

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) dated November 12, 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 September 30, 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 September 30, 2021, and 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 the 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 represent Canadian 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 have been 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.

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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", "should" 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, projections or 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 on 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 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 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 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 Fédération des caisses Desjardins du Québec (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 Desjardins Capital's 2020 annual MD&A.

ECONOMIC ENVIRONMENT AND OUTLOOK

Global economy

The course of the pandemic continues to have a strong impact on global economic growth. The second and third waves of COVID-19 have had major economic repercussions in several countries. Due in part to the vaccination campaigns, an easing of health measures during the spring has accelerated economic recovery in several countries. In addition, vaccinations appear to be mitigating the negative impact of the most recent wave caused by the Delta variant. Some indicators slowed in the third quarter after picking up speed in the spring, but this should not be interpreted as signaling a new economic downturn. However, the new wave of COVID-19 has consequences beyond those related to tighter health measures or consumers' fears. By provoking more plant closures and slowdowns in production or shipping, this latest wave has exacerbated existing problems in many industries, whose supply chains have been facing challenges since the start of the pandemic. This is in addition to the pressures exerted by higher commodity prices, increased transportation costs, the scarcity of certain parts and labour shortages. For the time being, the post-COVID-19 inflationary surge is primarily a North American phenomenon, but the pressures on consumer prices are still likely to spread.

Financial markets remained positive until the end of August. However, the financial problems of Evergrande, a Chinese giant, and fears of rapidly climbing interest rates caused stock markets to plunge in September. Bond yields had declined since late winter but then jumped after the United States Federal Reserve signaled a rapid reduction in its asset purchases and more hikes in its medium-term key interest rates. Closer to home, the Bank of Canada plans to stabilize its bond holdings soon. In the final analysis, the major asset classes were relatively stable throughout the third quarter.

Market volatility may remain high over the next few months, and it should not come as a surprise if the main stock market indices enter a period of consolidation. The outlook for equity markets is nevertheless quite favourable in the medium term, as the economy is expected to grow strongly. A gradual normalization of monetary policies and significant risks around higher inflation suggest that bond yields will rise over the next few quarters, even though the first hikes in key interest rates are not expected until the second half of 2022.

United States

The American economy continues to recover from problems caused by the pandemic. Following annualized quarterly growth of 6.3% in the first quarter of 2021, the 6.7% increase in real GDP recorded for the second quarter surpassed pre-pandemic levels. However, growth was weaker in the third quarter, when the annualized change in real GDP was only 2.0%. Consumption of durable goods, business inventories, investment in equipment and exports were all affected by the supply problems experienced by the automotive sector. However, real consumption of services continued to grow at a healthy rate of 7.9% and continue to catch up. Even though real GDP surpassed pre-crisis levels, the news has not been as good from the labour market, which is still 4,204,000 workers short of the peak reached in February 2020. The unwillingness of workers to re-enter the labour market appears to be a constraint at this time even though job offers abound and the special federal unemployment insurance programs ended in September. Consumer prices accelerated sharply driven in part by rising energy costs and higher prices in the automotive sector. Inflation is likely to remain high in the near term before slowing in 2022.

Canada

Against all expectations, the Canadian economy lost ground in the second quarter of 2021, with real GDP slipping 1.1% on an annualized quarterly basis. It should be recalled that several sanitary measures implemented to counter the third wave of COVID-19 dampened economic activity in the spring. As a result, domestic demand grew by only 0.7% during the period, significantly less than in previous quarters. In addition, after reaching an all-time high in March, existing home sales and housing starts began to slow in the spring. There is every reason to believe that this slowdown will continue over the next few quarters, particularly in light of deteriorating affordability owing to strong price increases. In addition, supply problems have deeply affected certain sectors. This is particularly true of the automotive products industry, where a global shortage of semiconductor chips has become a major obstacle. As a result, most of the recent problems in the Canadian economy are due to supply constraints rather than insufficient demand. These impediments are temporary, however, and the outlook for growth over the coming quarters is quite good, especially with the vaccination campaign now nearly complete and with the imminent introduction of a national vaccination passport. Even if we can expect some ongoing volatility, real GDP should turn positive again starting in the third quarter and continue climbing thereafter. The Canadian economy may grow as much as 4.7%, followed by an increase of approximately 3.5% in 2022.

