Desjardins

Cooperating in building the future

Financial Report

Third quarter of 2015

Desjardins Group (hereinafter also referred to as Desjardins) comprises the Desjardins caisse network in Quebec and Ontario (the caisses), the *Fédération des caisses Desjardins du Québec* (the Federation) and its subsidiaries (including *Capital Desjardins inc.*), *Caisse centrale Desjardins*, the *Fédération des caisses populaires de l'Ontario Inc.* and the *Fonds de sécurité Desjardins*.

Continued business growth in an increasingly competitive market

FINANCIAL HIGHLIGHTS

FINANCIAL RESULTS AND INDICATORS

(in millions of dollars and as a percentage)	For the three-month periods ended			For the nine-month periods ended	
	September 30, 2015	June 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Net interest income	**$ 1,094**	$ 1,057	$ 1,013	**$ 3,146**	$ 2,955
Net premiums	**1,692**	1,698	1,496	**5,266**	4,436
Other operating income(1)	**651**	683	691	**2,067**	2,038
Operating income(1)	**3,437**	3,438	3,200	**10,479**	9,429
Investment income (loss)(1)	**102**	(413)	395	**1,012**	1,776
Total income	**3,539**	3,025	3,595	**11,491**	11,205
Provision for credit losses	**102**	103	109	**294**	283
Claims, benefits, annuities and changes in insurance contract liabilities	**1,246**	332	1,369	**4,081**	4,543
Non-interest expense	**1,673**	1,791	1,582	**5,216**	4,809
Income taxes on surplus earnings	**114**	170	126	**403**	331
Surplus earnings before member dividends	**$ 404**	$ 629	$ 409	**$ 1,497**	$ 1,239
Return on equity(1)	**7.6%**	11.4%	8.8%	**9.5%**	9.2%
Productivity index(1)	**73.0**	66.5	71.1	**70.4**	72.2
Provisioning rate(1)	**0.26**	0.27	0.29	**0.25**	0.26

(1) See "Basis of presentation of financial information".

BALANCE SHEET AND INDICATORS

(in millions of dollars, as a percentage and as a coefficient)	**As at September 30, 2015**	As at December 31, 2014
Balance sheet		
Assets	**$ 250,972**	$ 229,387
Net loans	**156,906**	150,454
Deposits	**154,543**	146,324
Equity	**21,381**	18,893
Indicators		
Assets under management and under administration	**$ 404,227**	$ 370,768
Tier 1A capital ratio	**15.8%**	15.7%
Tier 1 capital ratio	**15.9%**	15.8%
Total capital ratio	**17.4%**	17.9%
Assets/capital(1)	**N/A**	10.8
Leverage ratio(1)	**7.5%**	N/A
Gross impaired loans/gross loans(2)	**0.36%**	0.34%

(1) See "Capital management".
(2) See "Basis of presentation of financial information".

MESSAGE FROM SENIOR MANAGEMENT

Lévis, November 13, 2015 — For the third quarter ended September 30, 2015, Desjardins Group, the leading financial cooperative group in Canada, recorded surplus earnings before member dividends of $404 million, stable compared to the corresponding quarter of 2014.

This result reflects the contribution of $268 million made by the Personal Services and Business and Institutional Services segment. The Wealth Management and Life and Health Insurance segment made a contribution of $83 million while the Property and Casualty Insurance segment recorded a $23 million deficit. The operations grouped under the Other category made a contribution of $76 million.

“We are satisfied with these results, which show solid growth in our business operations across Canada in spite of intense competition, thereby demonstrating the relevance of our strategies,” said Monique F. Leroux, Chair of the Board, President and CEO. “Economic conditions remain fragile and the effects of the digital revolution are being felt throughout the industry. We have to stay focused and actively continue our efforts to position ourselves in this new environment in order to meet the high expectations of our members and clients.”

Desjardins Group complies with Basel III rules and still has very good capitalization. As at September 30, 2015, the Tier 1A and total capital ratios of Desjardins Group were 15.8% and 17.4%, respectively, compared to 15.7% and 17.9%, respectively, as at December 31, 2014.

Monique F. Leroux, C.M., O.Q., FCPA, FCA
Chair of the Board, President and Chief Executive Officer
Desjardins Group

Daniel Dupuis, CPA, CA
Senior Vice-President, Finance, and Chief Financial Officer
Desjardins Group

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MANAGEMENT’S DISCUSSION AND ANALYSIS

The Management’s Discussion and Analysis (MD&A) dated November 13, 2015 presents the analysis of the results of and main changes to Desjardins Group’s balance sheet for the period ended September 30, 2015, in comparison to previous periods. Desjardins Group reports financial information in compliance with National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* issued by the Canadian Securities Administrators (CSA). Desjardins Group is not a reporting issuer, on a combined basis, under this National Instrument. However, it has chosen to apply the practices provided in this National Instrument to demonstrate its willingness to comply with best practices in financial governance. A section on Desjardins Group’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 Combined Financial Statements (the Interim Combined Financial Statements) as at September 30, 2015, including the notes thereto, and the 2014 Desjardins Group Annual Report (the 2014 Annual Report), which contains the MD&A and the audited Annual Combined Financial Statements (the Annual Combined Financial Statements).

Additional information about Desjardins Group is available on the SEDAR website at **www.sedar.com** (under the *Capital Desjardins inc.* profile), where the Annual Information Forms of *Caisse centrale Desjardins* (under the *Caisse centrale Desjardins* profile) and the Federation (under the *Fédération des caisses Desjardins du Québec* profile) can also be found. Further information is also available on the Desjardins website at **www.desjardins.com/en/about-us/investor-relations**; however, none of the information presented on these sites is incorporated by reference into this report.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Desjardins Group’s public communications often include oral or written forward-looking statements. Such forward-looking statements are contained in this MD&A and may be incorporated in other filings with Canadian regulators or in any other communications. Forward-looking statements in this MD&A include, but are not limited to, comments about Desjardins Group’s objectives regarding financial performance, priorities, operations, the review of economic conditions and markets, as well as the outlook for the Canadian, U.S., European and other international economies. These forward-looking statements include, among others, those appearing in the sections “Economic environment and outlook”, “Review of financial results”, “Balance sheet review” and “Additional information”. Such statements are typically identified by words or phrases such as “believe,” “expect,” “anticipate,” “intend,” “estimate”, “plan” and “may”, words and expressions of similar import, and future and conditional verbs.

By their very nature, such statements involve assumptions, inherent risks and uncertainties, both general and specific. It is therefore possible that, due to many factors, these predictions, forecasts or other forward-looking statements as well as Desjardins Group’s objectives and priorities may not materialize or may prove to be inaccurate and that actual results differ materially. Desjardins Group cautions readers against placing undue reliance on these forward-looking statements since actual results, conditions, actions and future events could differ significantly from the explicit or implicit targets, expectations, estimates or intents in the forward-looking statements.

A number of factors, many of which are beyond Desjardins Group’s control and whose impact Desjardins Group would have difficulty predicting, could influence the accuracy of the forward-looking statements in this MD&A. These factors include those discussed in Section 4.0, “Risk management”, of the 2014 Annual Report, such as credit, market, liquidity, operational, insurance, strategic and reputation risk. Additional factors that could affect the accuracy of the forward-looking statements in this MD&A include risks related to the regulatory and legal environment, including legislative or regulatory developments in Quebec, Canada or globally, such as changes in fiscal and monetary policies, reporting guidance and liquidity regulatory guidance, or interpretations thereof. Also note that amendments to and new interpretations of capital guidelines, and environmental risk, which is the risk that Desjardins Group may incur financial, operational or reputational losses as a result of environmental impacts or issues, whether due to Desjardins Group’s credit or investment activities or its operations. Lastly, there is the risk related to pension plans, which is the risk of losses resulting from pension plan commitments made by Desjardins Group for the benefit of its employees arising primarily from interest rate, price, foreign exchange and longevity risks.

Additional factors that may affect the accuracy of the forward-looking statements contained in this report include factors related to the economic and business conditions in regions in which Desjardins Group operates; changes in the economic and financial environment in Quebec, Canada and globally, including short- and long-term interest rates, inflation, debt market fluctuations, foreign exchange rates, the volatility on financial markets, tighter liquidity conditions in certain markets, the strength of the economy and the volume of business conducted by Desjardins Group in a given region. Additional factors include factors related to monetary policies; competition; changes in standards, laws and regulations; the accuracy and completeness of information concerning clients and counterparties; the accounting policies used by Desjardins Group; new products and services to maintain or increase Desjardins Group’s market share; the ability to recruit and retain key management personnel, including senior management; business infrastructure; geographic concentration; acquisitions and joint arrangements; social media and credit ratings.

Other factors that may affect the accuracy of the forward-looking statements contained in this report include changes in tax laws, unexpected changes in personal spending and saving habits, technological developments, the ability to implement Desjardins Group’s disaster recovery plan within a reasonable time, the possible impact on Desjardins Group’s business of international conflicts or natural disasters, and Desjardins Group’s ability to anticipate and manage the risks associated with these factors properly despite a disciplined risk management environment.

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 Group’s results. Additional information about these and other factors is found in Section 4.0, “Risk management" of the 2014 Annual Report. Although Desjardins Group believes that the expectations expressed in these forward-looking statements are reasonable, it cannot guarantee that these expectations will prove to be correct. Desjardins Group cautions readers against placing undue reliance on forward-looking statements when making decisions. Readers who rely on Desjardins Group’s forward-looking statements must carefully consider these risk factors and other uncertainties and potential events.

Any forward-looking statements contained in this report 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 balance sheets as at the dates indicated or its results for the periods then ended, as well as its strategic priorities and objectives. These statements may not be appropriate for other purposes. Desjardins Group does not undertake to update any oral or written forward-looking statements that could be made from time to time by or on behalf of Desjardins Group, except as required under applicable securities legislation.

DESJARDINS GROUP PROFILE

Desjardins Group is the largest cooperative financial institution in Canada, with assets of $251.0 billion. The organization brings together 335 caisses in Quebec and Ontario, the *Fédération des caisses Desjardins du Québec* and its subsidiaries (including *Capital Desjardins inc.*), *Caisse centrale Desjardins*, the *Fédération des caisses populaires de l'Ontario Inc.* and the *Fonds de sécurité Desjardins*. A number of its subsidiaries and components are active across Canada. Desjardins Group's Personal Services and Business and Institutional Services, Wealth Management and Life and Health Insurance, and Property and Casualty Insurance business segments offer a full range of financial products and services to members and clients, individuals and businesses alike, providing a customized response to their needs. As one of the largest employers in the country, Desjardins Group capitalizes on the skills of more than 45,000 employees and the commitment of more than 4,800 elected officers.

Caisse centrale Desjardins, also a cooperative financial institution that is an integral part of Desjardins Group, is the treasurer and official representative of Desjardins Group with the Bank of Canada and the Canadian banking system.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Annual and Interim Combined Financial Statements have been prepared by Desjardins Group's management in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting requirements of the *Autorité des marchés financiers* (AMF) in Quebec, which do not differ from IFRS. These Interim Combined Financial Statements have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". For further information about the accounting policies applied, see the Annual and Interim Combined 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 Group's Annual and Interim Combined Financial Statements.

To assess its performance, Desjardins Group uses IFRS measures and various non-IFRS financial measures. Non-IFRS financial measures, other than the regulatory ratios, do not have a standardized definition and are not directly comparable to similar measures used by other companies, and may not be directly comparable to any IFRS measures. Investors, among others, may find these non-IFRS measures useful in analyzing financial performance. The measures used are defined as follows:

Adjusted net surplus earnings − Property and Casualty Insurance segment

The net surplus earnings of the Property and Casualty Insurance segment are adjusted to exclude the gain at the acquisition date and fees, net of income taxes, incurred as part of the acquisition of State Farm's Canadian operations. The fees include the costs related to the transaction and the integration of operations as well as processing expenses. These costs were not significant for the other business segments.

The following table presents a reconciliation of the net surplus earnings of the Property and Casualty Insurance segment as presented in the Combined Financial Statements, and the adjusted net surplus earnings as presented in the MD&A.

(in millions of dollars)	**For the three-month periods ended**			**For the nine-month periods ended**	
	September 30, 2015	June 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Presentation of the net surplus earnings (deficit) of the Property and Casualty Insurance segment in the Combined Financial Statements	**$ (23)**	$ 194	$ 67	**$ 247**	$ 149
Gain as at the acquisition date of State Farm's Canadian operations	**-**	-	-	**(55)**	-
Expenses related to the acquisition of State Farm's Canadian operations, net of income taxes	**7**	11	9	**25**	32
Presentation of the adjusted net surplus earnings (deficit) of the Property and Casualty Insurance segment in the MD&A	**$ (16)**	$ 205	$ 76	**$ 217**	$ 181

Productivity index

The productivity index is used to measure efficiency and is equal to the ratio of non-interest expense to total income, net of claims, benefits, annuities and changes in insurance contract liabilities, expressed as a percentage. A lower ratio indicates greater productivity.

Gross impaired loans/gross loans

The gross impaired loans/gross loans indicator is used to measure the quality of the loan portfolio. It is gross impaired loans expressed as a percentage of total gross loans.

Average loans – Average deposits

The average balance for these items is used to measure growth. It is equal to the average of the amounts at the end of the quarters calculated starting from the quarter prior to the period concerned.

Gross written premiums

Gross written premiums are used to measure growth in insurance operations. They are equal to the premiums stipulated in insurance policies issued during the period.

Loss ratio

The loss ratio is used to measure profitability and is equal to incurred claims, net of reinsurance, expressed as a percentage of net premiums earned, excluding the market yield adjustment. Market yield adjustment is defined as the impact of changes in the discount rate on the provisions for claims and adjustment expenses based on the change in the market-based yield of the underlying assets for these provisions.

Return on equity

Return on equity is used to measure profitability. Expressed as a percentage, it is equal to surplus earnings before member dividends, excluding the non-controlling interests' share, divided by average equity before non-controlling interests.

Income

Operating income

The concept of operating income is used to analyze financial results. This concept allows for better structuring of financial data and makes it easier to compare operating activities from one period to the next by excluding investment income. The analysis therefore breaks down Desjardins Group's income into two parts, namely operating income and investment income, which make up total income. This measure is not directly comparable to similar measures used by other companies.

Operating income includes net interest income, net premiums and other operating income such as deposit and payment service charges, lending fees and credit card service revenues, income from brokerage and investment fund services, management and custodial service fees, foreign exchange income as well as other income. These items, taken individually, correspond to those presented in the Combined Financial Statements.

Investment income

Investment income includes net income on securities at fair value through profit or loss, net income on available-for-sale securities and net other investment income. These items, taken individually, correspond to those presented in the Combined Financial Statements. Investment income also includes income from the insurance subsidiaries' matching activities and from derivative financial instruments not designated as part of a hedging relationship.

The following table shows the correspondence of total income between the MD&A and the Combined Financial Statements.

(in millions of dollars)	For the three-month periods ended			For the nine-month periods ended	
	September 30, 2015	June 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Presentation of income in the Combined Financial Statements					
Net interest income	**$ 1,094**	$ 1,057	$ 1,013	**$ 3,146**	$ 2,955
Net premiums	**1,692**	1,698	1,496	**5,266**	4,436
Other income					
Deposit and payment service charges	**125**	122	128	**365**	371
Lending fees and credit card service revenues	**149**	156	147	**459**	440
Brokerage and investment fund services	**255**	267	252	**774**	731
Management and custodial service fees	**95**	105	88	**293**	253
Net income (loss) on securities at fair value through profit or loss	**17**	(612)	288	**579**	1,319
Net income on available-for-sale securities	**34**	107	36	**246**	260
Net other investment income	**51**	92	71	**187**	197
Foreign exchange income	**20**	21	24	**67**	62
Other	**7**	12	52	**109**	181
Total income	**$ 3,539**	$ 3,025	$ 3,595	**$ 11,491**	$ 11,205
Presentation of income in Management's Discussion and Analysis					
Net interest income	**$ 1,094**	$ 1,057	$ 1,013	**$ 3,146**	$ 2,955
Net premiums	**1,692**	1,698	1,496	**5,266**	4,436
Other operating income					
Deposit and payment service charges	**125**	122	128	**365**	371
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Other	**7**	12	52	**109**	181
Operating income	**3,437**	3,438	3,200	**10,479**	9,429
Investment income (loss)					
Net income (loss) on securities at fair value through profit or loss	**17**	(612)	288	**579**	1,319
Net income on available-for-sale securities	**34**	107	36	**246**	260
Net other investment income	**51**	92	71	**187**	197
	102	(413)	395	**1,012**	1,776
Total income	**$ 3,539**	$ 3,025	$ 3,595	**$ 11,491**	$ 11,205

Provisioning rate

The provisioning rate is used to measure loan portfolio quality, and is equal to the provision for credit losses divided by average gross loans.

Insurance sales

Insurance sales are used to measure growth in Wealth Management and Life and Health Insurance segment operations. They are equal to annualized gross new premiums under group and individual insurance policies.

Net sales of savings products

Net sales of savings products are used to measure growth in Wealth Management and Life and Health Insurance segment operations. They are equal to sales of group and individual savings products designed by segment entities, and are comprised of on- or off-balance sheet deposits, less withdrawals.

CHANGES IN THE REGULATORY ENVIRONMENT

Desjardins Group closely monitors changes in the regulatory environment affecting financial products and services as well as new developments in fraud, corruption, money laundering and terrorist financing in order to mitigate any negative impact on its operations, and aims to comply with best practices in this regard.

In June 2013, the AMF determined that Desjardins Group met the criteria for designation as a domestic systemically important financial institution (D-SIFI), which will subject Desjardins Group to higher capital requirements and enhanced disclosure requirements, among other things, as instructed by the AMF. Beginning on January 1, 2016, Desjardins Group will therefore be subject, as a D-SIFI, to an additional capital requirement of 1% on its minimum capital ratios. Based on the recommendations issued by the Enhanced Disclosure Task Force of the Financial Stability Board contained in the document “Enhancing the Risk Disclosures of Banks”, Desjardins Group is continuing to develop its external disclosures and is working on integrating these recommendations into its risk management disclosure framework. Furthermore, Desjardins Group developed a resolution plan, detailing the actions to be taken to restore its financial position in the event of a crisis. It is noteworthy to mention that the Office of the Superintendent of Financial Institutions (OSFI) has also determined that Canada’s six major financial institutions meet the criteria for designation as D-SIFI.

