statements at the end of the last five quarters calculated as of December 31.

Average gross loans

Average of loans, presented in the Combined Financial Statements at the end of the last five quarters calculated as of December 31.

Average interest-bearing assets

Consist of securities, including those borrowed or purchased under reverse repurchase agreements, cash and deposits with financial institutions, as well as loans, and exclude life and health insurance and property and casualty insurance assets, as well as all other assets not generating net interest income. Average of balances at the end of the last five quarters calculated as of December 31.

Average interest-bearing liabilities

Include deposits, subordinated notes and other interest-bearing liabilities, and exclude life and health insurance and property and casualty insurance liabilities as well as all other liabilities not generating any net interest income. Equivalent to average balances at the end of the past five quarters calculated as of December 31.

Average liabilities

Average of liabilities presented in the Combined Financial Statements at the end of the last five quarters calculated as of December 31.

Average net loans

Average of loans, net of the allowance for credit losses, presented in the Combined Financial Statements at the end of the last five quarters calculated as of December 31.

Average net loans and acceptances

Average of loans, including clients' liability under acceptances, net of the allowance for credit losses, presented in the Combined Financial Statements at the end of the last five quarters calculated as of December 31.

Basis point

Unit of measure equal to one one-hundredth of a percent (0.01%).

Bond

Certificate evidencing a debt under which the issuer promises to pay the holder a specified amount of interest for a specified period of time, and to repay the borrowing at maturity. Generally, assets are pledged as security for the borrowing, except in the case of government or corporate bonds. This term is often used to describe any debt security.

Capital ratios

Ratios determined by dividing regulatory capital by risk-weighted assets. These measures are defined in the *Capital Adequacy Guideline* issued by the AMF.

Capital shares

Equity security offered to Desjardins caisse members.

Catastrophe and notable event– Catastrophe

In property and casualty insurance, group of claims caused by one or multiple close events arising from, among others, natural or other than natural causes, for which the cost is deemed significant since it reaches a minimum threshold, established annually Desjardins Group's management, for the reinsurance program retention.

- Natural catastrophes can take many forms and include, but are not limited to, hurricanes, tornados, windstorms, hailstorms, heavy rainfalls, ice storms, floods, extreme weather conditions and wildfires.
- Catastrophes other than natural catastrophes include, but are not limited to, terrorist acts, riots, explosions, crashes, train wrecks, large-scale cyber attacks.

– Notable event

In property and casualty insurance, group of claims caused by one or multiple close events arising from, among others, natural or other than natural causes, for which the impact on the loss ratio and claims frequency is deemed significant by Desjardins Group's management.

Commitment– Direct commitment

Any agreement entered into by a Desjardins Group component with a natural or legal person creating an on- or off-balance sheet exposure, either disbursed or non-disbursed, revocable or irrevocable, with or without condition, that may lead to losses for the component if the debtor is unable to meet its obligations.

– Indirect commitment

Any financial receivable creating a credit exposure that is acquired by a Desjardins Group component in connection with a purchase on the market or the delivery of a financial asset pledged as collateral by a client or a counterparty, whose value may change in particular as a result of the deterioration of the creditworthiness of the counterparty associated to this receivable or changes in market prices.

Contractual service margin (CSM)

For insurance contracts that are not measured using the premium allocation approach, represents the unearned profit that will be recognized under "Insurance revenue," in the Combined Statements of Income, as insurance contract services are provided.

Countercyclical buffer

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

Covered bond

Full recourse on-balance sheet bond issued by a financial institution and secured by assets, comprised mainly of mortgage loans, over which investors enjoy a priority claim in the event of an issuer's insolvency or bankruptcy. These assets are separated from the issuer's assets in the event of the issuer's insolvency or bankruptcy and belong to a bankruptcy remote structured entity that guarantees the bond.

Credit commitment

Unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit, whose primary purpose is to ensure that members and clients have funds available, when necessary, for variable maturity terms and under specific conditions.

Credit instrument

Credit facility offered in the form of a loan or other financing vehicle recognized in the Combined Balance Sheets or in the form of an off-balance sheet product. Credit instruments include credit commitments, documentary letters of credit as well as guarantees and standby letters of credit.

Credit loss provisioning rate

Provision for credit losses on loans and off-balance sheet items expressed as a percentage of average gross loans.

Credit valuation adjustment (CVA)

Adjustment applied to the value of over-the-counter derivatives to reflect the possibility that the counterparty will not meet its contractual obligations and that Desjardins Group will be unable to receive the full amounts owed.

