

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) dated May 13, 2021, presents the analysis of the results of and main changes in the balance sheet of Desjardins Capital Inc. (Desjardins Capital) for the period ended March 31, 2021, in comparison to previous periods. Desjardins Capital reports financial information in compliance with *Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings* issued by the Canadian Securities Administrators (CSA). Information on Desjardins Capital's controls and procedures is presented in the "Additional information" section of this MD&A.

This MD&A should be read in conjunction with the unaudited Condensed Interim Financial Statements (the Interim Financial Statements), including the notes thereto, as at March 31, 2021 and the Desjardins Capital's 2020 Annual Report (the 2020 Annual Report), which contains the MD&A and the audited Annual Financial Statements (the Annual Financial Statements).

Additional information about Desjardins Capital is available on the SEDAR website at www.sedar.com. Further information is also available on Desjardins Group (hereinafter also referred to as 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.

The Annual and Interim Financial Statements have been prepared by Desjardins Capital's management in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting requirements of the Autorité des marchés financiers (AMF) in Québec, which do not differ from IFRS. IFRS represents Canada's generally accepted accounting principles (GAAP). These Interim Financial Statements of Desjardins Capital have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". All the accounting policies were applied as described in Note 2, "Basis of presentation and significant accounting policies", to the Annual Financial Statements.

This MD&A was prepared in accordance with the regulations in force on continuous disclosure obligations issued by the CSA. Unless otherwise indicated, all amounts are presented in Canadian dollars (\$) and are primarily from Desjardins Capital's Annual and Interim Financial Statements.

TABLE OF CONTENTS

2 Caution concerning forward-looking statements	6 Risk management
2 Desjardins Capital in brief	6 Credit risk
2 Changes in the regulatory environment	6 Market risk
3 Economic environment and outlook	6 Liquidity risk
4 Review of financial results	7 Additional information
4 Analysis of results	7 Controls and procedures
4 Summary of interim results	7 Related party disclosures
5 Balance sheet review	7 Critical accounting policies and estimates
5 Total assets	8 Future accounting changes
5 Total liabilities	9 Unaudited Condensed Interim Financial Statements

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Desjardins Capital's public communications often include oral or written forward-looking statements, within the meaning of applicable securities legislation, particularly in Québec, Canada and the United States. Forward-looking statements are contained in this MD&A and may be incorporated in other filings with Canadian regulators or in any other communications.

Forward-looking statements include, but are not limited to, comments about Desjardins Capital's objectives regarding financial performance, priorities, operations, the review of economic conditions and financial markets, the outlook for the Québec, Canadian, U.S. and global economies, as well as the possible impact of the COVID-19 pandemic on its operations, its results and its financial position, as well as on economic conditions and financial markets. Such forward-looking statements are typically identified by words or phrases such as "believe", "expect", "anticipate", "intend", "estimate", "plan", "forecast", "aim" and "may", words and expressions of similar import, and future and conditional verbs.

By their very nature, such statements involve assumptions, uncertainties and inherent risks, both general and specific. It is therefore possible that, due to many factors, the assumptions made may be incorrect, or the predictions, forecasts or other forward-looking statements as well as Desjardins Capital's objectives and priorities may not materialize or may prove to be inaccurate and that actual results differ materially. Furthermore, the uncertainty created by the COVID-19 pandemic has sharply increased this risk by generating additional difficulties in determining assumptions, forecasts and other forward-looking statements compared to previous periods.

Readers are cautioned not to rely unduly on the forward-looking statements since a number of factors, many of which are beyond Desjardins Capital's control and the effects of which can be difficult to predict, could influence, individually or collectively, the accuracy of the forward-looking statements in this MD&A. These factors include those discussed in Section 4.0, "Risk management", of Desjardins Capital's 2020 annual MD&A, such as credit, market, liquidity and operational risk as well as legal and regulatory risk.

Additional factors that may affect the accuracy of the forward-looking statements in this MD&A also include factors related to critical accounting estimates and accounting standards applied by Desjardins Capital and to credit ratings. There are also health crises, such as pandemics and epidemics, including the COVID-19 pandemic, and risks related in particular to its scope and duration as well as its impact on the global economy and financial market conditions, and on Desjardins Capital's business operations, financial results and financial position, or any other similar disease affecting the local, national or global economy, as well as Desjardins Capital'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 Desjardins Capital's 2020 annual 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 adverse effect on Desjardins Capital's results. Additional information about these and other factors is found in Section 4.0, "Risk management" of Desjardins Capital's 2020 annual MD&A.