Québec

Québec real GDP had completely recovered by March 2021. The economy has since continued to grow at a more moderate rate but nevertheless reached 3.4% on an annualized basis in the second quarter. This was mainly due to a rebound in consumer spending, following a difficult start to the year due to some closures. The gradual reopening that began in the spring has finally led to a rally in spending on services. However, spending on services still has a long way to go, unlike spending on goods, which recovered quickly after the Great Lockdown in the spring of 2020. At 16.1%, the savings rate remained high in the second quarter. Households therefore have considerable flexibility to drive the recovery in spending on services. Residential investment has performed well, despite a sustained decline in resale market activity since late 2020. Strong construction starts early in the year drove new construction in the second quarter, and spending on renovations remained strong. The unemployment rate fell to 5.6% in October 2021 and is therefore approaching the 4.5% low reached in February 2020. Labour shortages and upward pressures on salaries represent a growing challenge for businesses. Even though Québec has been hit by the pandemic's fourth wave, the province was able to avoid another period of closures due to the introduction of its vaccination passport on September 1. The outlook for the next few quarters is positive, even if there are uncertainties around the changing nature of the pandemic.

REVIEW OF FINANCIAL RESULTS

Financial results

(in thousands of dollars)	For the three-month periods ended			For the nine-month periods ended	
	September 30, 2021	June 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Interest income					
Subordinated notes issued by Desjardins caisses of Québec	\$ 6,443	\$ 6,442	\$ 6,443	\$ 19,328	\$ 36,028
Cash	11	11	14	32	131
	6,454	6,453	6,457	19,360	36,159
Interest expense					
Senior notes	6,278	6,277	6,274	18,831	35,092
	6,278	6,277	6,274	18,831	35,092
Net interest income	176	176	183	529	1,067
Non-interest expense					
Professional fees	89	75	38	220	332
Income before income taxes	87	101	145	309	735
Income tax expense	23	27	39	82	195
Net income for the period	\$ 64	\$ 74	\$ 106	\$ 227	\$ 540

ANALYSIS OF RESULTS

COMPARISON OF THE THIRD QUARTERS OF 2021 AND 2020

For the third quarter ended September 30, 2021, Desjardins Capital recorded \$64 thousand in net income, compared to \$106 thousand for the same period of 2020. Net interest income was \$176 thousand, down \$7 thousand from the net interest income reported for the same period of 2020. Professional fees included in non-interest expense increased by \$51 thousand to \$89 thousand for the third quarter ended September 30, 2021. 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.

COMPARISON OF THE FIRST NINE MONTHS OF 2021 AND 2020

For the nine-month period ended September 30, 2021, Desjardins Capital recorded \$227 thousand in net income, compared to \$540 thousand for the same period of 2020. Net interest income was \$529 thousand, down \$538 thousand from the net interest income reported for the same period of 2020. This decline was essentially due to lower 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 \$112 thousand to \$220 thousand for the nine-month period ended September 30, 2021, in particular due to the maturing of Series G subordinated notes.

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
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Interest income	\$ 6,454	\$ 6,453	\$ 6,453	\$ 6,454	\$ 6,457	\$ 11,052	\$ 18,650	\$ 18,657
Interest expense	6,278	6,277	6,276	6,275	6,274	10,735	18,083	18,080
Net interest income	176	176	177	179	183	317	567	577
Non-interest expense	89	75	56	(71)	38	122	172	173
Income before income taxes	87	101	121	250	145	195	395	404
Income tax expense	23	27	32	66	39	51	105	107
Net income	\$ 64	\$ 74	\$ 89	\$ 184	\$ 106	\$ 144	\$ 290	\$ 297

BALANCE SHEET REVIEW

TOTAL ASSETS

As at September 30, 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 September 30, 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

On December 15, 2021, Desjardins Capital will redeem all the Series J subordinated notes in advance for the early redemption of all the Series J senior notes.

TOTAL LIABILITIES

As at September 30, 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 September 30, 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 from 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.

On October 28, 2021, the AMF authorized Desjardins Capital to proceed with the early redemption, on December 15, 2021, of all of the Series J senior notes.

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 risk in the normal course of its 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 third 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 credit 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.

In the third quarter of 2021, Standard & Poor's affirmed the ratings of the instruments issued by the Federation as well as those of Desjardins Capital while maintaining its outlook as stable.