Defined benefit pension plan

Pension plan guaranteeing each participant a defined level of retirement income that is often based on a formula set by the plan in terms of the participant's salary and years of service.

Derivative financial instrument

Financial contract whose value fluctuates based on an underlying asset, but that does not require holding or delivering the underlying asset itself. Derivatives are used to transfer, modify or reduce current or expected risks, including risks related to interest and exchange rates and financial indexes.

Desjardins Group (Desjardins) component

Cooperative or subsidiary that is part of Desjardins Group.

Direct premiums written

In property and casualty insurance, the premiums stipulated in insurance policies issued and in force during the year. In life and health insurance, insurance or annuity premiums for the policies or certificates issued during the year.

Documentary letter of credit

Instrument issued for a member or a client that represents Desjardins Group's agreement to honour drafts presented by a third party upon completion of certain activities, up to a set maximum amount. Desjardins Group is exposed to the risk that the client does not ultimately pay the amount of the drafts. However, the amounts used are secured by the related goods.

Economic capital

Amount of capital that an institution must maintain, in addition to anticipated losses, to ensure its solvency over a certain horizon and at a high confidence level.

Effective interest rate

Rate determined by discounting total future cash flows, including those related to commissions paid or received, premiums or discounts and transaction costs.

Effective tax on rate surplus earnings after member dividends

Income taxes on surplus earnings after member dividends expressed as a percentage of surplus earnings after member dividends.

Efficiency ratio – Personal and business (previously referred to as Productivity index – Personal and Business Services)

Gross non-interest expense for the Personal and Business Services segment expressed as a percentage of total net revenue for the Personal and Business Services segment.

Exposure at default (EAD)

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

Exposures related to residential mortgage loans

In accordance with the regulatory capital framework, risk category that includes mortgage loans and credit margins secured by real property granted to individuals.

Fair value

Price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at the measurement date.

Fair value measurement

Measurement to determine the approximate value at which financial instruments could be traded in a current transaction between willing parties.

Forward contract

Contractual commitment to sell or purchase a determined quantity of a specified underlying asset on a future specified date and at a predetermined price. These contracts, which are derivatives, are tailored and traded over the counter.

Forward exchange contract

Contractual commitment to sell or purchase a fixed amount of foreign currency on a specified future date and at a predetermined exchange rate.

Foundation Internal Ratings-Based Approach

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

Futures contract

Contractual commitment to sell or purchase a determined quantity of a specified underlying asset on a future specified date and at a predetermined price. These contracts, which are derivatives, are standardized and exchange-traded.

Gross credit-impaired loan

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated cash flows of that financial asset have occurred. A financial asset is therefore considered credit-impaired when it is in default, unless the detrimental impact on the estimated future cash flows is considered insignificant. The definition of default is associated with an instrument for which contractual payments are 90 days past due, or certain other criteria.

Gross credit-impaired loans/gross loans

Gross credit-impaired loans expressed as a percentage to total gross loans.

Gross credit-impaired loans/gross loans and acceptances

Gross credit-impaired loans expressed as a percentage to total gross loans and acceptances.

Group insurance premium

Payment that the insurance policyholder is required to make to maintain the contract in force. This payment represents the cost of insurance. The premium is directly proportional to the number of insured persons and the coverage chosen by the policyholder.

Guarantee and standby letter of credit

Irrevocable commitment by a financial institution to make payments in the event that a member or client cannot meet financial obligations to third parties. Desjardins Group's policy with respect to collateral received for these instruments is generally the same as for loans.

Hedging

Transaction designed to reduce or offset Desjardins Group's exposure to one or more financial risks that involves taking a position exposed to effects that are equivalent, but of opposite direction, to the effects of market fluctuations on an existing or forecast position.

Indemnification commitment related to securities lending

Commitment made to members and clients with whom Desjardins Group entered into securities lending agreements and intended to ensure that the fair value of the securities lent will be reimbursed if the borrower does not return the borrowed securities or if the fair value of assets held as collateral is insufficient to cover the fair value of the securities lent. These commitments usually mature before being used.

Individual insurance premium

Payment that the insurance policyholder is required to make to maintain the contract in force. This payment represents the cost of insurance and can sometimes include a savings component. The cost of insurance portion of the premium is directly proportional to the amount of risk underwritten by the insurer.

Insurance contract

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

Insurance contract liabilities

Obligation representing the amount of an insurance company's commitments toward all insureds and beneficiaries, including in particular an amount to cover the payment of benefits and claims.