Although Desjardins Capital 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 correct. Desjardins Capital cautions readers against placing undue reliance on forward-looking statements when making decisions, given that actual results, conditions, actions or future events could differ significantly from the targets, expectations, estimates or intentions advanced in them, explicitly or implicitly. 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 economic assumptions underlying the forward-looking statements in this document are described in Section 1.0, "Economic environment and outlook" of Desjardins Capital's 2020 annual MD&A. These assumptions may also be updated in the quarterly MD&As, in the "Economic environment and outlook" section. To develop our economic growth forecasts, in general and for the financial services sector, we mainly use historical economic data provided by recognized and reliable organizations, empirical and theoretical relationships between economic and financial variables, expert judgment and identified upside and downside risks for the domestic and global economies. Given how the COVID-19 pandemic has developed and its impact on the global economy and financial market conditions, as well as Desjardins Capital's business operations, financial results and financial position, greater uncertainty is attached to our economic assumptions compared to previous periods, such assumptions being determined based on uncertain future developments and considering the difficulty of anticipating the extent of the pandemic's long-term effects.

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 Capital's balance sheet as at the dates indicated or its results for the periods then ended, as well as its strategic priorities and objectives as considered as at the date hereof. These statements may not be appropriate for other purposes. Desjardins Capital 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 Capital, except as required under applicable securities legislation.

DESJARDINS CAPITAL IN BRIEF

Desjardins Capital is a wholly owned subsidiary of the Federation, and is responsible for issuing securities on capital markets and investing the proceeds thereof in subordinated notes issued by the Desjardins caisses of Québec (the caisses of Québec).

CHANGES IN THE REGULATORY ENVIRONMENT

This section presents the changes in the regulatory environment applicable to Desjardins Capital.

Desjardins Group, including Desjardins Capital, closely monitors changes in regulations as they relate to financial products and services as well as new developments in order to mitigate any negative impact on its operations, and aims to comply with best practices in this regard. Additional information can be found in the "Regulatory environment" section of the 2020 annual MD&A.

ECONOMIC ENVIRONMENT AND OUTLOOK

Global economy

In early 2021, the global economy still showed signs of the ongoing pandemic. The second wave was affecting growth in some countries at the end of 2020, and this was still evident in the first months of 2021, particularly in Europe. Following a relaxation of some restrictive health measures, a third wave began, forcing the closure of some sectors once again, notably in France and Italy. The vaccination campaign also started slowly in continental Europe. In contrast, the campaign in the United Kingdom has made great strides. However, the U.K. posted one of the worst declines in real GDP among the G20 countries in 2020, and growth is expected to remain sluggish or even turn negative in early 2021. The British economy was also affected by the end of the post-Brexit transition period. Meanwhile, China has benefited from the rebound in global trade and the disruptions to production experienced in other countries. In the first quarter of 2021, the Chinese economy was already 6.9% higher than at the end of 2019, i.e. before the pandemic. Overall and for the year as a whole, the progress made in vaccinations, the gradual reopening of sectors that were closed or under restrictions during the pandemic, and fiscal and monetary stimuli should lead to strong growth in 2021 and a 6.0% gain in global real GDP.

In recent months, good economic data, new relief plans in the United States and accelerating vaccination campaigns have put significant upward pressure on bond rates. Until the end of January, the increase was mainly in long-term rates and essentially reflected higher inflation expectations. Bond rates have now risen more generally, as investors have begun to expect a faster return to normal monetary policy. The Canada 5-year yield more than doubled in the first quarter, placing some upward pressure on mortgage rates. Central banks have maintained a cautious tone for the time being, pointing to slack in the labour market and the major ongoing health risks. The rapid rise in bond yields led to some volatility in financial markets at the start of the year, but stock markets continued to perform well, benefiting from improved growth prospects for the economy and higher profits.

The gradual recovery of the U.S. economy should reassure the U.S. Federal Reserve (the Fed) and convince it to begin scaling back asset purchases in the fall. The Bank of Canada seems to want to normalize its monetary policy a little faster than the FED; a reduction in its bond purchases was also announced in April. However, key interest rates should remain at historically low levels for several more months. The outlook for the equity markets remains generally positive, with robust economic growth supporting profits.