On December 5, 2013, the Quebec Minister of Finance and the Economy submitted his “Report on the application of the *Act respecting financial services cooperatives*” to the National Assembly. The report contains proposals that will serve as criteria for amendments to the current legislative framework in order to adapt it to the evolution of financial services cooperatives as well as the requirements of the new international standards imposed on financial institutions. A law amending the legislative framework is expected to come into force in spring 2016.

Since January 1, 2013, the OSFI’s Capital Adequacy Requirements (CAR) Guideline, applicable to Canadian financial institutions, has included requirements for Non-Viability Contingent Capital as part of regulatory capital. Desjardins Group, under the AMF’s guidelines on adequacy of capital base standards, is subject to similar rules applicable to non-viability contingent capital in its regulatory capital (which came into force on January 1, 2013). However, Desjardins Group has not issued any instrument subject to these rules. Given that discussions are still underway at the international level on how to apply these provisions on contingent capital to cooperative entities, the guidelines may be changed.

On March 28, 2014, the Government of Canada tabled the *Economic Action Plan 2014 Act, No. 1*, which was part of the budget implementation bill. The Act includes amendments to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and the *Income Tax Act*. These amendments should come into effect by the end of 2015. Desjardins Group is preparing to implement these legislative changes and is closely monitoring developments to know the date on which they will come into force.

On August 1, 2014, the Government of Canada initiated public consultation on a proposed taxpayer protection and bank recapitalization regime applicable to national systemically important Canadian banks. The consultation period ended in September 2014, although no implementation date has been announced yet. This regime is not applicable immediately to Desjardins Group because it is regulated by the AMF. Moreover, the Quebec government has not yet publicly reacted, nor has it announced its intentions with regard to this subject.

On December 16, 2014, the Government of Canada adopted Bill C-43 – *Economic Action Plan 2014 Act, No. 2*. Among other things, this Act amends several laws, limiting access by provincial cooperative credit associations to federal intervention tools. More specifically, the Act formalizes that the Bank of Canada may grant a loan or an advance to a cooperative credit association only if the province has agreed, in writing, to indemnify the Bank for any losses arising from the loan or advance that the Bank could incur. The Bank of Canada’s policies on emergency lending assistance have already required such indemnification commitments from the provinces since 2009. The Act also brings an end to liquidity financial support agreements entered into by, among others, the Canada Deposit Insurance Corporation and the *Régie de l’assurance-dépôts du Québec* (replaced by the AMF). The Act’s provisions on emergency lending assistance and the federal-provincial agreement on deposit insurance are not yet in force. Desjardins Group expects that satisfactory agreements will be negotiated between the two levels of government before the provisions come into force so that the Act does not affect the stability of the Canadian financial system.

On May 5, 2015, the Bank of Canada launched a public consultation on the framework for its financial market operations and its emergency lending assistance policies. The consultation period ended on July 4, 2015. On September 30, 2015, the Bank of Canada announced its decision to implement the proposed changes in the consultation document distributed in May 2015. The changes, which took effect on September 30, 2015, require, among other things, that emergency lending assistance be reserved for institutions that have in place credible recovery and resolution frameworks and, under certain conditions, that emergency lending assistance be provided to provincial institutions such as caisses or credit unions and their centrals. This emergency lending assistance to provincial institutions would however be limited to cases that are necessary to support the stability of the Canadian financial system. Later this year, the Bank of Canada will issue an updated version of the policy statement on the provision of emergency lending assistance, which will take these changes into account.

The U.S. Federal Reserve (the Fed) has implemented a number of rules and standards that affect non-U.S. financial institutions with activities in the U.S. These measures have various impacts on Desjardins Group. The rules resulting from the *Dodd-Frank Wall Street Reform and Consumer Protection Act,* adopted in 2010, affect, in particular, the implementation of provisions on swap trading, proprietary trading and ownership interests in hedge funds (the Volcker rule), as well as those concerning the submission of a resolution plan. On December 10, 2013, the U.S. authorities issued the final rules implementing the Volcker Rule, which was adopted to limit speculation by financial institutions. Desjardins Group has implemented frameworks to ensure compliance with the Volcker Rule, which took effect on July 21, 2015. The Fed has allowed an additional period up to July 21, 2016 for the coming into force of certain requirements concerning hedge fund ownership. U.S. regulators have stated that they will issue a notice extending this effective date to July 21, 2017.

The *Foreign Account Tax Compliance Act* (FATCA) is a U.S. federal law designed to combat tax evasion in the U.S. by requiring financial institutions to identify and qualify account holders who are U.S. taxpayers and report this information to the competent authorities. An agreement, signed by the Canadian and U.S. governments, came into force on July 1, 2014. Desjardins Group has set up an annual reporting process to fulfill its legal obligations and submitted its first report, as required. At the end of September 2014, the Organisation for Economic Co-operation and Development presented the “Standard for Automatic Exchange of Financial Information in Tax Matters” to the G20 Finance Ministers, and Canada signed a commitment on June 3, 2015 confirming its adoption of the standard effective July 1, 2017. The obligations stipulated in this international standard are largely based on those of FATCA, and the initial exchange of information between Canada and the competent authorities will take place on May 1, 2018, subject to adoption of the necessary regulations. Desjardins Group will continue to closely monitor developments in these future requirements to ensure compliance when they take effect.

On October 22, 2015, the Fed confirmed that Desjardins Group was eligible for financial holding company status in the U.S. To keep this status, Desjardins Group will have to maintain the compliance program required under U.S. law.

On June 11, 2015, the Quebec Minister of Labour, Employment and Social Solidarity tabled Bill 57, *An Act to amend the Supplemental Pension Plans Act mainly with respect to the funding of defined benefit pension plans*, in Quebec's National Assembly. This bill, scheduled to come into force on January 1, 2016, is chiefly aimed at changing the funding rules applicable to private sector pension plans registered in Quebec. The bill reflects the work of the *Comité consultatif du travail et de la main-d'œuvre* and is the result of a management/union consensus intended to strike a balance between security of benefits and plan promoters' ability to pay. The changes to the funding rules are intended to promote the sustainability of defined benefit pension plans by ensuring funding that must include an explicit stabilization provision determined according to the plan's investment policy. Funding on a solvency basis will no longer be required. A regulation should be issued this fall outlining the technical details for applying the bill, including the grid for the stabilization provision and the content of pension funding and purchase policies. Before finalization of the bill, a parliamentary commission was held on October 27 and 28, 2015. Desjardins Group took this opportunity to submit its brief to the *Commission de l'économie et du travail* of Quebec's National Assembly. Work is under way to assess the impact of this bill on Desjardins Group.

On June 12, 2015, the Quebec *Ministère des Finances* issued its report on the application of the *Act respecting the distribution of financial products and services*, containing a total of five recommendations and asking seven questions about the following topics: online distribution of insurance products and distribution without a representative, oversight of representatives and compensation of consumers in the event of fraud. Desjardins Group, like a number of other industry players, submitted a brief to comment on the recommendations and provide its answers to the questions.

In addition, Desjardins Group continues to monitor changes in capital and liquidity requirements under global standards developed by the Basel Committee on Banking Supervision. To this end, in January 2015 the Committee issued a new standard related to the third pillar, which aims to enhance transparency and communication with regard to regulatory capital adequacy and risk exposure. Desjardins Group is currently assessing the impact of adopting this standard.

ECONOMIC ENVIRONMENT AND OUTLOOK

Just as the negotiations between Greece and its creditors finally reached a successful conclusion, in the third quarter investors began to show concerns over conditions in the emerging countries. This resulted in a major drop in commodity prices and new downward pressure on bond yields. An agreement was reached on Iran's nuclear program, suggesting that the global supply of oil will continue to outstrip demand for several quarters. This also helped drive oil prices to their lowest levels since the financial crisis. Starting in mid-August, some disappointing economic indicators and a severe correction on the stock market fuelled concerns about the Chinese economy, with the Chinese authorities' surprise devaluation of the yuan perceived as a desperate response. This sent a wave of panic through financial markets, provoking corrections in several exchanges. These international and financial developments were enough to convince the U.S. Federal Reserve (the Fed) to leave interest rates unchanged in September, but FOMC members still could begin tightening monetary policy before the end of 2015. The liftoff in the U.S. federal funds rate should nevertheless begin very gradually, which will limit upward pressure on bond yields. After having lowered its key interest rates in July, in September the Bank of Canada (BoC) maintained rates at their current levels, noting that there had been some encouraging signs in the Canadian economy. The Bank underscored the fact that the economy will take considerable time to adjust to low oil prices and that movements in the Canadian dollar are facilitating the adjustments now taking place. The BoC nevertheless indicated that it does not foresee raising interest rates for some time to come.

Economic growth in the emerging economies has continued to slow, and this is affecting international trade, in particular as the emerging economies have cut back on imports for the first time since the last financial crisis. International markets have been mainly concerned about the lack of strength in the Chinese economy, where the rate of economic growth recently fell to approximately 7% compared to rates of 10% to 12% posted over the last few years. It is worth noting that of all the major emerging economies, India should continue to post strong growth. In the industrialized countries, economic growth continues on a path of slow improvement. Global real GDP should grow at a rate of 3.2% in 2015 and 3.5% in 2016.

Economic conditions have shown signs of improvement in the U.S. Following 0.6% growth in the first quarter of 2015, real GDP rose 3.9% in the second quarter, despite the impact of a high dollar on the manufacturing sector, problems in the oil and gas sector and weak demand from the emerging countries. U.S. labour market indicators have been strong, but have been improving more slowly than in 2014. The unemployment rate continues to fall, although there are relatively few workers actively seeking employment. Annual growth in real GDP should reach 2.6% in 2015 and 2.8% in 2016.

In Canada, real GDP declined 0.5%, on a quarterly annualized basis, in the second quarter of 2015 after falling 0.8% in the first quarter. Based on the current definition of a recession as two consecutive quarters of decline in real GDP, the Canadian economy was in recession in the first half of 2015. Any economic growth was mainly due to non-residential investment, as spending in the energy sector fell dramatically in response to lower oil prices and faltering profitability in many projects. Canada's 2015 recession is somewhat atypical because it is different from those we have seen in the past. First, real GDP fell much less dramatically in the first two quarters of 2015 than in prior recessions. Second, the problems in the Canadian economy are not widespread; rather, they are concentrated in certain sectors and regions, with the focus in oil production in Alberta, Saskatchewan and Newfoundland and Labrador. The outlook for the other provinces is rosier. Exports are showing signs of improvement and appear to be benefiting from rising demand in the U.S. and a weaker Canadian dollar. Following the drop in non-residential investments over the last few quarters, we should expect more stability due to the changes in the price of oil. Canada's real GDP should grow 1.1% in 2015 and another 1.8% in 2016.

Although the Quebec economy is relatively unaffected by the low oil prices, the province has its share of problems, particularly in consumer spending. In the second quarter, consumer spending advanced slowly, with after-tax income and inflation both down and the savings rate retreating once again, to 1.7%. The latest indicators show that household confidence has rallied and the economy continues to create jobs. Residential real estate is still in a consolidation phase, notably seen in less new construction, particularly in the condominium market which is still characterized by a glut. The situation is better on the business side. Positive notes include increased investment in the second quarter, ending a decline that lasted over two years, and a turnaround in exports following a short-lived rebound in the first half of the year. The strength of the U.S. economy continues to favour Quebec's industrial sector, which should perform well in the third quarter. However, real GDP declined 0.3%, year-over-year, in the second quarter of 2015. This was a setback from the first quarter, whose growth was revised from 1.6% to 1.8%. Real GDP may grow 1.1% in 2015 if the expected rebound in the third quarter materializes, and could increase by 1.5% in 2016.

REVIEW OF FINANCIAL RESULTS

FINANCIAL RESULTS AND INDICATORS

(in millions of dollars and as a percentage)	For the three-month periods ended			For the nine-month periods ended	
	September 30, 2015	June 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Results					
Net interest income	**$ 1,094**	$ 1,057	$ 1,013	**$ 3,146**	$ 2,955
Net premiums	**1,692**	1,698	1,496	**5,266**	4,436
Other operating income					
Deposit and payment service charges	**125**	122	128	**365**	371
Lending fees and credit card service revenues	**149**	156	147	**459**	440
Brokerage and investment fund services	**255**	267	252	**774**	731
Management and custodial service fees	**95**	105	88	**293**	253
Foreign exchange income	**20**	21	24	**67**	62
Other	**7**	12	52	**109**	181
Operating income[1]	**3,437**	3,438	3,200	**10,479**	9,429
Investment income (loss)[1]					
Net income (loss) on securities at fair value through profit or loss	**17**	(612)	288	**579**	1,319
Net income on available-for-sale securities	**34**	107	36	**246**	260
Net other investment income	**51**	92	71	**187**	197
	102	(413)	395	**1,012**	1,776
Total income	**3,539**	3,025	3,595	**11,491**	11,205
Provision for credit losses	**102**	103	109	**294**	283
Claims, benefits, annuities and changes in insurance contract liabilities	**1,246**	332	1,369	**4,081**	4,543
Non-interest expense	**1,673**	1,791	1,582	**5,216**	4,809
Income taxes on surplus earnings	**114**	170	126	**403**	331
Surplus earnings before member dividends	**$ 404**	$ 629	$ 409	**$ 1,497**	$ 1,239
Contribution to combined surplus earnings by business segment[2]					
Personal Services and Business and Institutional Services	**$ 268**	$ 239	$ 232	**$ 703**	$ 637
Wealth Management and Life and Health Insurance	**83**	195	80	**376**	317
Property and Casualty Insurance	**(23)**	194	67	**247**	149
Other	**76**	1	30	**171**	136
	$ 404	$ 629	$ 409	**$ 1,497**	$ 1,239
Amount returned to members and the community					
Member dividends	**$ 35**	$ 34	$ 67	**$ 109**	$ 211
Sponsorships and donations	**16**	23	18	**54**	56
	$ 51	$ 57	$ 85	**$ 163**	$ 267
Indicators					
Return on equity[1]	**7.6%**	11.4%	8.8%	**9.5%**	9.2%
Productivity index[1]	**73.0**	66.5	71.1	**70.4**	72.2
Provisioning rate[1]	**0.26**	0.27	0.29	**0.25**	0.26

(1) See “Basis of presentation of financial information”.
(2) The breakdown by line item is presented in Note 15, “Segmented information”, to the Interim Combined Financial Statements.

IMPACT OF THE ACQUISITION OF STATE FARM'S CANADIAN OPERATIONS

On January 1, 2015, Desjardins Group completed the purchase of all the Canadian property and casualty (P&C) and life and health insurance, mutual fund, loan and living benefits insurance businesses of State Farm Mutual Automobile Insurance Company (these businesses being collectively referred to as State Farm Canada). The purchase of the P&C and life and health insurance businesses was carried out by an asset transfer and assumption of liabilities, while the other businesses were acquired by the purchase of stock in the companies. As a result of this acquisition, Desjardins Group has gained a multi-product distribution network that provides access to new clients and enables it to attain a size that should offer competitive advantages, particularly in P&C insurance.

The table below presents the impact of this acquisition on the combined operating results of Desjardins Group.

IMPACT OF THE ACQUISITION OF STATE FARM CANADA[(1)]

(in millions of dollars)	For the three-month periods ended			For the nine-month periods ended	
	September 30, 2015	June 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Operating income	**$ 85**	$ 147	$ -	**$ 596**	$ -
Investment income (loss)	**(7)**	(14)	-	**135**	-
Total income	**78**	133	-	**731**	-
Claims, benefits, annuities and changes in insurance contract liabilities	**54**	(102)	-	**380**	-
Non-interest expense	**55**	64	-	**173**	-
Income taxes on surplus earnings	**(7)**	41	-	**44**	-
Surplus earnings (deficit) before member dividends	**$ 30**	$ 28	$ -	**$ 514**	$ -

(1) Excluding expenses, net of income taxes, related to the acquisition of State Farm Canada and the $52 million gain realized on the acquisition date.

ANALYSIS OF RESULTS

Comparison of the third quarters of 2015 and 2014

Surplus earnings

For the third quarter ended September 30, 2015, Desjardins Group posted surplus earnings before member dividends of $404 million, stable compared to the corresponding quarter in 2014. The quarter was affected, among other things, by impairment losses on investments on account of high volatility on financial markets. These losses were recognized in accordance with Desjardins Group's accounting policies, given that there was objective evidence of impairment.

This result reflects the contribution of $268 million made by the Personal Services and Business and Institutional Services segment. The Wealth Management and Life and Health Insurance segment made a contribution of $83 million while the Property and Casualty Insurance segment recorded a $23 million deficit. The operations grouped under the Other category made a contribution of $76 million.

Return on equity was 7.6%, compared to 8.8% in the corresponding quarter of 2014. This decrease was mainly caused by impairment losses on investments, as explained earlier, and increased capital following the issue of capital shares by the Federation

By its very nature as a cooperative financial group, Desjardins Group has set itself the task of improving the economic and social well-being of people and communities, which it continued to strive to achieve in the third quarter of 2015. However, the higher capital requirements resulting from regulatory changes and affecting all financial institutions worldwide have prompted Desjardins Group to remain prudent in distributing surplus earnings. The amount set aside for member dividends therefore totalled $35 million for the quarter, compared to $67 million for the same period of the previous year. If we add this amount to the $16 million given to various organizations in the form of donations and sponsorships, the amount returned to the community totalled $51 million for the third quarter, compared to $85 million for the same quarter in 2014.

Operating income

Operating income stood at $3,437 million, up $237 million, or 7.4%, compared to the third quarter of 2014.

Net interest income was $1,094 million, compared to $1,013 million for the same period in the previous year, an increase of $81 million, or 8.0%, as a result of growth in the entire loan portfolio, amounting to $8.3 billion, or 5.6%, during the year. Fierce competition in the market is still putting pressure on interest margins.