Insurance premium

Payment that the insurance policyholder is required to make to maintain the contract in force. This payment represents the cost of insurance and can sometimes include a savings component. The premium is directly proportional to the amount of risk underwritten by the insurer.

Insurance sales

Metric used to measure growth in Wealth Management and Life and Health Insurance segment operations. It is equal to annualized gross new premiums under group and individual insurance policies.

Large loss

In property and casualty insurance, single claim having a significant cost.

Leverage ratio

Ratio calculated as the capital measure, which is Tier 1 capital, divided by the exposure measure. The exposure measure includes:

- on-balance sheet exposures;
- securities financing transaction exposures;
- derivative exposures; and
- off-balance sheet items.

Liquidity coverage ratio

Ratio determined by dividing the stock of unencumbered high quality liquid assets by the amount of net cash outflows for the next 30 days assuming an acute liquidity stress scenario.

Loss given default (LGD)

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

Loss on onerous contracts

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

Master netting agreement

Standard agreement developed to reduce the credit risk of multiple derivative transactions by creating a legal right to set off the obligations of a counterparty in the event of default.

Matching

Process of adjusting asset, liability and off-balance sheet item maturities in order to reduce risks related to interest or exchange rates and financial indexes. Matching is used in asset/liability management.

Member and client deposits

Equivalent to total deposits reported in the combined financial statements excluding wholesale financing included in deposits.

Member dividend

As a cooperative financial group, Desjardins Group distributes to its members a portion of its surplus earnings for a given year, taking into account its financial capacity. This distribution, called member dividend, is paid by the caisses and tailored to each member based on the use they make of their cooperative's financial services.

Morbidity rate

Probability that a person of a given age will suffer an illness or disability. The accident/health insurance premium paid by a person belonging to a particular age group is based on this group's morbidity rate.

Mortality rate

Rate of death in a particular group of persons. The life insurance premium paid by a person belonging to a particular age group is based on this group's mortality rate.

Mortgage-backed security

Security created through the securitization of a pool of residential mortgage loans under the National Housing Act.

Net interest income

Difference between what a financial institution receives on assets such as loans and securities and what it pays out on liabilities such as deposits and subordinated notes.

Net interest income on core assets

Net interest income excluding net interest income generated by non-core assets.

Net interest income on core assets – Personal and Business Services

Net interest income – Personal and Business Services excluding net interest income generated by non-core assets – Personal and Business Services.

Net interest margin

Net interest income on core assets expressed as a percentage of average core interest-bearing assets.

Net interest margin – Personal and Business Services

Net interest income on core assets – Personal and Business Services expressed as a percentage of average core interest-bearing assets – Personal and Business Services.

Net sales of savings products

Metric used to measure growth in Wealth Management and Life and Health Insurance segment operations. It is equal to sales of group and individual savings products manufactured or distributed by segment entities, and is comprised of on- or off-balance sheet deposits, less redemptions.

Net stable funding ratio (NSFR)

Ratio determined by dividing available stable funding, designated by capital and liabilities, by required stable funding, designated by assets.

Notional amount

Reference amount used to calculate payments for instruments such as forward rate agreements and interest rate swaps. This amount is called "notional" because it does not change hands.

NVCC subordinated notes

Securities that meet the non-viability contingent capital (NVCC) requirements set out in the *Capital Adequacy Guideline* issued by the AMF, in particular securities issued by the Federation with a clause providing for their automatic conversion into capital shares of the Federation upon the occurrence of a trigger event as defined in the guideline.

Off-balance sheet exposure

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

Office of the Superintendent of Financial Institutions (OSFI)

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

Operating leverage

Represents the difference between the growth rate for total net revenue and the growth rate for net non-interest expense.

Option

Contractual agreement that grants the right, but not the obligation, to sell (put option) or to buy (call option) a specified amount of a financial instrument at a predetermined price (the exercise or strike price) on or before a specified date.

Other retail client exposures

In accordance with the regulatory capital framework, risk category that includes all loans granted to individuals except for exposures related to residential mortgage loans and qualifying revolving retail client exposures.

Pension plan

Contract under which participants receive retirement benefits under certain terms starting at a given age. A pension plan is funded through contributions made either by the employer alone or by both the employer and the participants.

Probability of default (PD)

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

Provision for credit losses

Amount recognized in profit or loss to bring the allowance for credit losses to a level determined appropriate by management. It includes provisions for credit losses on unimpaired and impaired financial assets.