United States

In the U.S., the economy is recovering from problems caused by the pandemic. Real GDP in the first quarter of 2021 had fallen 0.9% from one year earlier. This gap should be closed by the spring. The U.S. economy is already benefiting from the US\$900 billion and US\$1,900 billion relief plans adopted by the federal government. In addition, the U.S. has rolled out one of the fastest vaccination campaigns in the world. After the solid growth of 6.4% of real GDP recorded in the first quarter, the momentum will continue in subsequent quarters. Following a 3.5% decline in 2020, U.S. real GDP is expected to grow by 7.0% in 2021, which would be its strongest annual increase since 1984. In April, the labour market was still more than 8 million jobs short of its pre-pandemic level. However, strong growth is expected to generate considerable hiring over the next few quarters.

Canada

Despite the restrictive measures put in place in late 2020 and in 2021 to limit the spread of the second wave of COVID-19, the Canadian economy has shown great resilience. For the fourth quarter of 2020 as a whole, real GDP grew by 2.3%, equal to 9.6% on an annualized basis. Businesses and consumers therefore responded very differently to the pandemic's second wave. Clearly economic agents are now more accustomed to the constraints imposed by the health measures. Under these conditions, the growth outlook for 2021 is very encouraging and the Canadian economy can be expected to continue recovering. On average, Canadian real GDP could grow by 6.3% in 2021. In addition, the progress made in the vaccination campaign suggests that the authorities may be able to gradually ease restrictive measures in the next few months. According to our current projections, Canadian real GDP could return to its pre-pandemic level as early as the summer of 2021. It could take a few more months for the labour market to fully recover. This is an outcome that was unthinkable just one year ago. However, significant disparities will remain, with some sectors emerging from the pandemic as winners and others as losers. These structural changes will take several years to dissipate.

Québec

Despite the fact that the Québec economy rallied in the second half of 2020, the decline in the first two quarters caused real GDP to plunge 5.3% for the year as a whole. The Québec economy has continued to recover, in spite of the restrictive measures imposed gradually since October. The gradual lifting of restrictions in February and March will lead to a rally in the economic indicators that have been affected by the closures since last fall. Employment rallied strongly starting in February, eliminating entirely the losses incurred from October to January. Overall, the economy suffered less turbulence during the second wave. The third wave led to a further tightening of health measures in April in some regions, but the damage is likely to be more limited. For some sectors that have already suffered prolonged closures, however, the blow will be very hard to take. Other industries are doing relatively well, and this will allow the Québec economy to continue growing in the first quarter of 2021. The ongoing success of the vaccination campaign bodes well for the future.

REVIEW OF FINANCIAL RESULTS

Financial results

(in thousands of dollars)	For the three-month periods ended		
	March 31, 2021	December 31, 2020	March 31, 2020
Interest income			
Subordinated notes issued by Desjardins caisses of Québec	\$ 6,443	\$ 6,442	\$ 18,564
Cash	10	12	86
	6,453	6,454	18,650
Interest expense			
Senior notes	6,276	6,275	18,083
	6,276	6,275	18,083
Net interest income	177	179	567
Non-interest expense			
Professional fees	56	(71)	172
Income before income taxes	121	250	395
Income tax expense	32	66	105
Net income for the period	\$ 89	\$ 184	\$ 290

ANALYSIS OF RESULTS

COMPARISON OF THE FIRST QUARTERS OF 2021 AND 2020

For the first quarter ended March 31, 2021, Desjardins Capital recorded \$89 thousand in net income, compared to \$290 thousand for the same period of 2020. Net interest income was \$177 thousand, down \$390 thousand from the net interest income reported for the same period of 2020. This decrease was essentially due to a decline in net interest income as a result of the prepayment of Series G senior notes and the redemption of Series G subordinated notes on May 5, 2020. Professional fees included in non-interest expense declined by \$116 thousand to \$56 thousand for the first quarter ended March 31, 2021, in particular due to the maturing of Series G subordinated notes. It should be recalled that net interest income arises from the spread between the interest rate on the subordinated notes and that on the senior notes used to finance Desjardins Capital's operating expenses.

The situation related to COVID-19 pandemic had no impact on Desjardins Capital's results for the three-month period ended March 31, 2021.