Net premiums were up $196 million, or 13.1%, to total $1,692 million as at September 30, 2015. This increase was mainly due to premiums from the acquisition of State Farm Canada, representing $115 million, and to growth related to insurance operations.

The overall insurance operations of the Wealth Management and Life and Health Insurance segment posted income from net insurance and annuity premiums of $1,056 million for the third quarter of 2015, compared to $982 million for the same period in 2014, an increase of $74 million, or 7.5%. Insurance premiums rose by $62 million. More specifically, individual insurance premiums totalled $186 million, for growth of $40 million, or 27.4%, $35 million of which was derived from the acquisition of the State Farm Canada portfolio, and group insurance premiums amounted to $758 million, an increase of $22 million, or 2.9%, as a result of business growth. Annuity premiums were up $12 million.

The Property and Casualty Insurance segment's operations generated net premium income of $702 million for the third quarter of 2015, compared to $574 million for the same period in 2014, an increase of $128 million, or 22.3%, because of the State Farm Canada operations recently acquired for $80 million, and the larger number of policies issued as a result of multiple growth initiatives across all market segments and regions.

Other operating income totalled $651 million, down $40 million, or 5.8%, compared to the corresponding quarter in 2014, chiefly as a result of the $35 million increase in the contingent consideration payable for the acquisition of State Farm Canada.

Investment income

Investment income was down $293 million compared to the third quarter of 2014, primarily as a result of the fluctuation in the fair value of assets backing liabilities related to life and health insurance operations. This decrease was partly offset by the change in actuarial liabilities, leading to lower expenses related to claims, benefits, annuities and changes in insurance contract liabilities. This was chiefly due to changes in the fair value of the bond portfolio, stemming largely from fluctuations in medium- and long-term interest rates. In addition, impairment losses were recorded on available-for-sale securities because of high volatility on financial markets. These losses were recognized in accordance with Desjardins Group’s accounting policies, given that there was objective evidence of impairment.

Total income

Total income was $3,539 million, down $56 million, or 1.6%, compared to the same period in 2014, mainly because of the reduction in investment income as explained earlier.

Provision for credit losses

The provision for credit losses totalled $102 million for the third quarter of 2015, down $7 million, or 6.4%, compared to the corresponding quarter in 2014, mainly as a result of an improvement in portfolio quality for loans to medium-sized and large businesses, partially offset by loan portfolio growth and the higher loss rate at Card and Payment Services. The provisioning rate was 0.26%, compared to 0.29% in the corresponding quarter of 2014. Desjardins Group’s loan portfolio continued to be of high quality. The ratio of gross impaired loans, as a percentage of the total gross loan portfolio, was 0.36% as at September 30, 2015, up from 0.32% in the corresponding quarter of 2014.

Claims, benefits, annuities and changes in insurance contract liabilities

Expenses related to claims, benefits, annuities and changes in insurance contract liabilities totalled $1,246 million, down $123 million, or 9.0%, compared to the same quarter in 2014.

The Wealth Management and Life and Health Insurance segment recorded expenses related to claims, benefits, annuities and changes in insurance contract liabilities of $814 million, down $222 million compared to 2014. This change mainly resulted from a $271 million decrease in the actuarial liabilities recognized under “Insurance contract liabilities”, which includes the impact of a $231 million decrease in the fair value of investments. The integration of the recently acquired State Farm Canada operations increased these expenses by $29 million. These expenses were also affected by the increase in benefits related to higher business volumes.

The cost of claims for the Property and Casualty Insurance segment was $436 million for the third quarter, for an increase of $99 million, or 29.4%, compared to the third quarter of 2014. The increase was mainly caused by higher business volumes due to the acquisition of State Farm Canada and organic business growth. In addition, the loss ratio of the P&C insurers was 63.0% for the third quarter of 2015, compared to 59.1% in the corresponding quarter of 2014. This increase was mainly due to a higher loss experience in home and automobile insurance claims, partially offset by the favourable trend in automobile insurance claims taken over from State Farm Canada.

Non-interest expense and other item

Non-interest expense was $1,673 million, up $91 million, or 5.8%, compared to the third quarter of 2014, chiefly due to expenses related to the recently acquired State Farm Canada operations amounting to $55 million, business growth, which pushed up commission expenses, among other things, and the tax increase on insurance premiums. It was also affected by annual salary indexing and the increase in the pension expense.

The productivity index was 73.0% for the third quarter, compared to 71.1% for the same quarter a year earlier. The increase was primarily due to impairment losses on investments on account of high volatility on financial markets, as explained earlier.

Income taxes

Income taxes on surplus earnings before member dividends totalled $114 million for the third quarter of 2015, a decrease of $12 million compared to the corresponding period in 2014. The effective tax rate was 22.0%, compared to 23.6% for the same quarter in 2014.

Comparison of the first nine months of 2015 and 2014

Surplus earnings

For the first nine months ended September 30, 2015, Desjardins Group posted surplus earnings before member dividends of $1,497 million, an increase of $258 million, or 20.8% over the corresponding nine months in 2014. The nine-month period was affected, in particular, by the contribution made by State Farm Canada, including a gain on the acquisition and a revaluation of actuarial assumptions related to life and health insurance operations.

These results reflect the contribution of $703 million, or 47.0% of surplus earnings, made by the Personal Services and Business and Institutional Services segment. The Wealth Management and Life and Health Insurance segment and the Property and Casualty Insurance segment contributed $376 million and $247 million, respectively, representing 25.1% and 16.5% of surplus earnings. The operations grouped under the Other category made a contribution of $171 million, or 11.4% of surplus earnings.

Return on equity was 9.5%, compared to 9.2% in the corresponding period of 2014.

By its very nature as a cooperative financial group, Desjardins Group has set itself the task of improving the economic and social well-being of people and communities, which it continued to strive to achieve in 2015. However, the higher capital requirements resulting from regulatory changes and affecting all financial institutions worldwide have prompted Desjardins Group to remain prudent in distributing surplus earnings. The amount set aside for member dividends therefore totalled $109 million for the first nine months, compared to $211 million for the same period in 2014. If we add this amount to the $54 million given to various organizations in the form of donations and sponsorships, the amount returned to the community totalled $163 million for the first nine months of 2015, compared to $267 million for the same period in 2014.

Operating income

Operating income stood at $10,479 million, up $1,050 million, or 11.1%, compared to the first nine months in 2014.

Net interest income was $3,146 million, compared to $2,955 million for the same period in the previous year, an increase of $191 million, or 6.5%, as a result of growth in the entire loan portfolio, amounting to $8.3 billion, or 5.6%, during the year. Fierce competition in the market is still putting pressure on interest margins.

Net premiums were up $830 million, or 18.7%, to total $5,266 million as at September 30, 2015. This increase was mainly due to premiums from the acquisition of State Farm Canada, representing $708 million, and to business growth related to insurance operations, offset by the reduction in annuity premiums.

The overall insurance operations of the Wealth Management and Life and Health Insurance segment posted income from net insurance and annuity premiums of $3,038 million for the first nine months of 2015, compared to $2,924 million for the same period in 2014, an increase of $114 million, or 3.9%. Insurance premiums rose by $214 million. More specifically, individual insurance premiums totalled $551 million, for growth of $123 million, or 28.8%, $101 million of which was derived from the acquisition of the State Farm Canada portfolio, and group insurance premiums amounted to $2,273 million, an increase of $91 million, or 4.2%, as a result of business growth. Annuity premiums were down $100 million, mainly because of a $105 million decrease in group savings premiums as a result of major contracts signed in 2014.

The Property and Casualty Insurance segment's operations generated net premium income of $2,425 million for the first nine months of 2015, compared to $1,693 million for the same period in 2014, a $732 million, or 43.2% increase, of which $603 million was attributable to the recently acquired State Farm Canada operations, and a larger number of policies issued as a result of multiple growth initiatives across all market segments and regions.

Other operating income totalled $2,067 million, up $29 million, or 1.4%, compared to the corresponding nine-month period in 2014, as a result of growth in average assets under management arising from the sale of various products, the gain realized on the acquisition of State Farm Canada and an increase in credit card and point-of-sale financing activities, offset by the higher contingent consideration payable for the acquisition of State Farm Canada and the decline in revenues related to certain programs.

Investment income

Investment income was down $764 million compared to the corresponding nine-month period in 2014, primarily as a result of the fluctuation in the fair value of assets backing liabilities related to life and health insurance operations. This decrease was offset by the change in actuarial liabilities, leading to lower expenses related to claims, benefits, annuities and changes in insurance contract liabilities. This was chiefly due to changes in the fair value of the bond portfolio, stemming largely from fluctuations in medium- and long-term interest rates. This reduction was partly offset by the change in the fair value of derivative financial instruments.

Total income

Total income was $11,491 million, an increase of $286 million, or 2.6%, compared to the same period in 2014.

Provision for credit losses

The provision for credit losses totalled $294 million for the first nine months of 2015, up $11 million, or 3.9%, compared to the corresponding period in 2014, chiefly because of loan portfolio growth and the higher loss rate at Card and Payment Services, partially offset by a revision of the parameters for calculating the provisions as well as an improvement in portfolio quality for loans to medium-sized and large businesses. The provisioning rate was 0.25%, compared to 0.26% in the corresponding period of 2014. Desjardins Group’s loan portfolio continued to be of high quality. The ratio of gross impaired loans, as a percentage of the total gross loan portfolio, was 0.36% as at September 30, 2015, up from 0.32% as at September 30, 2014.

Claims, benefits, annuities and changes in insurance contract liabilities

Expenses related to claims, benefits, annuities and changes in insurance contract liabilities totalled $4,081 million, down $462 million, or 10.2%, compared to the same nine-month period in 2014.

The Wealth Management and Life and Health Insurance segment recorded expenses related to claims, benefits, annuities and changes in insurance contract liabilities of $2,564 million, down $857 million compared to the first nine months of 2014. This change mainly resulted from a $1,030 million decrease in the actuarial liabilities recognized under “Insurance contract liabilities”, which includes the impact of an $820 million decrease in the fair value of investments. The $105 million reduction in group annuity premiums also contributed to the decrease in actuarial liabilities. In addition, a favourable change in assumptions made in 2015 following adjustments to the investment portfolio also reduced actuarial liabilities by $44 million, offset by a $24 million change in actuarial liabilities in 2014. The integration of the recently acquired State Farm Canada operations increased these expenses by $61 million. These expenses were also affected by the increase in benefits related to higher business volumes.

The cost of claims for the Property and Casualty Insurance segment was $1,528 million for the first nine months of 2015, for an increase of $397 million, or 35.1% compared to the same period in 2014. The increase was mainly caused by higher business volumes due to the acquisition of State Farm Canada and organic growth. It was partially offset by an improvement in the P&C insurers' loss ratio, which totalled 62.9% for the first nine months of 2015, compared to 66.3% for the corresponding period in 2014. The improvement was chiefly due to the favourable trend in automobile insurance claims taken over from State Farm Canada and a favourable loss experience for home insurance compared to the first nine months of 2014.

Non-interest expense and other item

Non-interest expense was $5,216 million, up $407 million, or 8.5%, compared to the same nine-month period in 2014, chiefly due to expenses related to the operations acquired from State Farm Canada amounting to $173 million, business growth, particularly in credit card and point-of-sale financing activities, costs related to the Desjardins Member Advantage program and the tax increase on insurance premiums. It was also affected by the increase in the pension expense and annual salary indexing.

The productivity index was 70.4% for the first nine months, compared to 72.2% for the same period a year earlier. The index benefited from the contribution made by State Farm Canada and elements such as the changes in actuarial assumptions related to life and health insurance operations and the impact of the gain recorded on the acquisition of State Farm Canada.

Income taxes

Income taxes on surplus earnings before member dividends for the first nine months of 2015 totalled $403 million, an increase of $72 million compared to the corresponding period in 2014. The effective tax rate was 21.2%, similar to the corresponding period in 2014.

RESULTS BY BUSINESS SEGMENT

Desjardins Group's financial reporting is organized by operations, which are defined based on the needs of its members and clients, and by the markets in which it operates, thereby reflecting its internal management structure. Desjardins Group's financial results are therefore divided into the following three business segments: Personal Services and Business and Institutional Services; Wealth Management and Life and Health Insurance; and Property and Casualty Insurance. In addition to these three segments, there is also the Other category. This section presents an analysis of results for each of these segments.

Intersegment transactions are recognized at the exchange amount, which represents the amount agreed upon by the various legal entities and business units. The terms and conditions of these transactions are comparable to those offered on financial markets.

Additional information about each business segment, particularly its profile, activities, industry and 2015 strategies and priorities, can be found on pages 35 to 45 of the 2014 Annual Report.

PERSONAL SERVICES AND BUSINESS AND INSTITUTIONAL SERVICES

The Personal Services and Business and Institutional Services segment offers Desjardins Group's members and clients a comprehensive, integrated line of products and services designed to meet the needs of individuals, businesses, institutions, non-profit organizations and cooperatives, through the Desjardins caisse network, their Desjardins Business centres as well as specialized teams. It also makes its products and services available through complementary distribution networks and mortgage representatives, by phone, online, via applications for mobile devices, as well as ATMs.

PERSONAL SERVICES AND BUSINESS AND INSTITUTIONAL SERVICES – SEGMENT RESULTS

(in millions of dollars and as a percentage)	For the three-month periods ended			For the nine-month periods ended	
	September 30, 2015	June 30, 2015	September 30, 2014[1]	**September 30, 2015**	September 30, 2014[1]
Net interest income	**$ 1,038**	$ 1,003	$ 955	**$ 2,982**	$ 2,790
Other operating income	**480**	503	468	**1,458**	1,385
Operating income	**1,518**	1,506	1,423	**4,440**	4,175
Investment income	**5**	12	14	**28**	70
Total income	**1,523**	1,518	1,437	**4,468**	4,245
Provision for credit losses	**113**	103	109	**305**	283
Non-interest expense	**1,046**	1,090	1,014	**3,211**	3,121
Income taxes on surplus earnings	**96**	86	82	**249**	204
Surplus earnings before member dividends	**268**	239	232	**703**	637
Member dividends, net of income tax recovery	**26**	24	49	**80**	155
Net surplus earnings for the period after member dividends	**$ 242**	$ 215	$ 183	**$ 623**	$ 482
Of which:					
Group's share	**$ 242**	$ 215	$ 183	**$ 622**	$ 481
Non-controlling interests' share	**-**	-	-	**1**	1
Indicators					
Average gross loans[2]	**$ 152,873**	$ 150,969	$ 144,405	**$ 150,786**	$ 141,512
Average deposits[2]	**125,220**	124,237	120,843	**124,097**	118,934
Provisioning rate[2]	**0.29%**	0.27%	0.30%	**0.27%**	0.27%
Gross impaired loans/gross loans[2]	**0.36**	0.34	0.33	**0.36**	0.33

[1] Data for 2014 have been reclassified to reflect the current period's presentation.
[2] See "Basis of presentation of financial information".

Comparison of the third quarters of 2015 and 2014

For the third quarter of 2015, the Personal Services and Business and Institutional Services segment's surplus earnings before member dividends totalled $268 million, an increase of $36 million, or 15.5%, compared to the same period in 2014. This result was mainly due to business growth in financing and the sale of financial products.

Operating income totalled $1,518 million, up $95 million, or 6.7%.

It was affected by an $83 million, or 8.7%, increase in net interest income as a result of growth in the overall loan portfolio, amounting to $8.5 billion, or 5.8% during the year. Fierce competition in the market is still putting pressure on interest margins.

Other operating income was up $12 million, or 2.6%, compared to the same period in 2014, to total $480 million, primarily because of growth in credit card and point-of-sale financing activities and an increase in caisse network sales of various Desjardins Group products designed by the subsidiaries, such as investment funds.

Total income for the segment was $1,523 million, an increase of $86 million, or 6.0%, compared to the third quarter of 2014.

The provision for credit losses was $113 million in the third quarter of 2015, up $4 million, or 3.7%, compared to the same period in 2014.

Non-interest expense was $1,046 million, for an increase of $32 million, or 3.2%, compared to the same period in 2014, primarily because of business growth, particularly in *AccèsD*, credit card and point-of-sale financing activities. Investments to improve IT tools and systems and enhance the service offer to members and clients, among other things, also contributed to this increase.

Comparison of the first nine months of 2015 and 2014

For the first nine months of 2015, the Personal Services and Business and Institutional Services segment's surplus earnings before member dividends totalled $703 million, up $66 million compared to the same period in 2014. This result was mainly due to business growth in financing and the sale of financial products.

Operating income amounted to $4,440 million, up $265 million, or 6.3%.

It was affected by a $192 million, or 6.9%, increase in net interest income as a result of growth in the entire loan portfolio, amounting to $8.5 billion, or 5.8%, during the year. Fierce competition in the market is still putting pressure on interest margins.

Other operating income was up $73 million, or 5.3%, compared to the same period in 2014, to total $1,458 million, primarily because of an increase in caisse network sales of various Desjardins Group products designed by the subsidiaries, such as investment funds, the growth in credit card and point-of-sale financing activities, and a higher volume of capital market operations. The increase was partly offset, however, by lower income related to certain programs.

Investment income was $28 million, down $42 million, compared to the same period in 2014, as a result of gains on the disposal of securities related to surplus liquidity in the caisse network in 2014 and of lower trading income on capital markets.

Total income for the segment was $4,468 million, an increase of $223 million, or 5.3%, compared to September 30, 2014.

The provision for credit losses was $305 million for the first nine months of 2015, up $22 million, or 7.8%, compared to the same period in 2014, chiefly as a result of loan portfolio growth and the higher loss rate at Card and Payment Services, partially offset by a revision of the parameters for calculating the provisions as well as an improvement in portfolio quality for loans to medium-sized and large businesses. The Personal Services and Business and Institutional Services segment's loan portfolio continued to be of high quality. The ratio of gross impaired loans, as a percentage of the total gross loan portfolio, was 0.36% as at September 30, 2015, up compared to the ratio of 0.33% for the corresponding period in 2014. The provisioning rate was 0.27%, unchanged from the corresponding nine months of 2014.