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 debt, senior	A (high)	A	A2	A
Outlook	Stable	-	Stable	Stable

ADDITIONAL INFORMATION

CONTROLS AND PROCEDURES

During the nine-month period ended September 30, 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 nine 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 did not issue any new accounting standard or any new amendment to an existing standard during the nine-month period ended September 30, 2021 that would have a significant impact on Desjardins Capital's financial statements.

Balance Sheets

(unaudited)

(in thousands of Canadian dollars)	As at September 30, 2021	As at December 31, 2020
ASSETS		
Current assets		
Cash and deposits with financial institutions	\$ 21,258	\$ 20,874
Interest receivable	7,590	1,150
Other receivables	3	-
Income taxes receivable	162	254
Total current assets	29,013	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	\$ 529,013	\$ 522,278
LIABILITIES AND SHAREHOLDER'S EQUITY		
LIABILITIES		
Current liabilities		
Interest payable	\$ 7,293	\$ 1,101
Other accrued liabilities	181	52
Total current liabilities	7,474	1,153
Non-current liabilities		
Senior notes, Series J	499,936	499,682
	499,936	499,682
Deferred tax liabilities	17	84
Total non-current liabilities	499,953	499,766
TOTAL LIABILITIES	507,427	500,919
SHAREHOLDER'S EQUITY		
Capital stock	1,010	1,010
Retained earnings	20,576	20,349
TOTAL SHAREHOLDER'S EQUITY	21,586	21,359
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 529,013	\$ 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 September 30		For the nine-month periods ended September 30	
	2021	2020	2021	2020
INTEREST INCOME				
Subordinated notes issued by Desjardins caisses of Québec				
Series G	\$ -	\$ -	\$ -	\$ 16,700
Series J	6,443	6,443	19,328	19,328
Cash	11	14	32	131
	6,454	6,457	19,360	36,159
INTEREST EXPENSE				
Senior notes				
Series G	-	-	-	16,273
Series J	6,278	6,274	18,831	18,819
	6,278	6,274	18,831	35,092
NET INTEREST INCOME	176	183	529	1,067
NON-INTEREST EXPENSE				
Professional fees	89	38	220	332
INCOME BEFORE INCOME TAXES	87	145	309	735
Income tax expense	23	39	82	195
NET INCOME AND COMPREHENSIVE INCOME FOR THE PERIOD	\$ 64	\$ 106	\$ 227	\$ 540

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

Statements of Changes in Shareholder's Equity

(unaudited)

For the nine-month periods ended September 30

(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	-	227	227
BALANCE AS AT SEPTEMBER 30, 2021	\$ 1,010	\$ 20,576	\$ 21,586
BALANCE AS AT DECEMBER 31, 2019	\$ 1,010	\$ 19,665	\$ 20,675
Net income and comprehensive income for the period	-	540	540
BALANCE AS AT SEPTEMBER 30, 2020	\$ 1,010	\$ 20,205	\$ 21,215

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 nine-month periods ended September 30	
	2021	2020
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Income before income taxes	\$ 309	\$ 735
Non-cash adjustments:		
Net change in interest receivable and payable	(248)	67
Net change in other receivables and other accrued liabilities	126	211
Capitalized expenses on senior notes	254	435
Income taxes paid	(57)	(552)
	384	896
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayment of Series G senior notes	-	(900,000)
	-	(900,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of Desjardins caisses of Québec Series G subordinated notes	-	900,000
	-	900,000
Net increase in cash and cash equivalents	384	896
Cash and cash equivalents at beginning of period	20,874	19,843
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 21,258	\$ 20,739
Supplemental information on cash flows from (used in) operating activities		
Interest paid	\$ 12,385	\$ 35,727
Interest received	\$ 12,920	\$ 37,295

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 November 12, 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 nine-month period ended September 30, 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 September 30, 2021		As at December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Subordinated notes	\$ 500,000	\$ 504,377	\$ 500,000	\$ 520,791
Financial liabilities				
Senior notes	499,936	504,418	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.

NOTE 5 – SUBSEQUENT EVENT

On October 28, 2021, the AMF authorized Desjardins Capital to proceed with the early redemption, on December 15, 2021, of all of the \$500 million outstanding Series J subordinated bonds.

In order to finance this redemption, Desjardins Capital will redeem, on December 15, 2021, for early redemption of all of the corresponding \$500 million Series J subordinated notes of the Desjardins caisses.

GENERAL INFORMATION

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