SUMMARY OF INTERIM RESULTS

The table below summarizes Desjardins Capital's results for the most recent eight quarters.

Results for the previous eight quarters

(in thousands of dollars)	2021	2020				2019		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Interest income	\$ 6,453	\$ 6,454	\$ 6,457	\$ 11,052	\$ 18,650	\$ 18,657	\$ 18,650	\$ 18,645
Interest expense	6,276	6,275	6,274	10,735	18,083	18,080	18,077	18,075
Net interest income	177	179	183	317	567	577	573	570
Non-interest expense	56	(71)	38	122	172	173	154	187
Income before income taxes	121	250	145	195	395	404	419	383
Income tax expense	32	66	39	51	105	107	112	102
Net income	\$ 89	\$ 184	\$ 106	\$ 144	\$ 290	\$ 297	\$ 307	\$ 281

BALANCE SHEET REVIEW

TOTAL ASSETS

As at March 31, 2021, Desjardins Capital had total assets of \$0.5 billion, unchanged from December 31, 2020. These assets consisted primarily of subordinated notes issued by the caisses of Québec.

As at March 31, 2021, the subordinated notes issued by the caisses of Québec were comprised of:

	Series J
Carrying amount	\$500.0 million
Acquisition date	December 15, 2011
Maturity date	December 15, 2026
Fixed annual interest rate	5.154% December 15, 2011 to December 14, 2021
Fixed interest payments	Biannual until December 15, 2021
Variable annual interest rate	90-day bankers' acceptance rate plus 2.867% December 15, 2021 to December 14, 2026
Variable interest payments	Quarterly from March 15, 2022 to December 15, 2026
Total or partial early redemption at the option of Desjardins Capital to finance the early redemption of the corresponding senior notes	No early redemption before December 15, 2021 On or after December 15, 2021, early redemption subject to prior approval from the AMF
Interest receivable	\$7.6 million

TOTAL LIABILITIES

As at March 31, 2021, Desjardins Capital's total liabilities stood at \$0.5 billion, unchanged from December 31, 2020. These liabilities consisted mainly of senior notes.

As at March 31, 2021, Desjardins Capital's senior notes were comprised of:

	Series J
Nominal value	\$500.0 million
Issuing date	December 15, 2011
Maturity date	December 15, 2026
Fixed annual interest rate	4.954% December 15, 2011 to December 14, 2021
Fixed interest payments	Biannual until December 15, 2021
Variable annual interest rate	90-day bankers' acceptance rate plus 2.670% December 15, 2021 to December 14, 2026
Variable interest payments	Quarterly March 15, 2022 to December 15, 2026
Early redemption	No early redemption before December 15, 2021 On or after December 15, 2021, early redemption in whole or in part subject to prior approval from the AMF
Interest payable	\$7.3 million

These senior notes are secured by a first hypothec on the corresponding subordinated notes of the above-mentioned series.

RISK MANAGEMENT

Desjardins Capital was created exclusively for the purpose of offering securities on the financial markets and investing the proceeds thereof in securities issued by the caisses of Québec to meet their liquidity and capital needs. Desjardins Capital therefore acts as a link between external investors and the caisses of Québec in order to provide easier access to institutional capital.

Desjardins Capital's Board of Directors is responsible for guiding, planning, coordinating and monitoring all of its operations. The Board of Directors is supported in some of its responsibilities, specifically in the area of risk management, by its Management Committee and its Audit Committee.

Desjardins Capital is exposed to different types of risks in its normal course of operations, including credit risk, market risk, liquidity risk, operational risk and legal and regulatory risk.

With respect to the COVID-19 pandemic, Desjardins Group, including Desjardins Capital, is closely monitoring the development of the pandemic and its impact on activities. For more details, refer to the "COVID-19 pandemic" subsection in the "Significant events" section of Desjardins Group's MD&A for the first quarter of 2021, which presents certain factors that could contribute to the risks described in the Group's 2020 annual MD&A.

CREDIT RISK

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

Desjardins Capital is exposed to credit risk primarily through the subordinated notes issued to it by the caisses of Québec.