Non-interest expense was $3,211 million, for an increase of $90 million, or 2.9%, compared to the same period in 2014, primarily because of business growth, particularly in *AccèsD,* credit card and point-of-sale financing activities. The increase was partly offset, however, by lower expenses for certain programs.

WEALTH MANAGEMENT AND LIFE AND HEALTH INSURANCE

The Wealth Management and Life and Health Insurance segment offers Desjardins Group members and clients a complete range of products and services tailored to the changing wealth management and financial security needs of individuals, groups, businesses and cooperatives. These products and services are distributed by advisors and financial planners in the Desjardins caisse network and the Private Management sector, financial security advisors, life and health insurance and employee benefit agents and brokers, and securities brokers. Some product lines are also distributed directly online, via applications for mobile devices and through client care centres. Since January 1, 2015, this segment has also included the life and health insurance operations of State Farm Canada.

WEALTH MANAGEMENT AND LIFE AND HEALTH INSURANCE – SEGMENT RESULTS

(in millions of dollars)	**For the three-month periods ended**			**For the nine-month periods ended**	
	September 30, 2015	June 30, 2015	September 30, 2014[1]	**September 30, 2015**	September 30, 2014[1]
Net interest income	**$ -**	$ -	$ 1	**$ -**	$ 2
Net premiums	**1,056**	978	982	**3,038**	2,924
Other operating income	**313**	329	297	**961**	863
Operating income	**1,369**	1,307	1,280	**3,999**	3,789
Investment income (loss)	**81**	(435)	334	**639**	1,457
Total income	**1,450**	872	1,614	**4,638**	5,246
Claims, benefits, annuities and changes in insurance contract liabilities	**814**	100	1,036	**2,564**	3,421
Non-interest expense	**515**	531	479	**1,584**	1,430
Income taxes on surplus earnings	**38**	46	19	**114**	78
Net surplus earnings for the period after member dividends	**$ 83**	$ 195	$ 80	**$ 376**	$ 317
Of which:					
Group's share	**$ 72**	$ 147	$ 76	**$ 307**	$ 297
Non-controlling interests' share	**11**	48	4	**69**	20
Indicators					
Net sales of savings products[2]	**$ 1,372**	$ 1,528	$ 773	**$ 5,503**	$ 4,149
Insurance sales[2]	**100**	125	118	**342**	366
Group insurance premiums	**758**	760	737	**2,273**	2,182
Individual insurance premiums	**186**	181	146	**551**	428
Annuity premiums	**112**	37	100	**214**	314
Segregated fund receipts[3]	**52**	223	283	**1,367**	1,311

(1) Data for 2014 have been reclassified to reflect the current period's presentation.
(2) See "Basis of presentation of financial information".
(3) Segregated fund receipts are used to measure the growth of the Wealth Management and Life and Health Insurance segment's operations. They are the amounts invested by clients in the segregated funds offered, which are comprised of investment funds whose capital is guaranteed upon death or at maturity.

Comparison of the third quarters of 2015 and 2014

For the third quarter of 2015, the Wealth Management and Life and Health Insurance segment posted net surplus earnings of $83 million, which were stable compared to the corresponding period in 2014.

Operating income stood at $1,369 million, up $89 million, or 7.0%, compared to the same period in 2014. Insurance premiums were up $62 million. More specifically, individual insurance premiums totalled $186 million, for an increase of $40 million, or 27.4%, of which $35 million resulted from the acquisition of the State Farm Canada portfolio, while group insurance premiums stood at $758 million, up $22 million, or 2.9%, because of business growth. Annuity premiums increased by $12 million.

Other operating income grew by $16 million, or 5.4%, to total $313 million for the third quarter of 2015, chiefly as a result of the growth in average assets under management arising from the sale of various products and brokerage activities.

Investment income was down $253 million, primarily as a result of the fluctuation in the fair value of assets backing liabilities related to life and health insurance operations. This decrease was offset by the change in actuarial liabilities, leading to lower expenses related to claims, benefits, annuities and changes in insurance contract liabilities. These changes were mostly due to the changes in the fair value of the bond portfolio, stemming largely from fluctuations in medium- and long-term interest rates.

The segment's total income was $1,450 million, for a decrease of $164 million, or 10.2%, compared to the corresponding quarter in 2014, mainly as a result of the reduction in investment income explained earlier.

Expenses related to claims, benefits, annuities and changes in insurance contract liabilities stood at $814 million, down $222 million compared to 2014. This change primarily resulted from a $271 million decrease in the actuarial liabilities recognized under "Insurance contract liabilities", which includes the effect of a $231 million decrease in the fair value of investments. The integration of the recently acquired State Farm Canada operations increased these expenses by $29 million. These expenses were also affected by the increase in benefits related to higher business volumes.

Non-interest expense was $515 million for the third quarter of 2015, up $36 million, or 7.5%, compared to the same period in 2014. This increase was mainly the result of the higher remuneration of life and health insurance distribution networks, the increase in remuneration paid to caisses and in portfolio management fees arising from growth in average outstanding Desjardins Funds during the quarter. In addition, expenses of $10 million resulting from State Farm Canada's life and health insurance operations and an increase in premium insurance tax contributed to the higher expenses.

Comparison of the first nine months of 2015 and 2014

For the first nine months of 2015, the Wealth Management and Life and Health Insurance segment posted net surplus earnings of $376 million, up $59 million, or 18.6%, compared to the corresponding period in 2014. This increase was largely due to life and health insurance operations, for which a favourable change in assumptions following adjustments to the investment portfolio created a positive difference of $44 million, offset by a change in actuarial liabilities of $24 million in 2014, which had also favourably affected results. Experience gains in individual insurance and group retirement savings as well as gains on disposals of investments contributed to surplus earnings.

Operating income stood at $3,999 million, up $210 million, or 5.5%, compared to the same period in 2014. Insurance premiums were up $214 million. More specifically, individual insurance premiums totalled $551 million, for an increase of $123 million, or 28.8%, of which $101 million resulted from the acquisition of the State Farm Canada portfolio, while group insurance premiums stood at $2,273 million, up $91 million, or 4.2%, because of business growth. Annuity premiums decreased by $100 million, chiefly because of the $105 million drop in group savings premiums as a result of major contracts signed in 2014.

Other operating income grew by $98 million, or 11.4%, to total $961 million for the first nine months of 2015, mainly as a result of the growth in average assets under management arising from the sale of various products and brokerage activities.

Investment income was down $818 million, primarily as a result of the fluctuation in the fair value of assets backing liabilities related to life and health insurance operations. This decrease was offset by the change in actuarial liabilities, leading to lower expenses related to claims, benefits, annuities and changes in insurance contract liabilities. These changes were mostly due to the changes in the fair value of the bond portfolio, stemming largely from fluctuations in medium- and long-term interest rates. Moreover, in 2015, there were higher gains on disposals of securities compared to the corresponding period in 2014.

The segment's total income was $4,638 million, for a decrease of $608 million, or 11.6%, compared to the corresponding nine-month period in 2014, mainly as a result of the reduction in investment income explained earlier.

Expenses related to claims, benefits, annuities and changes in insurance contract liabilities stood at $2,564 million, down $857 million compared to 2014. This change primarily resulted from a $1,030 million decrease in the actuarial liabilities recognized under "Insurance contract liabilities", which includes the effect of an $820 million decrease in the fair value of investments. The $105 million reduction in group annuity premiums contributed to the decrease in actuarial liabilities. In addition, a favourable change in assumptions made in 2015 following adjustments to the investment portfolio also reduced actuarial liabilities by $44 million, offset by a change of $24 million in actuarial liabilities in 2014. Overall, the integration of the recently acquired State Farm Canada operations increased these expenses by $61 million. These expenses were also affected by an increase in benefits resulting from higher business volumes.

Non-interest expense totalled $1,584 million for the first nine months of 2015, up $154 million, or 10.8%, compared to the same period in 2014. This increase was mainly the result of expenses of $32 million resulting from State Farm Canada's life and health insurance operations and the higher remuneration of life and health insurance distribution networks. In addition, the higher remuneration paid to caisses and the increase in portfolio management fees arising from growth of $3.7 billion, or 18.6%, in average outstanding Desjardins Funds since the first nine months of 2014, and an increase in premium insurance tax contributed to higher expenses.

PROPERTY AND CASUALTY INSURANCE SEGMENT

The Property and Casualty Insurance segment offers insurance products allowing Desjardins Group members and clients to protect themselves against disasters. It includes the operations of Desjardins General Insurance Group Inc. and Western Financial Group Inc. Since January 1, 2015, it has also included the property and casualty (P&C) operations of State Farm Canada. The products are distributed through P&C insurance agents in the Desjardins caisse network, a number of client care centres (call centres) and Desjardins Business centres, through an exclusive agent network in the field, as well as online and via applications for mobile devices. Since the acquisition of State Farm Canada operations, Desjardins Group has been benefiting from an additional network of about 500 new agencies to distribute not only property and casualty insurance, but also a number of other financial products.

PROPERTY AND CASUALTY INSURANCE – SEGMENT RESULTS

(in millions of dollars and as a percentage)	For the three-month periods ended			For the nine-month periods ended	
	September 30, 2015	June 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Net interest income	**$ 1**	$ -	$ 3	**$ 1**	$ -
Net premiums	**702**	785	574	**2,425**	1,693
Other operating income	**16**	(12)	44	**80**	138
Operating income	**719**	773	621	**2,506**	1,831
Investment income (loss)	**(47)**	14	12	**153**	125
Total income	**672**	787	633	**2,659**	1,956
Claims, benefits, annuities and changes in insurance contract liabilities	**436**	236	337	**1,528**	1,131
Non-interest expense	**265**	293	211	**818**	631
Income taxes on surplus earnings	**(6)**	64	18	**66**	45
Net surplus earnings for the period after member dividends	**$ (23)**	$ 194	$ 67	**$ 247**	$ 149
Gain as at the acquisition date of State Farm Canada(1)	**-**	-	-	**(55)**	-
Expenses related to the acquisition of State Farm Canada net of income taxes(1)	**7**	11	9	**25**	32
Adjusted net surplus earnings (deficit) for the period after member dividends(1)	**$ (16)**	$ 205	$ 76	**$ 217**	$ 181
According to net surplus earnings for the period after member dividends:					
Group's share	**$ (27)**	$ 169	$ 60	**$ 205**	$ 138
Non-controlling interests' share	**4**	25	7	**42**	11
Indicators					
Gross written premiums(1)(2)	**$ 1,121**	$ 1,196	$ 633	**$ 3,268**	$ 1,853
Loss ratio(1)	**63.0%**	43.0%	59.1%	**62.9%**	66.3%
Expense ratio(1)	**29.7**	29.8	26.2	**26.6**	27.9
Adjusted expense ratio(1)	**28.2**	27.8	23.9	**25.2**	25.2
Combined ratio(1)	**92.7**	72.8	85.3	**89.5**	94.2
Adjusted combined ratio(1)	**91.2**	70.8	83.0	**88.1**	91.5

(1) See "Basis of presentation of financial information".
(2) Includes Western Financial Group Inc.'s life insurance premiums.

Comparison of the third quarters of 2015 and 2014

For the third quarter of 2015, the Property and Casualty Insurance segment posted a net deficit of $23 million, compared to net surplus earnings of $67 million in the third quarter in 2014. The adjusted net deficit totalled $16 million, while adjusted net surplus earnings for the corresponding quarter in 2014 stood at $76 million. This decline in surplus earnings was mainly due to high volatility on financial markets, which resulted in the recognition of impairment losses, considerably reducing investment income. These losses were recognized in accordance with Desjardins Group's accounting policies, given that there was objective evidence of impairment.

Operating income totalled $719 million, up $98 million, or 15.8%, primarily due to growth of $128 million, or 22.3%, in net premiums. Of this amount, $80 million was attributable to the recently acquired State Farm Canada operations and to the larger number of policies issued as a result of multiple growth initiatives across all market segments and regions. Net premiums for the third quarter of 2015 were down from the second quarter, particularly because of the reinsurance treaty signed as part of the acquisition of State Farm Canada, which provides for the cession, scaled down over a five-year term, of the premiums and claims arising from new business and renewals after the acquisition date.

Other operating income was down $28 million, or 63.6%, chiefly as a result of the increase of $35 million in the contingent consideration payable for the acquisition of State Farm Canada, and arising from favourable developments in the claims taken over.

Investment income was down $59 million compared to the same period in 2014, mainly due to impairment losses on shares recognized in profit and loss, resulting from high volatility on financial markets. These losses were recognized in accordance with Desjardins Group's accounting policies, given that there was objective evidence of impairment.

The segment's total income rose to $672 million for the third quarter of 2015, up $39 million, or 6.2%, compared to the third quarter of 2014.

The Property and Casualty Insurance segment's cost of claims totalled $436 million for the third quarter, up $99 million, or 29.4%, compared to the third quarter of 2014, primarily due to the higher business volume resulting from the acquisition of State Farm Canada and organic business growth. In addition, the loss ratio of the P&C insurers was 63.0% for the third quarter of 2015, versus 59.1% for the corresponding quarter in 2014. This increase was mainly the result of a higher loss experience in home and automobile insurance, partially offset by the favourable trend in automobile insurance claims taken over from State Farm Canada.

Non-interest expense was $265 million for the third quarter of 2015, up $54 million, or 25.6%, compared to the same quarter a year earlier. If expenses related to the acquisition of State Farm Canada are excluded, non-interest expense was $255 million, up $57 million, or 28.8%. This last increase is essentially due to the larger business volume resulting, in particular, from the acquisition for an amount of $45 million, and from organic business growth.

Comparison of the first nine months of 2015 and 2014

For the first nine months of 2015, the Property and Casualty Insurance segment posted net surplus earnings of $247 million, up $98 million, or 65.8%, compared to the corresponding period in 2014. Adjusted net surplus earnings totalled $217 million, up $36 million, or 19.9%, compared to the first nine months of 2014, mainly due to the contribution from State Farm Canada.

Operating income totalled $2,506 million, up $675 million, or 36.9%, primarily due to growth of $732 million, or 43.2%, in net premiums. Of this amount, $603 million was attributable to the recently acquired State Farm Canada operations and to the larger number of policies issued as a result of multiple growth initiatives across all market segments and regions.

Other operating income was down $58 million, or 42.0%, chiefly as a result of the increase in the contingent consideration payable as part of the acquisition of State Farm Canada, and arising from favourable developments in the claims taken over. The reduction in other operating income was mitigated by the gain on the acquisition as a result of this transaction.

Investment income was up $28 million compared to the same period in 2014, mainly due to income of $96 million on the investments acquired from State Farm Canada, partly offset by impairment losses on shares recognized in profit and loss, resulting from high volatility on financial markets during the third quarter of 2015. These losses were recognized in accordance with Desjardins Group's accounting policies, given that there was objective evidence of impairment.

The segment's total income rose to $2,659 million for the first nine months of 2015, up $703 million, or 35.9%, compared to the corresponding period in 2014.

The Property and Casualty Insurance segment's cost of claims totalled $1,528 million for the first nine months of 2015, up $397 million, or 35.1%, compared to the same period in 2014. This increase was primarily due to the higher business volume resulting from the acquisition of State Farm Canada and organic growth. It was partially offset by an improvement in the loss ratio for the P&C insurers, which was 62.9% for the first nine months of 2015, versus 66.3% for the corresponding period of 2014. The positive trend in automobile insurance claims taken over from State Farm Canada and the favourable loss experience in home insurance compared to the first nine months of 2014 chiefly accounted for the improved loss ratio.

Non-interest expense was $818 million for the first nine months of 2015, up $187 million, or 29.6%, compared to the same period a year earlier. If expenses related to the acquisition of State Farm Canada are excluded, non-interest expense was $784 million, up $197 million, or 33.6%. This last increase is essentially due to the larger business volume resulting, in particular, from the acquisition for an amount of $139 million, and from organic business growth.

OTHER CATEGORY

The Other category includes financial information that is not specific to a business segment. It mainly includes treasury activities related to *Caisse centrale Desjardins's* operations and financial intermediation between the caisses' liquidity surpluses and needs. This category also includes the results for the support functions provided by the Federation to Desjardins Group as a whole, the operations of *Capital Desjardins inc.* and *Fonds de sécurité Desjardins*, as well as the activities related to asset-backed term notes (ABTN) held by Desjardins Group. It further includes Desjardins Technology Group Inc., which encompasses all of Desjardins Group's IT operations. In addition to various adjustments required to prepare the Interim Combined Financial Statements, the intersegment balance eliminations are classified in this category.

Desjardins Group does not consider an item-by-item comparative analysis of the operations in this category to be relevant given the integration of various consolidation adjustments and intersegment balance eliminations. Consequently, Desjardins Group presents an analysis of these operations based on their contribution to surplus earnings before member dividends.

OTHER CATEGORY

(in millions of dollars)	**For the three-month periods ended**			**For the nine-month periods ended**	
	September 30, 2015	June 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Treasury activities	**$ 29**	$ 39	$ 41	**$ 132**	$ 104
Fonds de sécurité Desjardins operations	**20**	18	15	**55**	50
Activities related to asset-backed term notes	**4**	3	21	**29**	42
Activities related to derivatives associated with hedging activities	**19**	(13)	(2)	**39**	15
Other[1]	**4**	(46)	(45)	**(84)**	(75)
Net surplus earnings for the period	**$ 76**	$ 1	$ 30	**$ 171**	$ 136
Of which:					
Group's share	**$ 74**	$ -	$ 29	**$ 167**	$ 134
Non-controlling interests' share	**2**	1	1	**4**	2

[1] Includes support function activities, various adjustments required to prepare the Interim Combined Financial Statements, and intersegment balance eliminations.

Contribution to surplus earnings

Comparison of the third quarters of 2015 and 2014

Net surplus earnings for the period arising from operations grouped under the Other category totalled $76 million for the third quarter of 2015, compared to $30 million in 2014.