Qualifying revolving retail client exposures

In accordance with the regulatory capital framework, risk category that includes credit card loans and unsecured credit margins granted to individuals.

Regulatory capital

In accordance with the definition set out in the *Capital Adequacy Guideline* issued by the AMF, the regulatory capital under Basel III comprises Tier 1A capital, Tier 1 capital and Tier 2 capital. The composition of these various tiers is presented in Section 3.2 "Capital management" of the Management's Discussion and Analysis.

Regulatory funds

Funds needed to cover unexpected losses, calculated according to parameters and methods prescribed by regulatory authorities.

Reinsurance contract

Contract whereby one insurer assumes all or part of a risk undertaken by another insurer. Despite such a contract, the original insurer remains fully liable to its policyholders for the insurance obligations.

Repurchase agreement

Agreement involving both the sale of securities for cash and the repurchase of these securities for value at a later date. This type of agreement represents a form of short-term financing.

Return on equity

Return on equity is equal to surplus earnings before member dividends, excluding the non-controlling interests' share, expressed as a percentage of average equity – Group's share.

Reverse repurchase agreement

Agreement involving both the purchase of securities for cash and the sale of these securities for value at a later date. This type of agreement represents a form of short-term financing.

Risk adjustment for non-financial risk

Represents the compensation that the insurance subsidiaries require for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risks when they fulfill insurance contracts.

Risk-weighted assets

Assets adjusted based on a risk-weighting factor prescribed by regulations to reflect the level of risk associated with items presented in the combined balance sheets. Some assets are not weighted, but rather deducted from capital. The calculation method is defined in the guidelines issued by the AMF. For more details, see the Section 3.2 "Capital management" of the Management's Discussion and Analysis.

Securitization

Process by which financial assets, such as mortgage loans, are converted into asset-backed securities.

Security borrowed or purchased

Security typically borrowed or purchased to cover a short position. The borrowing or purchase usually requires that an asset, taking the form or cash or highly rated securities, be pledged as collateral by the borrower.

Security lent or sold

Security typically lent or sold to cover a short position of the borrower. The loan or sale usually requires that an asset, taking the form or cash or highly rated securities, be pledged as collateral by the borrower.

Security sold short

Commitment by a seller to sell a security it does not own. Typically, the seller initially borrows the security to deliver it to the purchaser. At a later date, the seller buys an identical security to replace the borrowed security.

Segregated fund

Type of fund offered by insurance companies through a variable contract that provides the contract holder with a number of guarantees, such as principal repayment upon death. Segregated funds encompass a range of categories of securities and are designed to meet a variety of investment objectives. Segregated fund deposits represent amounts invested by clients. Segregated funds are comprised of investment funds with capital guaranteed upon death or at maturity.

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 market risk classes: interest rate risk, credit spread risk, equity risk, foreign exchange risk, commodity risk and default risk.
- **Operational risk**
Standardized approach for operational risk based on two main components: a Business Indicator Component (BIC), which is based on financial statements, and a Loss Component (LC), from which an Internal Loss Multiplier (ILM) is calculated. Capital requirements for operational risks are calculated by multiplying the BIC and the ILM whereas operational risk-weighted assets represent these capital requirements multiplied by 12.5.

Structured entity

Entity that has been designed so that voting rights or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: restricted activities, a narrow and well-defined objective, insufficient equity to permit it to finance its activities without subordinated financial support, or financing in the form of multiple contractually linked instruments to investors.

Subordinated note

Unsecured note whose repayment in the event of liquidation is subordinated to the prior repayment of certain other creditors.

Subsidiary

Company controlled by the Federation.

Swap

Derivative financial instrument under which two parties agree to exchange interest rates or currencies for a specified period according to predetermined rules.

TLAC leverage ratio

Ratio determined by dividing the total loss absorbing capacity by the exposure measure. The exposure measure is independent from risk and includes:

- on-balance sheet exposures;
- securities financing transaction exposures;
- derivative exposures; and
- off-balance sheet items.

TLAC ratio

Ratio determined by dividing the total loss absorbing capacity (TLAC) by risk-weighted assets.

Total loss absorbing capacity – TLAC

Regulatory capital and instruments that meet the eligibility criteria set out in the *Total Loss Absorbing Capacity Guideline* issued by the AMF.

Unused exposure

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

Used exposure

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

Value at Risk (VaR)

Potential loss that could occur by the next business day in normal market conditions and at a confidence level of 99% (approximate loss that could occur once every 100 days).