The securities issued by the caisses of Québec to Desjardins Capital are, in fact, subordinated, as to right of payment, to all the other obligations of the caisses of Québec. However, this risk is considered minimal, given that Desjardins Group, including the *Fonds de sécurité Desjardins*, has implemented certain intervention mechanisms designed to help caisses of Québec in financial difficulty. Moreover, the *Act respecting financial services cooperatives* grants the Federation powers to intervene with the caisses in keeping with its mission of ensuring the financial health of the *Groupe coopératif Desjardins* and its long-term success. Additional information on the Act can be found in the "Regulatory environment" section of Desjardins Capital's 2020 annual MD&A.

During the current COVID-19 pandemic, Desjardins Group has put forward several relief measures to support its members and clients and mitigate the impact of this crisis. Government authorities have also set up a number of programs to stabilize the situation and bolster the economy. Although future repercussions are still uncertain, the credit portfolio is being strictly monitored to take into consideration more or less long-term impacts.

MARKET RISK

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

Desjardins Capital is exposed to market risk primarily through to its positions resulting from its intermediation operations between the caisses of Québec and institutional investors. More specifically, Desjardins Capital is exposed to interest rate risk, which corresponds to the potential impact of rate fluctuations on net interest income and on the economic value of equity.

Desjardins Capital applies sound and conservative management practices in order to achieve intermediation between lenders and the caisses of Québec with a view to achieving the matching required to mitigate interest rate risk. To avoid any sensitivity to changing interest rates, Desjardins Capital seeks to match the terms of the related senior notes with the terms of the subordinated notes. In addition, when debt securities are issued, Desjardins Capital sets a sufficient profit margin to finance its operating costs by fixing an interest rate on the subordinated notes. Moreover, Desjardins Capital has no trading portfolio.

Since cash flows resulting from Desjardins Capital's operations are matched, the impact of interest rate changes on the economic value of capital is negligible.

LIQUIDITY RISK

Liquidity risk refers to Desjardins Capital'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 Balance Sheets.

Desjardins Capital carefully manages liquidity risk by matching maturities between senior notes and subordinated notes. Desjardins Capital can also require the caisses of Québec to pay, in whole or in part, the subordinated notes in order to redeem senior notes in advance.

Furthermore, Desjardins Capital ensures that the contractual maturities of senior notes and subordinated notes are staggered in order to avoid an excessive concentration of these maturities on specific dates. Such concentration could lead to a liquidity risk when there is turbulence in financial markets.

Sources of financing

Desjardins Capital's borrowing programs, which are established by prospectus, matured in previous years and were not renewed. Depending on changes in the regulatory environment, Desjardins Capital may at some time in the future launch issues of securities on capital markets in Canada, the U.S. and Europe.

Basel III

Desjardins Capital's senior notes fully qualified, for Desjardins Group, as Tier 2 regulatory capital until December 31, 2012. On January 1, 2013, the AMF adopted the provisions stipulated by the Basel Committee with respect to requirements to ensure that losses are absorbed at the point of non-viability. Consequently, since January 1, 2013, these notes no longer fully qualify as Tier 2 regulatory capital since they do not satisfy the requirements for non-viability contingent capital.

As a result, Desjardins Capital's senior notes are being gradually eliminated from Desjardins Group's capital at a rate of 10% per year over a nine-year period that began on January 1, 2013 under the transitional measures set out in the AMF guideline.

Credit ratings of securities issued and outstanding

The credit ratings of Desjardins Capital affect its ability to access sources of funding on capital markets, as well as the conditions of such funding.

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 Québec and the quality of its assets. Consequently, the credit ratings of Desjardins Capital, a venture issuer, are backed by Desjardins Group's financial strength. It should be noted that the Federation is also assigned credit ratings by rating agencies.

As at the date of this MD&A, the credit ratings and outlooks of rating agencies were as follows:

Credit ratings of securities issued and outstanding

	DBRS	FITCH	MOODY'S	STANDARD & POOR'S
Medium- and long-term, senior	A (high)	A	A2	A
Outlook	Stable	-	Stable	Stable

ADDITIONAL INFORMATION

CONTROLS AND PROCEDURES

During the interim period ended March 31, 2021, Desjardins Capital did not make any changes to its policies, procedures and other processes with regard to internal control that had materially affected, or may materially affect, its internal control over financial reporting. The parties involved and their responsibilities regarding such internal control are described on pages 11 and 12 of Desjardins Capital's 2020 annual MD&A.

RELATED PARTY DISCLOSURES

In the normal course of business, Desjardins Capital carries out transactions with Desjardins Group entities. All transactions were entered into under normal market terms and conditions. Desjardins Capital does not carry out financial transactions with its management personnel.