Treasury activities contributed $29 million to surplus earnings, down $12 million, due mainly to the decline in income from trading activities and the effect of significant fluctuations in spreads between European and Canadian interest rate curves on the portion of derivative instruments used to hedge foreign currency deposits that do not qualify for hedge accounting.

The operations of *Fonds de sécurité Desjardins* contributed surplus earnings of $20 million, compared to $15 million in the corresponding period of 2014, which is a stable performance.

Surplus earnings arising from ABTN activities totalled $4 million, down $17 million compared to the corresponding period in 2014 as a result of the increase in the fair value of the ABTN portfolio, net of hedging positions, which was lower in 2015 than in 2014.

Activities related to derivatives associated with hedging activities recorded surplus earnings of $19 million, compared to a deficit of $2 million during the corresponding period in 2014, for an increase of $21 million. This resulted mainly from an increase in amortization related to terminations of hedges and an increase in the fair value of swaps due to higher interest rates.

Other activities were affected in 2014 and 2015 primarily by expenses related to the implementation of Desjardins-wide strategic projects.

Comparison of the first nine months of 2015 and 2014

Net surplus earnings for the period arising from operations grouped under the Other category totalled $171 million for the first nine months of 2015, compared to $136 million in 2014.

Treasury activities contributed $132 million to surplus earnings, up $28 million, due mainly to the effect of significant fluctuations in spreads between European and Canadian interest rate curves on the portion of derivative instruments used to hedge foreign currency deposits that do not qualify for hedge accounting, and to growth in income from asset-liability matching management activities as well as trading activities.

The operations of *Fonds de sécurité Desjardins* contributed surplus earnings of $55 million, which was comparable to that of the corresponding period of 2014.

Surplus earnings arising from ABTN activities totalled $29 million, down $13 million compared to the corresponding period in 2014. This decrease was attributable to the increase in the fair value of the ABTN portfolio, net of hedging positions, which was lower in 2015 than in 2014.

Surplus earnings from activities related to derivatives associated with hedging activities totalled $39 million, compared to surplus earnings of $15 million for the corresponding period in 2014, for an increase of $24 million. This resulted mainly from an increase in amortization related to terminations of hedges, partially offset by the effect of a decrease in the fair value of swaps due to lower interest rates.

Other activities were affected in 2014 and 2015 primarily by expenses related to the implementation of Desjardins-wide strategic projects.

SUMMARY OF INTERIM RESULTS

The table below presents a summary of data related to the results for Desjardins Group's most recent eight quarters.

RESULTS OF THE MOST RECENT EIGHT QUARTERS

(in millions of dollars)	2015			2014				2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net interest income	**$ 1,094**	$ 1,057	$ 995	$ 1,021	$ 1,013	$ 981	$ 961	$ 978
Net premiums	**1,692**	1,698	1,876	1,480	1,496	1,499	1,441	1,515
Other operating income								
Deposit and payment service charges	**125**	122	118	127	128	123	120	131
Lending fees and credit card service revenues	**149**	156	154	157	147	146	147	144
Brokerage and investment fund services	**255**	267	252	239	252	250	229	220
Management and custodial service fees	**95**	105	93	95	88	84	81	78
Foreign exchange income	**20**	21	26	22	24	16	22	15
Other	**7**	12	90	84	52	58	71	78
Operating income	**3,437**	3,438	3,604	3,225	3,200	3,157	3,072	3,159
Investment income (loss)								
Net income (loss) on securities at fair value through profit or loss	**17**	(612)	1,174	686	288	474	557	11
Net income on available-for-sale securities	**34**	107	105	83	36	119	105	69
Net other investment income	**51**	92	44	36	71	72	54	51
	102	(413)	1,323	805	395	665	716	131
Total income	**3,539**	3,025	4,927	4,030	3,595	3,822	3,788	3,290
Provision for credit losses	**102**	103	89	68	109	80	94	73
Claims, benefits, annuities and changes in insurance contract liabilities	**1,246**	332	2,503	1,760	1,369	1,573	1,601	1,050
Non-interest expense	**1,673**	1,791	1,752	1,745	1,582	1,619	1,608	1,695
Income taxes on surplus earnings	**114**	170	119	103	126	104	101	121
Surplus earnings before member dividends	**404**	629	464	354	409	446	384	351
Member dividends, net of income tax recovery	**26**	24	30	5	49	51	55	42
Surplus earnings for the period after member dividends	**$ 378**	$ 605	$ 434	$ 349	$ 360	$ 395	$ 329	$ 309
Of which:								
Group's share	**$ 361**	$ 531	$ 409	$ 326	$ 348	$ 381	$ 321	$ 322
Non-controlling interests' share	**17**	74	25	23	12	14	8	(13)

Quarterly income, expenses and surplus earnings before member dividends fluctuate based on certain trends, including seasonal variations and changes in general economic and market conditions. For more information about quarterly trends, see page 49 of the 2014 Annual Report.

BALANCE SHEET REVIEW

BALANCE SHEET MANAGEMENT

COMBINED BALANCE SHEETS

(in millions of dollars and as a percentage)	As at September 30, 2015		As at December 31, 2014	
Assets				
Cash and deposits with financial institutions	**$ 1,924**	**0.8%**	$ 1,781	0.8%
Securities	**54,042**	**21.5**	44,735	19.5
Securities borrowed or purchased under reverse repurchase agreements	**10,134**	**4.0**	9,959	4.3
Net loans	**156,906**	**62.5**	150,454	65.6
Segregated fund assets	**9,503**	**3.8**	8,695	3.8
Other assets	**18,463**	**7.4**	13,763	6.0
Total assets	**$ 250,972**	**100.0%**	$ 229,387	100.0%
Liabilities and equity				
Deposits	**$ 154,543**	**61.6%**	$ 146,324	63.8%
Other liabilities	**72,495**	**28.9**	61,606	26.9
Subordinated notes	**2,553**	**1.0**	2,564	1.1
Equity	**21,381**	**8.5**	18,893	8.2
Total liabilities and equity	**$ 250,972**	**100.0%**	$ 229,387	100.0%

TOTAL ASSETS

As at September 30, 2015, Desjardins Group had total assets of $251.0 billion, up $21.6 billion, or 9.4%, since December 31, 2014. This growth was largely attributable to the assets acquired from State Farm Canada, which represented $7.4 billion on January 1, 2015, as well as to growth in loan portfolios and securities. Other assets, which include derivative financial instruments, were also up $4.7 billion.

CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS, AND SECURITIES

As at September 30, 2015, Desjardins Group's cash and deposits with financial institutions were $1.9 billion, up $143 million, or 8.0%, since December 31, 2014. Securities, including securities borrowed or purchased under reverse repurchase agreements, totalled $64.2 billion, compared to $54.7 billion at the end of 2014, for an increase of $9.5 billion, or 17.3%, due to the securities acquired from State Farm Canada on January 1, 2015.

LOANS BY BORROWER CATEGORY

(in millions of dollars and as a percentage)	As at September 30, 2015		As at December 31, 2014	
Residential mortgages	**$ 101,420**	**64.4%**	$ 97,512	64.6%
Consumer, credit card and other personal loans	**21,049**	**13.4**	20,495	13.6
Business and government	**34,915**	**22.2**	32,903	21.8
	157,384	**100.0%**	150,910	100.0%
Allowance for credit losses	**(478)**		(456)	
Total loans by borrower category	**$ 156,906**		$ 150,454	
Loans guaranteed and/or insured[(1)]	**$ 43,693**		$ 44,238	

[(1)] Loans fully or partially guaranteed or insured by a public or private insurer or a government.

As at September 30, 2015, Desjardins Group's outstanding loan portfolio, net of the allowance for credit losses, was $156.9 billion, up $6.5 billion, or 4.3%, since December 31, 2014. The increase was largely due to residential mortgages and business and government loans, which represented 64.4% and 22.2%, respectively, of its portfolio.

Outstanding residential mortgages stood at $101.4 billion as at September 30, 2015, up $3.9 billion, or 4.0% since December 31, 2014. The improvement in the Quebec and Ontario housing markets during the third quarter, particularly in home resales, played a role in Desjardins Group's results.

Business and government loans grew by $2.0 billion, or 6.1%, since year-end 2014, to total $34.9 billion as at September 30, 2015. The real estate and manufacturing industry sectors were mainly responsible for the increase. Consumer, credit card and other personal loans amounted to $21.0 billion as at September 30, 2015, an increase of $554 million, or 2.7%, since December 31, 2014. Also note that Desjardins Group made two acquisitions in 2015: on January 1, it acquired a portfolio of automobile loans with a net carrying amount of $119 million by buying the shares of State Farm Canada Credit Corporation, and it acquired the outstandings and receivables of Best Buy Canada stores from JP Morgan Chase Bank, National Association, for $174 million in the second quarter of 2015.

Credit quality

Information about the quality of Desjardins Group's credit portfolio is presented in the "Risk management" section on page 29 of this MD&A.

DEPOSITS

(in millions of dollars and as a percentage)	**As at September 30, 2015**		As at December 31, 2014	
Individuals	**$ 89,161**	**57.7%**	$ 88,463	60.5%
Business and government	**63,553**	**41.1**	56,516	38.6
Deposit-taking institutions and other	**1,829**	**1.2**	1,345	0.9
Total deposits	**$ 154,543**	**100.0%**	$ 146,324	100.0%

As at September 30, 2015, Desjardins Group's outstanding deposits totalled $154.5 billion, up by $8.2 billion, or 5.6%, since December 31, 2014. This growth was largely due to deposits from business and government, which comprised 41.1% of the deposit portfolio. They grew by $7.0 billion, or 12.5%, since December 31, 2014 to total $63.6 billion as at September 30, 2015. The issuances made on the markets by *Caisse centrale Desjardins* since the beginning of the year accounted for these results.

Deposits by individuals, which represented 57.7% of this portfolio, totalled $89.2 billion as at September 30, 2015, for an increase of $698 million, or 0.8%, since December 31, 2014. Lastly, savings from deposit-taking institutions and other sources were up $484 million, or 36.0%, during the same period, to total $1.8 billion as at September 30, 2015.

OTHER LIABILITIES

As at September 30, 2015, other liabilities amounted to $72.5 billion, for an increase of $10.9 billion, or 17.7%, since December 31, 2014. The increase was primarily due to insurance contract liabilities and segregated fund liabilities related to the operations acquired from State Farm Canada as well as to liabilities related to securities lending operations.

Other liabilities were mainly comprised of $26.6 billion in insurance contract liabilities, $9.5 billion in net segregated fund liabilities, $9.4 billion in commitments related to securities lent or sold under repurchase agreements, as well as $8.6 billion in commitments related to securities sold short.

EQUITY

As at September 30, 2015, equity totalled $21.4 billion, an increase of $2.5 billion, or 13.2%, since December 31, 2014. The sources of this growth were net surplus earnings for the first nine months after member dividends, which totalled $1,417 million, and the $974 million in capital shares issued by the Federation, net of issuance expenses. Equity also increased by $650 million related to non-controlling interests following the acquisition of State Farm Canada.

Note 23, "Capital stock", to the Annual Combined Financial Statements provides additional information about Desjardins Group's capital stock.

CAPITAL MANAGEMENT

Capital management is a crucial element of the financial management of Desjardins Group. Its goal is to ensure that the capital level and structure of Desjardins Group and its components are consistent with their risk profile, distinctive nature and cooperative objectives. Capital management must also ensure that the capital structure is adequate in terms of profitability targets, growth objectives, rating agencies' expectations and regulators' requirements. In addition, it must serve to optimize the allocation of capital and internal capital flow mechanisms, and support growth, development and asset risk management at Desjardins Group.

Desjardins Group advocates prudent management of its capital. Its purpose is to maintain higher regulatory capital ratios than those of the Canadian banking industry and regulatory requirements. Its prudent capital management is reflected in the quality of the credit ratings assigned by the various rating agencies.

The global financial crisis prompted the industry to place more emphasis on sound capitalization of its operations. Now more than ever, rating agencies and the market favour the best-capitalized institutions. These factors argue in favour of a general increase in the level and quality of capital issued by financial institutions. This is also reflected in the enhanced requirements under Basel III implemented on January 1, 2013. It was against this backdrop that Desjardins Group set its target for Tier 1A and Tier 1 capital at 15%.

Desjardins Group's Integrated Capital Management Framework

Broadly speaking, Desjardins Group's Integrated Capital Management Framework includes the policies and processes required to set targets for its capitalization and to assign targets to its components, to establish strategies to ensure that targets are met, to quickly raise capital, to ensure that the components' performance is appropriately measured, and to optimize internal capital flow and use mechanisms.

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 for all of its components and to assess their financial and regulatory repercussions. This procedure makes it possible to determine if the minimum capital target, as established in the capitalization plan, is adequate in view of the risks to which Desjardins Group is exposed.

Regulatory framework and internal policies

Desjardins Group's capital management is the responsibility of the Federation's Board of Directors. To support it with this task, it has mandated the Finance and Risk Management Committee to ensure that Desjardins Group has a sufficient and reliable capital base. The Finance Executive Division and Office of the CFO is responsible for preparing, on an annual basis and with the help of Desjardins Group's components, a capitalization plan to forecast capital trends, devise strategies and recommend action plans for achieving capital objectives and targets.

The current situation and the forecast show that overall, Desjardins Group has a solid capital base allowing it to remain one of the best capitalized financial institutions.

Desjardins Group's regulatory capital ratios are calculated according to the AMF's guideline on adequacy of capital base standards applicable to financial services cooperatives (the guideline). This guideline takes into account the global regulatory framework for more resilient banks and banking systems (Basel III) issued by the Bank for International Settlements.

Regulatory authorities require that a minimum amount of capital be maintained on a combined basis by all the Desjardins Group components, mainly the caisses, the Federation (non-consolidated), *Caisse centrale Desjardins*, *Fonds de sécurité Desjardins*, *Capital Desjardins inc.*, Bank Zag, Desjardins Securities Inc. and Desjardins Trust Inc.

This capital takes into consideration investments made in other Desjardins Group components. Some of these components are subject to separate requirements regarding regulatory capital, liquidity and financing, which are set by regulatory authorities governing banks and securities, in particular. Desjardins Group oversees and manages the capital requirements of these entities to ensure efficient use of capital and continuous compliance with the applicable regulations.

For the purpose of calculating capital, Desjardins Financial Corporation Inc., the holding corporation that mainly includes the insurance subsidiaries, has been deconsolidated and presented as a capital deduction. Desjardins Financial Corporation Inc. is subject to the AMF's Capital adequacy requirements guideline for life and health insurers.

As well, certain Desjardins Group subsidiaries, including the insurance companies, are subject to regulatory requirements from the AMF or other regulators. Most of these subsidiaries must comply with minimum capital requirements that could limit Desjardins Group's ability to allocate part of this capital or these funds to other purposes.

Basel III

The Basel III regulatory framework increases capital requirements. Even though the Basel III regulatory framework provides for a transitional period from 2013 to 2019 to mitigate the impact of the new capitalization rules, the AMF required Desjardins Group to meet the Tier 1A capital ratio requirements for 2019 in the first quarter of 2013. For the Tier 1 and total capital ratios, the AMF required Desjardins Group to meet the levels established for 2019 in the first quarter of 2014.

The minimum Tier 1A capital ratio that Desjardins Group must maintain to meet the regulatory requirements of the guideline is 7%. In addition, its Tier 1 capital ratio and its total capital ratio must be above 8.5% and 10.5%, respectively, including a 2.5% capital conservation buffer. The AMF may also set higher targets at its discretion when circumstances warrant. To this end, the use of the Internal Ratings-Based Approach for credit risk related to retail loan portfolios – Personal is conditional on maintaining a total capital ratio of more than 11.5%, instead of 10.5%, as stated in the guideline.

In June 2013, the AMF determined that Desjardins Group met the criteria to be designated a domestic systemically important financial institution (D-SIFI). Effective January 1, 2016, Desjardins Group, as a D-SIFI, will be subject to an additional capital requirement of 1% on its minimum capital ratios. The OSFI has also determined that the six major Canadian financial institutions meet the criteria to be designated D-SIFI.

Since January 1, 2015, the AMF has also required Desjardins Group to maintain a leverage ratio above 3%. The ratio is defined as the capital measure (namely Tier 1 capital) divided by the exposure measure. The exposure measure includes: 1) on-balance sheet (OBS) exposures, 2) securities financing transaction (SFT) exposures, 3) derivative exposures, and 4) other off-balance sheet exposures. The new leverage ratio has replaced the asset/capital ratio since January 1, 2015.

Compliance with requirements

As at September 30, 2015, the Tier 1A, Tier 1 and total capital ratios of Desjardins Group, calculated in accordance with Basel III requirements, were 15.8%, 15.9% and 17.4%, respectively. The leverage ratio was 7.5%. Desjardins Group therefore has very good capitalization, with a Tier 1A capital ratio above the 15% target.

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 September 30, 2015.

Regulatory capital

The following tables present Desjardins Group's main capital components, capital balances, risk-weighted assets, capital ratios, and movements in capital during the period.

MAIN CAPITAL COMPONENTS

	Total capital		
	Tier 1 capital		Tier 2 capital
	Tier 1A	Tier 1B	
Eligible items	> Reserves and undistributed surplus earnings > Eligible accumulated other comprehensive income > Federation's capital shares > Permanent shares and surplus shares subject to phase-out > Non-controlling interests(1)	> Non-controlling interests(1)	> Eligible collective allowance > Subordinated notes subject to phase-out > Eligible qualifying shares > Non-controlling interests(1)
Regulatory adjustments	> Goodwill > Software > Other intangible assets > Deferred tax assets essentially resulting from loss carryforwards > Shortfall in allowance		
Deductions	> Mainly significant investments in financial entities(2)		> Investment in preferred shares of a component deconsolidated for regulatory capital purposes > Subordinated financial instrument

(1) The amount of non-controlling interests allocated to the various capital tiers is determined, in particular, based on the nature of the operations and the capitalization level of the investee.
(2) Represents 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 Tier 1A capital. The net non-deducted balance will be subject to risk-weighting at a rate of 250%.