Additional information on related party transactions is provided in Note 11, "Related party disclosures", to the Annual Financial Statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A description of the accounting policies used by Desjardins Capital is essential to understanding the Annual and Interim Financial Statements. The significant accounting policies are described in Note 2, "Basis of presentation and significant accounting policies", to Desjardins Capital's Annual Financial Statements on pages 31 to 34 of the 2020 Annual Report.

Some of these policies are of particular importance in presenting Desjardins Capital's financial position and operating results because they require management to make judgments as well as estimates and assumptions that affect the reported amounts of some assets, liabilities, income and expenses, as well as related information. Explanations of the significant accounting policies that have required management to make difficult, subjective or complex judgments, often about matters that are inherently uncertain, are provided on pages 12 and 13 of the 2020 annual MD&A.

No material change was made to these judgments, estimates, assumptions and accounting policies during the first three months of 2021.

FUTURE ACCOUNTING CHANGES

Accounting standards issued by the IASB but not yet effective as at December 31, 2020 are described in Note 2, "Basis of presentation and significant accounting policies", to Desjardins Capital's Annual Financial Statements, on page 34 of the 2020 Annual Report. The IASB has not issued any new accounting standard or any new amendment to an existing standard during the three-month period ended March 31, 2021, having a significant impact on Desjardins Capital's financial statements.

Balance Sheets

(unaudited)

(in thousands of Canadian dollars)	As at March 31, 2021	As at December 31, 2020
ASSETS		
Current assets		
Cash and deposits with financial institutions	\$ 20,657	\$ 20,874
Interest receivable	7,590	1,150
Income taxes receivable	362	254
Total current assets	28,609	22,278
Non-current assets		
Series J subordinated notes issued by Desjardins caisses of Québec, at cost	500,000	500,000
Total non-current assets	500,000	500,000
TOTAL ASSETS	\$ 528,609	\$ 522,278
LIABILITIES AND SHAREHOLDER'S EQUITY		
LIABILITIES		
Current liabilities		
Interest payable	\$ 7,293	\$ 1,101
Other accrued liabilities	40	52
Total current liabilities	7,333	1,153
Non-current liabilities		
Senior notes, Series J	499,766	499,682
	499,766	499,682
Deferred tax liabilities	62	84
Total non-current liabilities	499,828	499,766
TOTAL LIABILITIES	507,161	500,919
SHAREHOLDER'S EQUITY		
Capital stock	1,010	1,010
Retained earnings	20,438	20,349
TOTAL SHAREHOLDER'S EQUITY	21,448	21,359
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 528,609	\$ 522,278

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

Statements of Comprehensive Income

(unaudited)

(in thousands of Canadian dollars)	For the three-month periods ended March 31	
	2021	2020
INTEREST INCOME		
Subordinated notes issued by Desjardins caisses of Québec		
Series G	\$ -	\$ 12,121
Series J	6,443	6,443
Cash	10	86
	6,453	18,650
INTEREST EXPENSE		
Senior notes		
Series G	-	11,811
Series J	6,276	6,272
	6,276	18,083
NET INTEREST INCOME	177	567
NON-INTEREST EXPENSE		
Professional fees	56	172
INCOME BEFORE INCOME TAXES	121	395
Income tax expense	32	105
NET INCOME AND COMPREHENSIVE INCOME FOR THE PERIOD	\$ 89	\$ 290

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

Statements of Changes in Shareholder's Equity

(unaudited)

For the three-month periods ended March 31

(in thousands of Canadian dollars)

	Capital stock	Retained earnings	Total shareholder's equity
BALANCE AS AT DECEMBER 31, 2020	\$ 1,010	\$ 20,349	\$ 21,359
Net income and comprehensive income for the period	-	89	89
BALANCE AS AT MARCH 31, 2021	\$ 1,010	\$ 20,438	\$ 21,448
BALANCE AS AT DECEMBER 31, 2019	\$ 1,010	\$ 19,665	\$ 20,675
Net income and comprehensive income for the period	-	290	290
BALANCE AS AT MARCH 31, 2020	\$ 1,010	\$ 19,955	\$ 20,965

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

Statements of Cash Flows

(unaudited)

(in thousands of Canadian dollars)	For the three-month periods ended March 31	
	2021	2020
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Income before income taxes	\$ 121	\$ 395
Non-cash adjustments:		
Net change in interest receivable and payable	(248)	(671)
Net change in other receivables and other accrued liabilities	(12)	101
Capitalized expenses on senior notes	84	220
Income taxes paid	(162)	(218)
	(217)	(173)
Net decrease in cash and cash equivalents	(217)	(173)
Cash and cash equivalents at beginning of period	20,874	19,843
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 20,657	\$ 19,670
Supplemental information on cash flows from (used in) operating activities		
Interest received	\$ 13	\$ 116

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

NOTE 1 – INFORMATION ON DESJARDINS CAPITAL INC.