CAPITAL, RISK-WEIGHTED ASSETS AND CAPITAL RATIOS

(in millions of dollars, as a percentage and as a coefficient)	As at September 30, 2015	As at December 31, 2014
Capital		
Tier 1A capital	$ 16,918	$ 15,263
Tier 1 capital	16,935	15,287
Total capital	18,539	17,379
Risk-weighted assets		
Credit risk	$ 73,510	$ 68,625
Market risk	2,410	5,486
Operational risk	12,969	12,702
Total risk-weighted assets	$ 88,889	$ 86,813
Risk-weighted assets (RWA) after transitional provisions for the credit valuation adjustment (CVA) charge[1]		
RWA for Tier 1A capital	$ 88,573	$ 86,483
RWA for Tier 1 capital	88,635	86,545
RWA for total capital	88,687	86,637
Threshold adjustment[1][2]		
Tier 1A capital	$ 18,188	$ 10,440
Tier 1 capital	18,126	10,378
Total capital	18,074	10,286
Risk-weighted assets (RWA) after transitional provisions for the CVA charge, including the threshold adjustment		
RWA for Tier 1A capital	$ 106,761	$ 96,923
RWA for Tier 1 capital	106,761	96,923
RWA for total capital	106,761	96,923
Ratios		
Tier 1A capital	15.8%	15.7%
Tier 1 capital	15.9%	15.8%
Total capital	17.4%	17.9%
Assets/capital ratio[3]	N/A	10.8
Leverage[3]	7.5%	N/A

(1) As prescribed in Section 1.6 of the AMF guideline. The threshold was presented to account for RWA after the transitional provisions for the CVA charge for capital.
(2) The scaling factors used since January 1, 2014 to account for the requirements for the CVA charge are being phased in to calculate the Tier 1A, Tier 1 and total capital ratios, which are 64%, 71% and 77%, respectively.
(3) The assets/capital ratio was replaced by the new leverage ratio on January 1, 2015 in accordance with the AMF guideline.

In compliance with Basel III requirements, capital instruments that no longer meet the eligibility criteria for capital tiers have been excluded from them effective January 1, 2013. However, in accordance with the transitional provisions set out in the guideline, instruments that meet certain conditions are being phased out from capital at an annual rate of 10% over a nine-year period that began on January 1, 2013. These instruments include permanent shares and surplus shares issued before September 12, 2010, which total $2.1 billion.

In addition, the subordinated notes issued by *Capital Desjardins inc.* are also subject to the 10% amortization. In order to be fully eligible for Tier 2 capital, such notes must meet Non-Viability Contingent Capital (NVCC) requirements. Discussions concerning the application of these requirements to cooperative entities are still in progress at the international level. Desjardins Group does not plan to issue any financial instruments of this type until these requirements have been further clarified.

On December 19, 2014, the Federation filed a new prospectus to issue additional shares totalling $1.0 billion. This new issue started on January 14, 2015. During the first nine months ended September 30, 2015, the amount of capital shares issued by the Federation totalled $974 million, net of issuance expenses, compared to $592 million for the same period in 2014.

Furthermore, on November 23, 2015, *Capital Desjardins inc.* plans to call all Series H senior notes for early redemption, in the amount of $700 million.

During the first nine months of 2015, growth in surplus earnings and reserves, as well as the issuance of capital shares, contributed to a higher Tier 1A capital ratio. Conversely, the increase in risk-weighted assets and significant investments in financial entities resulted in a decline in this ratio.

CHANGE IN REGULATORY CAPITAL
For the nine-month period ended

(in millions of dollars)	September 30, 2015
Tier 1A capital	
Balance at beginning of period	$ 15,263
Increase in reserves and undistributed surplus earnings[1]	1,442
Eligible accumulated other comprehensive income	(155)
Federation's capital shares	979
Permanent shares and surplus shares subject to phase-out	(210)
Non-controlling interests	1
Deductions	(402)
Balance at end of period	16,918
Tier 1B capital	
Balance at beginning of period	24
Non-controlling interests	(7)
Balance at end of period	17
Total Tier 1 capital	16,935
Tier 2 capital	
Balance at beginning of period	2,092
Eligible qualifying shares	(1)
Non-controlling interests	1
Senior notes subject to phase-out	(310)
Eligible collective allowance	(6)
Deductions	(172)
Balance at end of period	1,604
Total capital	$ 18,539

(1) Including the change in defined benefit pension plan liabilities.

Risk-weighted assets (RWA)

Desjardins Group calculates the risk-weighted assets for credit risk, market risk and operational risk. Since March 2009, Desjardins has been using the Internal Ratings-Based Approach for credit risk related to retail loan portfolios − Personal. Other exposures to credit and market risk are measured according to the Standardized Approach, while operational risk is calculated based on the Basic Indicator Approach. In addition, Desjardins Group is subject to a threshold defined under Basel I, where the threshold is determined by the difference between the minimum regulatory capital requirement in accordance with the rules of the last version of the AMF guideline based on Basel I and the minimum regulatory capital requirement calculated under Basel III.

For credit risk, movements in RWA during the first nine months of 2015 are presented as two separate items, namely credit risk, and then counterparty and issuer risk. In credit risk, the main fluctuations were due to changes in the portfolio's size, resulting in a $4.6 billion increase. In counterparty and issuer risk, the return swap hedging the securitization portfolio matured on March 31, 2015, adding $1.4 billion, and was followed, in the second quarter, by the payment of tranches in the securitization portfolio, which resulted in a $0.7 billion decrease. The quality improvement in the portfolios subject to counterparty and issuer risk, as well as the revised calculation of regulatory capital also resulted in a decrease of $0.7 billion.

In market risk, changes in the level of risk, as well as a refinement in the calculation of general interest risk resulted in a $3.1 billion decrease. A small change was also noted in operational risk, due to fluctuations in income generated, which led to a $0.5 billion increase, as well as the formation of the new regulated holding company, Desjardins Financial Corporation Inc., which caused a $0.3 billion increase in RWA.

The threshold adjustment as previously defined increased by $7.7 billion since December 31, 2014, essentially as a result of changes in the portfolio and the formation of Desjardins Financial Corporation Inc., which caused a $9.8 billion increase, while the revised calculation of regulatory capital caused a $2.1 billion decrease.

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, contractual commitments, financial assets held as collateral and other, as well as structured entities, including securitization. These types of arrangements are described on pages 60 and 61 of the 2014 Annual Report. There have been no additions or material changes with regard to these off-balance sheet items as at September 30, 2015.

Assets under management and under administration

Desjardins Group is one of Canada's leading trustees and wealth managers. Assets under management and under administration are comprised chiefly 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 in the Combined Balance Sheets.

Stock market activity in Canada was down substantially in the third quarter of 2015. The S&P/TSX index fell 8.6% during this period, after a 2.3% decline in the previous quarter and an 1.8% advance in the first three months of the year. Despite this severe correction in the Canadian stock market, Desjardins Group remained very active in the area of off-balance sheet savings product sales. Investment funds and securities outstanding under administration or management for third parties grew by $1.8 billion, or 2.7%, since December 31, 2014, to total $70.8 billion as at September 30, 2015.

Structured entities

In the normal course of operations, Desjardins Group enters into various financial transactions with structured entities to diversify its sources of financing and manage its capital. Structured entities are usually created for a unique and distinct purpose, and they frequently have limited activities. Often the structured entities have insufficient equity to permit them to finance their activities without subordinated financial support, or they often use financing in the form of multiple contractually linked instruments issued to investors. These entities may be included in Desjardins Group's Combined Balance Sheets if it controls them. Detailed information concerning significant exposure to structured entities is provided below.

Master Asset Vehicle (MAV) trusts

Desjardins Group holds financial interests in MAV trusts, which are structured entities not included in its Combined Balance Sheets. These trusts carry out transactions involving synthetic assets, ineligible assets and traditional assets associated with the asset-backed term notes (ABTN) portfolio. Desjardins Group entered into several different types of transactions to reduce the risk associated with the ABTN portfolio, the margin funding facility (MFF) related to the ABTN portfolio and other restructured securities. The implementation of credit index hedges on MAV portfolios, the acquisition of protection for Desjardins Group's commitments under the MFF, and the disposal of various restructured portfolios reduced the risk related to these portfolios significantly.

These trusts had assets of approximately $6,391 million as at September 30, 2015, compared to $13,368 million as at December 31, 2014, and they had no equity. As at September 30, 2015, Desjardins Group had an MFF of $1,193 million and held notes with a fair value of $798 million, compared to the respective amounts of $1,193 million and $1,641 million as at December 31, 2014. The aggregate of these amounts represents the maximum risk of loss with respect to the MAVs, excluding the effect of the economic hedging strategy and the protection of its commitments. Note 5, "Securities", to Desjardins Group's Interim Combined Financial Statements provides more information on this subject.

Securitization

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 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 10, "Derecognition of financial assets", to the Annual Combined Financial Statements provides more information about the financial assets transferred by Desjardins Group through securitization transactions. As at September 30, 2015, outstanding mortgage-backed securities issued by Desjardins Group and sold to the Canada Housing Trust totalled $6.6 billion, compared to $6.4 billion as at December 31, 2014.

RISK MANAGEMENT

ENHANCED DISCLOSURE TASK FORCE

On October 29, 2012, the Enhanced Disclosure Task Force (EDTF), established by the Financial Stability Board, released its report, "Enhancing the Risk Disclosures of Banks", in which it issued 32 recommendations aimed at improving risk disclosure and transparency.

In addition, given Desjardins Group's designation as a domestic systemically important financial institution (D-SIFI), Desjardins will further promote disclosure developments so as to comply, in coming years, with the principles of effective risk data aggregation and risk reporting (RDARR), which will strengthen governance as well as risk data aggregation and risk reporting capabilities.

Desjardins Group is continuing to develop its external disclosures and is working on enhancing its risk management reporting on an ongoing basis.

Information regarding the EDTF recommendations is presented in the 2014 Annual Report, the interim financial report for the third quarter of 2015 and the "Supplemental Financial Information" report, which are available on Desjardins Group's website at **www.desjardins.com/en/about_us.** The "Supplemental Financial Information" report is not incorporated by reference in this MD&A.

Below is a summary of disclosures under the EDTF recommendations and the location of the disclosures:

SUMMARY OF EDTF RECOMMENDATIONS

		Pages		
Type of risk	**Disclosure**	**2014 Annual Report**	**Interim Financial Report**	**Supplemental Financial Information**
General	Summary of risk information	62	Current page	
	Risk terminology, risk measures and key parameters	63-84, 200-206		
	Top and emerging risks	54, 55, 63-67	23, 32	
	New regulatory ratios	54, 55, 75, 76, 168-170	22-26, 32-34	7, 8
Risk governance, risk management and business models	Organizational risk management structure	63-65		
	Risk management culture	63-65		
	Risks from business model and risk appetite	22, 63, 66, 67		
	Stress testing	65		
Capital adequacy and risk-weighted assets	Minimum regulatory capital requirements	54, 55	23	
	Reconciliation of the accounting balance sheet and the regulatory balance sheet	56, 168-170	23-26	7, 8, 10-12
	Movements in regulatory capital	57	23-26	9
	Capital management and planning	53, 55-57	22-26	6
	Breakdown of capital requirements by type of risk and by calculation method	57-59, 68	30-32	13
	Credit risk			16-21
	Movements in risk-weighted assets by type of risk	58, 59	26	14-15
	Back testing and validation of credit models	68		
Liquidity	Management of liquidity needs and reserve	75-77	32-35	
Funding	Encumbered and unencumbered assets	76, 80	33, 35-37	
	Residual contractual maturities of assets, liabilities and off-balance sheet commitments	77, 78	35, 37	
	Funding sources and strategies	52, 53, 76-78	33, 35-37	
Market risk	Market risk factors	73-75, 154-158, 176	30-32	
	Assumptions, limitations and validation procedures for market risk models	74, 75	30-32	
	Extreme loss measures	74, 75	30-32	
Credit risk	Credit risk profile	51, 52, 65, 68-72, 73, 86	21, 29	13, 16-24
	Policy for identifying gross impaired loans	68, 70, 107-122		
	Reconciliation of gross impaired loans and allowance for credit losses	69, 71, 107-122, 137	29, 56	
	Counterparty risk related to derivatives	72, 73, 159-164		
	Credit risk mitigation techniques	70, 72, 159-164		
Other risks	Management of other risks	81-84	26	
	Publicly known risk events	173-175		

RISK MANAGEMENT

Desjardins Group is exposed to different types of risk in its normal course of operations, including credit risk, market risk, liquidity risk, operational risk, insurance risk, strategic risk, reputational risk, risk related to pension plans, environmental risk and risks related to the regulatory and legal environment.

Strict and effective management of these risks is a priority for Desjardins Group, its purpose being to support its major orientations, particularly regarding its financial stability as well as its sustained and profitable growth, while complying with regulatory requirements. Desjardins Group considers risk an inextricable part of its development, and consequently strives to promote a culture in which each of its employees and managers is responsible for risk management.

In the first nine months of fiscal 2015, Desjardins Group's governance structure, controls and practices for risk management, and the nature and description of the risks to which it is exposed (including insurance risk, strategic risk, reputational risk, risk related to pension plans, environmental risk and risks related to the regulatory and legal environment) did not change significantly from those described on pages 63 to 87 of the 2014 Annual Report.

Desjardins Group's objective in risk management is to optimize the risk-return trade-off, within set tolerance limits, by developing and applying integrated risk management and control strategies, policies and procedures to all its activities. To this end, Desjardins Group has adopted an Integrated Risk Management Framework to give its senior management and the Federation's Board of Directors an acceptable level of confidence and comfort regarding the understanding and management of the full spectrum of risks associated with meeting its objectives.

As previously mentioned, risk disclosure developments will be further promoted so as to comply, in coming years, with the principles of effective risk data aggregation and risk reporting (RDARR), which will strengthen risk governance as well as risk data aggregation and risk reporting capabilities, given Desjardins Group's designation as a D-SIFI.

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 direct loans to individuals, business and government. It is also exposed through various other commitments, including letters of credit and transactions involving derivative financial instruments and securities.

Quality of loan portfolio

Desjardins Group's loan portfolio continues to be of high quality. As at September 30, 2015, gross impaired loans outstanding stood at $561 million, up $50 million since December 31, 2014. The ratio of gross impaired loans, as a percentage of the total gross loan portfolio, was 0.36% for the third quarter of 2015, up from 0.34% as at December 31, 2014.

Individual allowances for credit losses, which totalled $132 million as at September 30, 2015, made it possible to obtain a total coverage ratio of 23.5% of the gross impaired loans portfolio, compared to a ratio of 24.3% as at December 31, 2014.

The collective allowance stood at $346 million as at September 30, 2015, an increase over the $332 million recorded for 2014. In addition, an allowance for risk related to off-balance sheet arrangements of $101 million was recognized under "Other liabilities – Other" on the Combined Balance Sheets as at September 30, 2015, up $10 million compared to the amount recorded as at December 31, 2014. These increases were mainly due to the growth in outstanding credit commitments. The collective allowance reflects the best estimate of the allowance for credit losses that have not yet been designated as impaired loans individually.

GROSS IMPAIRED LOANS BY BORROWER CATEGORY

(in millions of dollars and as a percentage)	**As at September 30, 2015**				As at December 31, 2014
	Gross loans	**Gross impaired loans**	**Individual allowances**	**Net impaired loans**	Net impaired loans
Residential mortgages	**$ 101,420**	**$ 165**	**$ 17**	**$ 148**	$ 134
Consumer, credit card and other personal loans	**21,049**	**98**	**19**	**79**	66
Business and government	**34,915**	**298**	**96**	**202**	187
Total	**$ 157,384**	**$ 561**	**$ 132**	**$ 429**	$ 387
As a percentage of gross loans		**0.36%**		**0.27%**	0.26%

SPECIFIC COVERAGE RATIO

(as a percentage)	**As at September 30, 2015**	As at December 31, 2014
Residential mortgages	**10.3%**	9.5%
Consumer, credit card and other personal loans	**19.4**	24.1
Business and government	**32.2**	32.2
Impaired loan portfolio coverage ratio	**23.5**	24.3

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.

The Desjardins Group Risk Management Office sets the maximum exposure for each counterparty and issuer based on quantitative and qualitative criteria. The amounts are then allocated to different components based on their needs.

A large proportion of Desjardins Group's 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. Desjardins Group's exposure to U.S. and European financial institutions is low, and its exposure to sovereign debt is concentrated in Canada and the U.S.

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 Group is exposed to market risk primarily through positions taken in the course of its traditional financing and saving recruitment activities. It is also exposed to market risk through its insurance and trading activities. Desjardins Group and its components have adopted policies that set out the principles, limits and procedures to use in managing market risk.

Interest rate risk management

Desjardins Group is exposed to 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.

Sound and prudent management is applied to optimize net interest income while minimizing the negative incidence of interest rate movements. The established policies describe the principles, limits and procedures that apply to 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 interest rate risk factors, the risk measures retained, the risk tolerance levels and the management limits as well as the procedures in the event that limits are exceeded. Interest rate risk is assessed at the required frequency according to portfolio volatility (daily, monthly and 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 and equity, in member behaviour, clients and pricing. Desjardins Group's asset and liability management committee (the Asset/Liability Committee) is responsible for analyzing and approving the global matching strategy on a monthly basis while respecting the parameters defined in interest rate risk management policies.

The table below presents the potential impact before income taxes, with regard to structural interest rate risk management, of a sudden and sustained 100-basis-point increase or decrease in interest rates on net interest income and the economic value of equity for Desjardins Group. The impact of insurance activities is presented in Note 1 to this table.