Nature of operations

Desjardins Capital Inc. (Desjardins Capital), incorporated under Part 1A of the *Companies Act* (Québec) and continued under the *Business Corporations Act* (Québec), was established to issue its own senior notes on capital markets and invest the proceeds thereof in subordinated notes issued by the Desjardins caisses of Québec. The Desjardins caisses of Québec are governed by the *Act respecting financial services cooperatives* and are affiliated with the *Fédération des caisses Desjardins du Québec* (the Federation), the parent company of Desjardins Capital. The address of Desjardins Capital's head office is 100 Des Commandeurs Street, Lévis, Québec, Canada.

NOTE 2 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Statement of compliance

These unaudited Condensed Interim Financial Statements (the Interim Financial Statements) have been prepared by Desjardins Capital's management in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), more specifically in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", and the accounting requirements of the *Autorité des marchés financiers* (AMF) in Québec, which do not differ from IFRS.

These Interim Financial Statements should be read in conjunction with the audited Annual Financial Statements (the Annual Financial Statements) for the year ended December 31, 2020, and the shaded areas of section 4.1, "Risk management", of the related Management's Discussion and Analysis, which are an integral part of the Annual Financial Statements. All accounting policies were applied as described in Note 2, "Basis of presentation and significant accounting policies", to the Annual Financial Statements.

These Interim Financial Statements were approved by the Board of Directors of Desjardins Capital on May 13, 2021.

Presentation and functional currency

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

FUTURE ACCOUNTING CHANGES

IAS 1, "Presentation of Financial Statements"

Accounting standards issued by the IASB, but not yet effective as at December 31, 2020, are described in Note 2, "Basis of presentation and significant accounting policies", to the Annual Financial Statements. During the three-month period ended March 31, 2021, the IASB has not issued any new accounting standards or new amendments to existing standards having a significant impact on the Desjardins Capital's financial statements.

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

DETERMINATION OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

For more information on the valuation techniques used to determine the fair value of the main financial instruments, refer to Note 2, “Basis of presentation and significant accounting policies”, to the Annual Financial Statements. No significant changes were made to our fair value valuation techniques during the quarter. Desjardins Capital has implemented controls and procedures to ensure that financial instruments are appropriately and reliably measured.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of certain financial instruments measured at amortized cost does not equal fair value. The following table presents those financial instruments.

	As at March 31, 2021		As at December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Subordinated notes	\$ 500,000	\$ 515,210	\$ 500,000	\$ 520,791
Financial liabilities				
Senior notes	499,766	515,230	499,682	520,822

FAIR VALUE HIERARCHY

Fair value measurement is determined using a three-level fair value hierarchy. Refer to Note 7, “Fair value of financial instruments”, to the Annual Financial Statements, which contains a description of these three levels.

NOTE 4 – CAPITAL MANAGEMENT

The goal of capital management at Desjardins Capital is to ensure that a sufficient level of high-quality capital is maintained to ensure the continuity of its operations, to pay regular dividends to its shareholder, and to maintain favourable credit ratings and the confidence of financial markets.

As a wholly-owned subsidiary of the Federation, Desjardins Capital is not itself bound by regulatory capital requirements, such requirements applying to Desjardins Group as a whole. The assets of Desjardins Capital are consolidated for the purposes of evaluating the composition and adequacy of Desjardins Group’s capital, which is conducted according to the guideline on adequacy of capital base standards applicable to financial services cooperatives issued by the AMF.

GENERAL INFORMATION**Desjardins Capital Inc.**

100 Des Commandeurs Street
Lévis, Québec
G6V 7N5 Canada
Telephone: 514 281-7000
www.desjardins.com

**La version française de ce rapport trimestriel
est disponible sur demande.**