INTEREST RATE SENSITIVITY (BEFORE INCOME TAXES)[(1)]

(in millions of dollars)	**As at September 30, 2015**		As at June 30, 2015		As at September 30, 2014[(2)]	
	Net interest income[(3)]	**Economic value of equity[(4)]**	Net interest income[(3)]	Economic value of equity[(4)]	Net interest income[(3)]	Economic value of equity[(4)]
Impact of a 100-basis-point increase in interest rates	**$ (26)**	**$ (92)**	$ (9)	$ (94)	$ (80)	$ (163)
Impact of a 100-basis-point decrease in interest rates[(5)]	**(40)**	**157**	(27)	153	77	211

(1) Interest rate sensitivity related to insurance activities is not reflected in the amounts above. For these activities, a 100-basis-point increase in interest rates would result in a $251 million decrease in the economic value of equity before taxes as at September 30, 2015, and in a $284 million and $233 million decrease as at June 30, 2015 and September 30, 2014, respectively. A 100-basis-point decrease in interest rates would result in an increase of $266 million in the economic value of equity before taxes as at September 30, 2015, and in a $272 million and $207 million increase as at June 30, 2015 and September 30, 2014, respectively. Note that the amounts reported in 2015 take into account the acquisition of State Farm Canada. Following the revision of assumptions, the interest rate sensitivity amounts of insurance activities were restated in 2014.
(2) The amounts were revised in relation to those previously presented in order to exclude insurance activities.
(3) Represents the interest rate sensitivity of net interest income for the next 12 months.
(4) Represents the sensitivity of the present value of assets, liabilities and off-balance sheet instruments.
(5) The results of the impact of a decrease in interest rates take into consideration the use of a floor to avoid negative interest rates.

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 interest rate risk. The situation presented reflects the position only on the date indicated and can change significantly in subsequent quarters depending on the preferences of Desjardins Group's members and clients, and the application of interest rate risk management policies.

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.

Foreign exchange risk management

Foreign exchange risk arises when the actual or expected value of assets denominated in a foreign currency is higher or lower than that of liabilities denominated in the same currency.

In certain specific situations, Desjardins Group and its components may become exposed to foreign exchange risk, particularly with respect to the U.S. dollar and the euro. This exposure mainly arises from their intermediation activities with members and clients, and their financing and investment activities. A Desjardins Group policy on market risk has set foreign exchange risk exposure limits, which are monitored by the Risk Management Office. Furthermore, Desjardins Group and its components use, among other things, derivative financial instruments such as forward exchange contracts and currency swaps to properly control this risk. Desjardins Group's residual exposure to this risk is low because the majority of its transactions are conducted in Canadian dollars.

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

The market risk of trading portfolios is managed on a daily basis under a specific policy. This policy specifies the risk factors that must be measured and the limits attributable to these factors and to the total. Tolerance limits also apply to the different stress tests. Compliance with these limits is monitored on a daily basis and a market risk dashboard is produced and sent to senior management daily. All breaches of limits are analyzed immediately 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 period of time 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.

In addition to aggregate VaR, Desjardins Group calculates an aggregate VaR in stress periods. This latter indicator is calculated in the same way as aggregate VaR, except different historical data are used. Instead of using data from the last year, aggregate VaR in stress periods is calculated using historical data for the one-year stress period starting in September 2008.

The table below presents the aggregate VaR and the aggregate VaR in stress periods for trading activities by risk category, as well as the diversification effect. Equity price risk, interest rate risk, interest-rate-specific risk and foreign exchange risk are the four risk categories to which Desjardins Group is exposed. These risk factors are taken into account in measuring market risk for the trading portfolio and are reflected in the following VaR table. The definition of a trading portfolio meets the various criteria defined in the Basel Capital Accord.

VaR BY RISK CATEGORY (TRADING PORTFOLIO)

(in millions of dollars)	**For the quarter ended September 30, 2015**				For the quarter ended June 30, 2015		For the quarter ended September 30, 2014	
	As at September 30, 2015	**Average**	**High**	**Low**	As at June 30, 2015	Average	As at September 30, 2014	Average
Equities	**$ 0.1**	**$ 0.1**	**$ 0.3**	**$ 0.1**	$ 0.1	$ 0.1	$ 0.1	$ 0.1
Foreign exchange	**0.5**	**0.4**	**1.0**	**0.1**	0.4	0.5	0.4	0.5
Interest rate	**5.1**	**3.7**	**5.7**	**2.2**	3.3	4.1	3.3	3.8
Interest-rate-specific risk[1]	**8.5**	**10.3**	**12.6**	**5.9**	10.6	10.7	10.0	7.6
Diversification effect[2]	**(9.1)**	**(10.7)**	**N/A[3]**	**N/A[3]**	(11.1)	(11.3)	(10.2)	(8.1)
Aggregate VaR	**$ 5.1**	**$ 3.8**	**$ 5.8**	**$ 2.2**	$ 3.3	$ 4.1	$ 3.6	$ 3.9
Aggregate VaR under stress	**$ 15.6**	**$ 12.5**	**$ 16.0**	**$ 9.5**	$ 15.4	$ 12.7	$ 17.1	$ 12.4

(1) Specific risk is the risk directly related to the issuer of a financial security, independent of market events. A portfolio approach is used to distinguish specific risk from general market risk. This approach consists of creating a sub-portfolio that contains the positions with issuer-specific risks (provinces, municipalities, companies, etc.) and a sub-portfolio of positions considered to be free of issuer risk (governments in the local currency).
(2) Represents the risk reduction related to diversification, namely the difference between the sum of VaRs for various market risks and the aggregate VaR.
(3) The highs and lows of the various market risk categories can refer to different dates.

The average aggregate VaR of the trading portfolio was $3.8 million for the quarter ended September 30, 2015, down $0.3 million from the quarter ended June 30, 2015, mainly as a result of the $0.4 million decrease in average interest rate VaR. The average aggregate VaR in stress periods was $12.5 million for the quarter ended September 30, 2015, down $0.2 million compared to the second quarter of 2015. It is noteworthy that the model and the assumptions did not change during the periods presented.

Aggregate VaR and aggregate VaR in stress periods are appropriate measures for a trading portfolio but they must be interpreted in light of certain limitations, in particular:

- These measures cannot be used to predict future losses if actual market fluctuations differ markedly from those used when making the calculations;
- These measures are used to determine the potential losses for a one-day holding period, not losses on positions that cannot be liquidated or hedged during such a one-day period;
- These measures do not provide information on potential losses beyond the selected confidence interval of 99%.

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

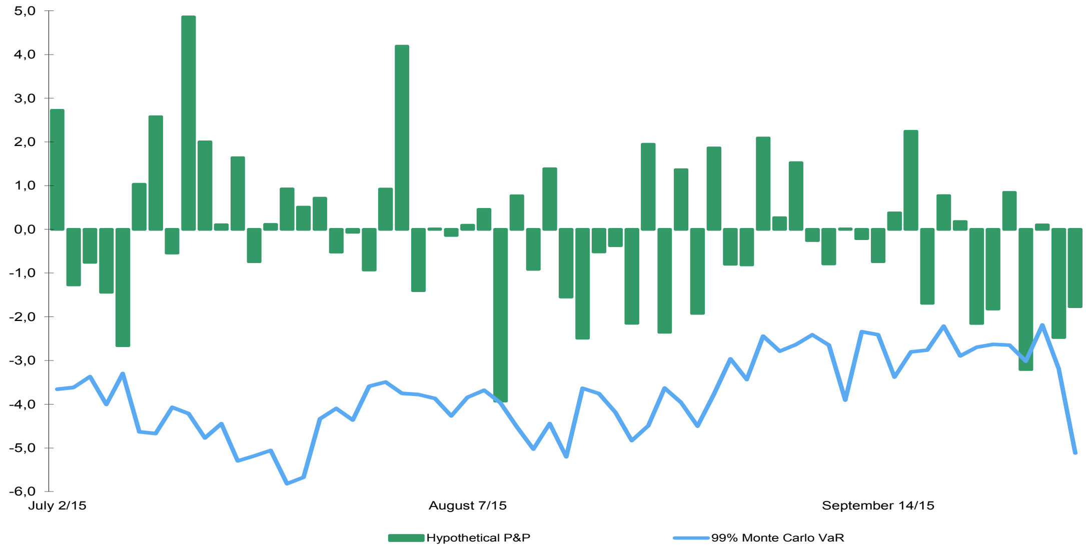
Back testing

Back testing is used to validate the VaR model and ensure that hypothetical results are statistically consistent with results of the VaR model. Back testing consists of a daily comparison of the VaR with the profits and losses (P&L) on portfolios. Moreover, an independent modelling validation unit tests the model on an annual basis.

Desjardins Group performs back testing daily, applying a hypothetical P&L to its trading portfolios. The hypothetical P&L is calculated by determining the difference in value resulting from changes in market conditions between two consecutive days. The portfolio mix between these two days remains static.

The following chart presents changes in VaR for trading activities as well as hypothetical P&L related to these activities. During the third quarter of 2015, hypothetical P&L was exceeded by $0.2 million as a result of wider credit spreads due to the flattening of the interest rate curve in Canada.

VaR COMPARED TO HYPOTHETICAL P&L FOR TRADING ACTIVITIES
(in millions of dollars)



Stress testing

Certain events that are considered highly unlikely and that may 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.

The approach used to measure the risk related to highly unlikely but plausible events involves following a stress-testing program (sensitivity analyses, historical scenarios and hypothetical scenarios) that is implemented at regular intervals. Test results are analyzed 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.

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.

Liquidity risk is managed in order to ensure that Desjardins Group 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 adopting a contingency plan to implement in the event of a liquidity crisis.

Liquidity risk management is a key component of the overall risk management strategy. Desjardins Group and its components have established policies describing the principles, limits, risk appetite and tolerance 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.

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 Net Cumulative Cash Flow (NCCF). The rules for applying NSFR requirements were finalized in October 2014 and should come into effect on January 1, 2018. Under its liquidity risk management policy, Desjardins Group already produces these two ratios as well as the NCCF, and they are reported to the AMF on a regular basis. Desjardins Group intends to comply with the NSFR requirements once they become effective.

Applying the calculation rules established by the Basel Committee on Banking Supervision and incorporated in the AMF's Liquidity Adequacy Guideline, Desjardins Group's average LCR was 121.7% for the quarter ended September 30, 2015, compared to 122.0% for the previous quarter. The AMF requires that the ratio be greater than or equal to 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 deposits by members of Desjardins caisses and a sudden drying-up of the short-term institutional funding sources used on a day-to-day basis by Desjardins Group.

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 to meet its financing needs.

Furthermore, as part of current business operations, Desjardins Group issues covered bonds and securitized CHMC-insured loans. Desjardins Group is also eligible for the Bank of Canada's various intervention programs and loan facilities for Emergency Lending Assistance advances. Note that the Government of Canada has passed a bill that amends several federal laws to limit access by provincial cooperative credit associations to federal intervention tools. These amendments are not currently in force. See the "Changes in the regulatory environment" section in this MD&A for more information.

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 reserves of high-quality liquid 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, the caisse network, and *Caisse centrale Desjardins* are specifically prescribed by policies. Daily management of securities and the reserve level to be maintained is centralized at Desjardins Group Treasury and is subject to monitoring by the Risk Management Division under the supervision of Desjardins Group's 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. The securities held are largely Canadian government securities.

In addition to 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 in "Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring". These scenarios, based on a downgrade to Desjardins Group combined with a shock on financial markets, make it possible to:
- Measure the extent of potential cash outflows over a one-year period 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.

These calculations are performed daily to ensure compliance with the liquidity thresholds to be maintained based on crisis scenarios.

Liquidity coverage ratio

The Basel Committee on Banking Supervision has developed a liquidity coverage ratio (LCR) to promote the short-term resilience of the liquidity risk profile of financial institutions. The LCR is the ratio of a stock of unencumbered high-quality liquid assets (HQLA) 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, HQLA eligible for the purpose of calculating the LCR consist of assets that can be converted quickly into cash at little or no loss of value in private markets. For Desjardins Group, such high-quality liquid assets are comprised essentially of cash and highly rated securities issued or guaranteed by various levels of government. The AMF Guideline also prescribes weightings for cash inflows and outflows.

The table below presents quantitative information regarding the LCR, based on the model recommended for disclosure requirements by the Basel Committee on Banking Supervision.

LIQUIDITY COVERAGE RATIO [(1)]

(in millions of dollars and as a percentage)	For the quarter ended September 30, 2015		For the quarter ended June 30, 2015[(2)]
	Total non-weighted value[(3)] (average[(5)])	Total weighted value[(4)] (average [(5)])	Total weighted value[(4)] (average[(5)])
High-quality liquid assets			
Total high-quality liquid assets	**N/A**	**$ 19,262**	$ 17,492
Cash outflows			
Retail deposits and small business deposits, including:	**$ 111,317**	**$ 4,224**	$ 4,590
Stable deposits	**29,830**	**895**	898
Less stable deposits	**81,487**	**3,329**	3,692
Unsecured wholesale funding, including:	**16,409**	**10,686**	8,194
Operational deposits (all counterparties) and deposits in cooperative bank networks	**4,422**	**1,106**	-
Non-operational deposits (all counterparties)	**3,929**	**1,522**	2,233
Unsecured debt	**8,058**	**8,058**	5,961
Secured wholesale funding	**N/A**	**-**	-
Additional requirements, including:	**11,202**	**3,033**	2,963
Outflows related to exposures on derivatives and other collateral required	**1,772**	**1,703**	1,694
Outflows related to funding loss on debt products	**-**	**-**	-
Credit and liquidity facilities	**9,430**	**1,330**	1,269
Other contractual funding liabilities	**1,240**	**-**	4
Other contingent funding liabilities	**80,689**	**1,295**	1,245
Total cash outflows	**N/A**	**$ 19,238**	$ 16,996
Cash inflows			
Secured loans (e.g. reverse repurchase agreements)	**$ 4,966**	**$ 98**	56
Inflows related to completely effective exposures	**3,225**	**1,644**	1,314
Other cash inflows	**1,674**	**1,674**	1,282
Total cash inflows	**$ 9,865**	**$ 3,416**	$ 2,652

	Total adjusted value[(6)]	Total adjusted value[(6)]
Total high-quality liquid assets	**$ 19,262**	$ 17,492
Total net cash outflows	**$ 15,822**	$ 14,344
Liquidity coverage ratio	**121.7%**	122.0%

(1) Excluding the insurance subsidiaries.
(2) Prior-period small business deposit amounts have been reclassified in order to be comparable to the current presentation.
(3) The non-weighted values of cash inflows and outflows represent unpaid balances either maturing or falling due and payable within 30 days.
(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 average is determined on the basis of data for three month-ends of the quarter concerned.
(6) The total adjusted value takes into account, if applicable, the caps prescribed by the AMF for high-quality liquid assets and cash inflows.

Liquid assets

The table below presents a summary of Desjardins Group’s liquid assets, which do not include assets held by the insurance subsidiaries because these assets are committed to cover 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. Certain restrictions may apply to the use of all or part of the assets in certain funds, such as the assets of the caisses’ liquidity fund and the *Fonds de sécurité Desjardins*, which cannot be used under normal conditions by *Caisse centrale Desjardins*. Encumbered liquid assets mainly include liquid assets that are pledged as collateral or cannot be used as a result of internal policies or regulatory requirements.

LIQUID ASSETS[1]
As at September 30, 2015

(in millions of dollars)	Liquid assets held by Desjardins Group	Securities held as collateral - Securities financing and derivatives trading	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	**$ 1,010**	**$ -**	**$ 1,010**	**$ -**	**$ 1,010**
Securities					
Issued or guaranteed by Canada, provinces and municipal corporations in Canada, school or public corporations in Canada, and foreign public administrations	**26,309**	**9,821**	**36,130**	**17,552**	**18,578**
Other securities in Canada	**1,357**	**37**	**1,394**	**61**	**1,333**
Issued or guaranteed by foreign issuers	**39**	**-**	**39**	**-**	**39**
Total	**$ 28,715**	**$ 9,858**	**$ 38,573**	**$ 17,613**	**$ 20,960**

As at December 31, 2014[2]

(in millions of dollars)	Liquid assets held by Desjardins Group	Securities held as collateral - Securities financing and derivatives trading	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets
Cash and deposits with financial institutions	$ 1,345	$ -	$ 1,345	$ -	$ 1,345
Securities					
Issued or guaranteed by Canada, provinces and municipal corporations in Canada, school or public corporations in Canada, and foreign public administrations	24,853	9,532	34,385	18,883	15,502
Other securities in Canada	1,064	45	1,109	335	774
Issued or guaranteed by foreign issuers	28	-	28	-	28
Total	$ 27,290	$ 9,577	$ 36,867	$ 19,218	$ 17,649

[1] Excluding assets held by insurance subsidiaries.
[2] The amounts have been revised to make them comparable to the current presentation after the methodology was refined.

UNENCUMBERED LIQUID ASSETS BY ENTITY[1]

(in millions of dollars)	As at September 30, 2015	As at December 31, 2014[2]
Caisse centrale Desjardins	**$ 8,121**	$ 6,649
Caisse network	**7,769**	7,065
Other entities	**5,070**	3,935
Total	**$ 20,960**	$ 17,649

[1] Excluding assets held by insurance subsidiaries. All unencumbered liquid assets presented in this table are issued in Canadian dollars.
[2] The amounts have been revised to make them comparable to the current presentation after the methodology was refined.

Sources of refinancing

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 and the timing of contractual maturities, maintains high and stable regulatory liquidity ratios. Total deposits presented on the Combined Balance Sheets amounted to $154.5 billion as at September 30, 2015, up $8.2 billion since December 31, 2014. Additional information on deposits is presented in the "Balance sheet review" section of this MD&A.

The following table represents remaining terms to maturity of wholesale funding.

REMAINING TERMS TO MATURITY OF WHOLESALE FUNDING

(in millions of dollars)	As at September 30, 2015								As at December 31, 2014[1]
	Less than 1 month	**From 1 month to 3 months**	**Over 3 months to 6 months**	**Over 6 months to 12 months**	**Total-Less than 1 year**	**From 1 to 2 years**	**Over 2 years**	**Total**	Total
Bearer discount notes	**$ 1,743**	**$ 470**	**$ 67**	**$ 16**	**$ 2,296**	**$ -**	**$ -**	**$ 2,296**	$ 1,494
Commercial paper	**3,565**	**2,725**	**-**	**-**	**6,290**	**-**	**-**	**6,290**	8,313
Medium-term notes	**1,067**	**-**	**-**	**-**	**1,067**	**3,933**	**6,063**	**11,063**	7,097
Mortgage securitization	**-**	**732**	**-**	**809**	**1,541**	**1,335**	**5,094**	**7,970**	6,985
Covered bonds	**-**	**-**	**1,334**	**-**	**1,334**	**2,000**	**2,975**	**6,309**	5,694
Subordinated notes	**-**	**-**	**-**	**-**	**-**	**-**	**2,553**	**2,553**	2,564
Total	**$ 6,375**	**$ 3,927**	**$ 1,401**	**$ 825**	**$ 12,528**	**$ 7,268**	**$ 16,685**	**$ 36,481**	$ 32,147
Including:									
Secured	**$ -**	**$ 732**	**$ 1,334**	**$ 809**	**$ 2,875**	**$ 3,335**	**$ 10,609**	**$ 16,819**	$ 15,243
Unsecured	**6,375**	**3,195**	**67**	**16**	**9,653**	**3,933**	**6,076**	**19,662**	16,904

(1) Data for 2014 have been reclassified so that their presentation is consistent with that of the current period.

Desjardins Group's total wholesale funding presented in the table above was carried out by *Caisse centrale Desjardins* except for the subordinated notes, which were issued by *Capital Desjardins inc.* Total wholesale funding increased $4.3 billion since December 31, 2014. This increase was primarily attributable to the growth in medium-term notes.

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

WHOLESALE FUNDING BY CURRENCY

(in millions of dollars and as a percentage)	**As at September 30, 2015**		As at December 31, 2014	
Canadian dollars	**$ 17,425**	**47.7%**	$ 14,857	46.2%
U.S. dollars	**13,816**	**37.9**	14,492	45.1
Other	**5,240**	**14.4**	2,798	8.7
	$ 36,481	**100.0%**	$ 32,147	100.0%

Refinancing programs and strategies

As Treasurer of Desjardins Group, *Caisse centrale Desjardins* satisfies the needs of the organization's members and clients. Its first priority is to implement appropriate strategies to identify, measure and manage risks. These strategies are regulated by policies. In the first nine months of 2015, *Caisse centrale Desjardins* maintained a liquidity level sufficient to meet Desjardins Group's needs through its strict treasury policy, solid institutional refinancing and the contribution of the caisse network.

In order to secure long-term refinancing at the lowest cost on the market, *Caisse centrale Desjardins* 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 refinancing, *Caisse centrale Desjardins* diversifies its sources from institutional markets. It therefore regularly makes use of the financial markets when conditions are favourable and makes public and private issues of term notes on Canadian, U.S. and European markets as required.

The main programs currently used by *Caisse centrale Desjardins* are as follows:

MAIN REFINANCING PROGRAMS
As at September 30, 2015

Refinancing program	**Maximum authorized amount**
Medium-term notes (Canadian)	$7 billion
Covered bonds (multi-currency)	€5 billion[1]
Short-term notes (European)	€3 billion
Short-term notes (U.S.)	US$10 billion
Medium-term notes (multi-currency)	€7 billion

(1) This maximum authorized amount covers *Caisse centrale Desjardins's* Structured Covered Bond Program (2011) and its Legislative Covered Bond Program (2014).

Caisse centrale Desjardins also participated in new issues under the NHA Mortgage-Backed Securities Program for a total amount of $984 million in the first nine months of 2015. During the same period, *Caisse centrale Desjardins* completed three issues under its multi-currency medium-term note program — two issues for a total amount of €1.3 billion on the European market and one issue of US$1.0 billion on the U.S. market — and issued $1.5 billion in medium-term notes on the Canadian market.

Outstanding notes issued under medium-term refinancing programs of *Caisse centrale Desjardins* amounted to $25.3 billion as at September 30, 2015, compared to $19.8 billion as at December 31, 2014. The outstanding notes for these issues are presented under “Deposits – Business and government“ in the Combined Balance Sheets. *Capital Desjardins inc.’s* senior notes outstanding totalled $2.6 billion as at September 30, 2015, unchanged from December 31, 2014. It is also noteworthy that on November 23, 2015, *Capital Desjardins inc.* plans to call all of its Series H senior notes for early redemption in the amount of $700 million. Furthermore, to round out its refinancing and increase its capital base, Desjardins Group, through the Federation, issued capital shares totalling $974 million, net of issuance expenses, in the first nine months of 2015.

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

Credit ratings of securities issued

Desjardins Group’s credit ratings affect its ability to access sources of funding on capital markets, as well as the conditions of such funding, also helping to enhance Desjardins Group’s credibility and reputation among institutional investors and counterparties.

Rating agencies assign credit ratings and related ratings outlooks based on their own proprietary methodology, which includes a number of analytical criteria such as capitalization and the quality of assets, but also factors that are not under Desjardins Group’s control. The rating agencies evaluate Desjardins Group primarily on a combined basis, because the credit ratings of *Caisse centrale Desjardins*, a reporting issuer, and of *Capital Desjardins inc.*, a venture issuer, are backed by Desjardins Group’s financial strength. The agencies recognize its capitalization, the stability of its operating surplus earnings, its significant market shares in Quebec and the quality of its assets.

On January 23, 2015, Fitch affirmed the ratings of *Caisse centrale Desjardins,* with a stable outlook, and of *Capital Desjardins inc.*

On April 30, 2015, Moody’s affirmed the ratings of *Caisse centrale Desjardins* and *Capital Desjardins inc.* As in the case of the six major Canadian banks, the ratings outlook for *Caisse centrale Desjardins* has been negative since June 2014.

On June 30, 2015, Standard & Poor’s (S&P) affirmed the ratings of *Caisse centrale Desjardins* and *Capital Desjardins inc.* but downgraded the outlook for these ratings from “stable” to “negative”, just as it had done for the six major Canadian banks in August 2014.

On August 21, 2015, DBRS affirmed the ratings of *Caisse centrale Desjardins* and *Capital Desjardins inc.*, with a negative outlook. On May 20, 2015, the agency had downgraded the outlook for these ratings from “stable” to “negative”, just as it had done for the six major Canadian banks.

Moody’s, DBRS and S&P justified their decision to assign a negative outlook for Desjardins Group’s ratings as well as for those of the six major Canadian banks, by the possible reduction in government support to systemically important financial institutions on account of the bail-in” regime proposed by the Canadian government.

The credit ratings of *Caisse centrale Desjardins* and *Capital Desjardins inc.* therefore continue to be among the best of the major Canadian and international banking institutions.

CREDIT RATINGS OF SECURITIES ISSUED

	DBRS	STANDARD & POOR'S	MOODY'S	FITCH
Caisse centrale Desjardins				
Short-term	R-1 (high)	A-1	P-1	F1+
Medium- and long-term, senior	AA	A+	Aa2	AA-
Capital Desjardins inc.				
Medium- and long-term, senior	AA (low)	A	A2	A+

Desjardins Group regularly monitors the level of additional obligations that its counterparties would require if the credit ratings of *Caisse centrale Desjardins* and *Capital Desjardins inc.* were downgraded. This allows Desjardins Group to assess the impact of such a downgrade on its funding capacity, to perform transactions in the normal course of operations and ensure that it holds additional liquid assets and collateral to honour its obligations. In the event that one or more rating agencies downgrades the credit rating of *Caisse centrale Desjardins* by three levels, *Caisse centrale Desjardins* would be obliged to provide $1.2 billion in collateral to meet its commitments under the asset-backed term notes (ABTN) program restructured in the Montreal Accord. In such a situation, pledging assets would reduce the liquidity reserves of *Caisse centrale Desjardins* by an amount equal to the value of the collateral deposited, which would then become encumbered and, hence, unusable. This amount will remain in force until the expiry of the Montreal Accord in January 2017.

OPERATIONAL RISK

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

Operational risk is inherent to all business activities as well as internal and outsourced activities. It may lead to losses mainly resulting from theft, fraud, damage to tangible assets, non-compliance with legislation or regulations, systems failures, unauthorized access to computer systems (cybercrime), or problems or errors in process management. Although this risk cannot be entirely eliminated, measures are in place at Desjardins Group to maintain it at an acceptable level.

Operational risk management framework

The operational risk management framework serves to identify, measure, mitigate and monitor this risk and is used to intervene and ensure accountability for operational risk in accordance with the appetite and tolerance for risk and controls adopted by the Board of Directors. It is supported by guidelines that establish the basis for risk management.

This framework is reviewed annually to ensure that it is adequate and relevant in terms of Desjardins Group's risk profile and changes in industry practices.

In keeping with the global trend, Desjardins Group considers technological risk a major operational risk. A specific management framework has been implemented to better manage technological risk. This framework is consistent with the operational risk management framework and is supported by a specific control framework.

ADDITIONAL INFORMATION RELATED TO CERTAIN RISK EXPOSURES

The tables below provide more details about more complex financial instruments that carry higher risk.

ASSET-BACKED SECURITIES

(in millions of dollars)	**As at September 30, 2015**		As at December 31, 2014	
	Notional amounts	**Fair value**	Notional amounts	Fair value
Commercial mortgage-backed securities[(1)]	**$ 60**	**$ 62**	$ 125	$ 128
Mortgage- and financial asset-backed securities[(2)]	**312**	**326**	39	40

(1) These securities are presented in the Combined Balance Sheets under "Securities at fair value through profit or loss".
(2) None of the securities held are directly backed by subprime residential mortgage loans. These securities are presented in the Combined Balance Sheets under "Securities at fair value through profit or loss" and "Available-for-sale securities".

DERIVATIVE FINANCIAL INSTRUMENTS

(in millions of dollars)	**As at September 30, 2015**			As at December 31, 2014		
	Notional amounts	**Positive value**	**Negative value**	Notional amounts	Positive value	Negative value
Credit default swaps[(1)]	**$ 674**	**$ 2**	**$ -**	$ 563	$ 9	$ -
Total return swaps[(2)]	**64**	**1**	**-**	32	1	-

(1) Credit default swaps are presented in the Combined Balance Sheets as derivative financial instruments.
(2) These amounts do not include any amounts realized as part of securitization activities. Total return swaps are presented in the Combined Balance Sheets as derivative financial instruments.

LEVERAGED FINANCE LOANS AND SUBPRIME LOANS

(in millions of dollars)	**As at September 30, 2015**	As at December 31, 2014
Leveraged finance loans[(1)]	**$ 262**	$ 227
Alt-A mortgage loans[(2)]	**31**	29
Subprime residential mortgage loans[(3)]	**2**	2

(1) Leveraged finance loans are defined as loans to large corporations and finance companies whose credit rating is between BB+ and D, and whose level of indebtedness is very high compared to other companies in the same industry.
(2) Alt-A mortgage loans are defined as loans to borrowers with non-standard income documentation. These loans are presented in the Combined Balance Sheets under "Loans – Residential mortgages" and are measured at amortized cost.
(3) Subprime residential mortgage loans are defined as loans to borrowers with a high credit risk profile.None of these loans is currently in default. Subprime residential mortgages are recorded in the Combined Balance Sheets under "Loans – Residential mortgages" and are measured at amortized cost.

ADDITIONAL INFORMATION

CONTROLS AND PROCEDURES

During the interim period ended September 30, 2015, Desjardins Group did not make any changes to its internal control over financial reporting that have materially affected, or may materially affect, its operations. The parties involved and their responsibilities regarding internal control are described on pages 87 and 88 of the 2014 Annual Report.

RELATED PARTY DISCLOSURES

In the normal course of business, Desjardins Group offers financial services to related parties, including its associates and other related companies, and enters into agreements with them for operating services. It also pays its key management personnel compensation under normal market conditions.

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.

Desjardins Group has set up a process to obtain assurance that all transactions with its management personnel and the persons related to them have been carried out at arm's length and in compliance with the legislative framework for its various components.

Related party transactions are explained in Note 35, "Related party disclosures", to Desjardins Group's Annual Combined Financial Statements, on page 179 of the 2014 Annual Report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A description of the accounting policies used by Desjardins Group is essential to understanding the Annual and Interim Combined Financial Statements. The significant accounting policies are described in Note 2, "Significant accounting policies", to Desjardins Group's Annual Combined Financial Statements on pages 107 to 122 of the 2014 Annual Report.

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. 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 89 to 93 of the 2014 Annual Report.

No material change was made to these judgments, estimates, assumptions and accounting policies during the first nine months of 2015.

FUTURE ACCOUNTING CHANGES

Accounting standards issued by the IASB but not yet effective as at December 31, 2014 are discussed in Note 4, "Future accounting changes", to Desjardins Group's Annual Combined Financial Statements in the 2014 Annual Report. Since then the IASB has issued the following decision:

IFRS 15, Revenue from Contracts with Customers"

On July 22, 2015, the IASB unanimously affirmed its proposal to defer the effective date of IFRS 15 to annual periods beginning on or after January 1, 2018. Desjardins Group is currently assessing the effect of adopting this standard.

MATERIAL EVENTS

Desjardins Group continues to purchase Qtrade Canada Inc. shares under the agreements entered into upon acquisition of the company in April 2013. Following the closing of the most recent annual monetization period on July 14, 2015, which resulted in Qtrade Canada Inc.'s minority shareholders being allowed to request partial redemption of their shares, Desjardins Group held 77.5% of the outstanding shares of Qtrade Canada Inc.

On August 1, 2015, Desjardins Group established a new regulated holding company in order to have an additional financing vehicle enabling it to improve its strategic positioning and build on its strength as a financially solid institution. This new company, Desjardins Financial Corporation Inc., is a wholly-owned subsidiary of the Federation and holds Desjardins Group's investments in the following companies: Desjardins Financial Security Life Assurance Company, Desjardins General Insurance Group Inc., Desjardins Global Asset Management Inc., Desjardins Investments Inc., Western Financial Group Inc., Western Financial Insurance Company and Western Life Assurance Company. Under an AMF decision dated June 30, 2015, Desjardins Financial Corporation Inc. shall be subject to certain provisions of the *Act respecting insurance* and the *Act respecting the Autorité des marchés financiers* pursuant to section 478 of the *Act respecting financial service cooperatives*.

COMBINED BALANCE SHEETS

(unaudited)

(in millions of Canadian dollars)	Notes	As at September 30, 2015	As at December 31, 2014
ASSETS			
Cash and deposits with financial institutions		**$ 1,924**	$ 1,781
Securities			
Securities at fair value through profit and loss		**31,848**	24,845
Available-for-sale securities	5	**22,194**	19,890
		54,042	44,735
Securities borrowed or purchased under reverse repurchase agreements		**10,134**	9,959
Loans	6		
Residential mortgages		**101,420**	97,512
Consumer, credit card and other personal loans		**21,049**	20,495
Business and government		**34,915**	32,903
		157,384	150,910
Allowance for credit losses	6	**(478)**	(456)
		156,906	150,454
Segregated fund net assets		**9,503**	8,695
Other assets			
Clients' liability under acceptances		**613**	858
Premiums receivable		**1,675**	1,127
Derivative financial instruments	9	**4,739**	3,133
Amounts receivable from clients, brokers and financial institutions		**2,745**	1,742
Reinsurance assets		**1,750**	785
Investment property		**691**	571
Property, plant and equipment		**1,450**	1,374
Goodwill		**472**	472
Intangible assets		**659**	569
Deferred tax assets		**811**	1,043
Other		**2,858**	2,089
		18,463	13,763
TOTAL ASSETS		**$ 250,972**	$ 229,387
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits	8		
Individuals		**$ 89,161**	$ 88,463
Business and government		**63,553**	56,516
Deposit-taking institutions		**1,829**	1,345
		154,543	146,324
Other liabilities			
Acceptances		**613**	858
Commitments related to securities sold short		**8,582**	6,304
Commitments related to securities lent or sold under repurchase agreements		**9,405**	13,072
Derivative financial instruments	9	**1,624**	1,675
Amounts payable to clients, brokers and financial institutions		**6,809**	3,713
Insurance contract liabilities		**26,572**	19,435
Segregated fund net liabilities		**9,509**	8,706
Net defined benefit plan liabilities		**2,416**	2,700
Deferred tax liabilities		**135**	329
Other		**6,830**	4,814
		72,495	61,606
Subordinated notes		**2,553**	2,564
TOTAL LIABILITIES		**229,591**	210,494
EQUITY			
Capital stock	11	**5,151**	4,777
Share capital		**87**	85
Undistributed surplus earnings		**1,429**	1,468
Accumulated other comprehensive income	12	**591**	615
Reserves		**12,948**	11,476
Equity - Group's share		**20,206**	18,421
Non-controlling interests		**1,175**	472
TOTAL EQUITY		**21,381**	18,893
TOTAL LIABILITIES AND EQUITY		**$ 250,972**	$ 229,387

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

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

Monique F. Leroux, C.M., O.Q., FCPA, FCA
Chair of the Board

Denis Paré, LL.L., D.D.N.
Vice-Chair of the Board

COMBINED STATEMENTS OF INCOME

(unaudited)

(in millions of Canadian dollars)	Notes	For the three-month periods ended September 30 2015	2014	For the nine-month periods ended September 30 2015	2014
INTEREST INCOME					
Loans		**$ 1,464**	$ 1,406	**$ 4,287**	$ 4,111
Securities		**79**	83	**234**	252
		1,543	1,489	**4,521**	4,363
INTEREST EXPENSE					
Deposits		**417**	443	**1,280**	1,303
Subordinated notes and other		**32**	33	**95**	105
		449	476	**1,375**	1,408
NET INTEREST INCOME		**1,094**	1,013	**3,146**	2,955
NET PREMIUMS		**1,692**	1,496	**5,266**	4,436
OTHER INCOME					
Deposit and payment service charges		**125**	128	**365**	371
Lending fees and credit card service revenues		**149**	147	**459**	440
Brokerage and investment fund services		**255**	252	**774**	731
Management and custodial service fees		**95**	88	**293**	253
Net income on securities at fair value through profit or loss	14	**17**	288	**579**	1,319
Net income on available-for-sale securities		**34**	36	**246**	260
Net other investment income		**51**	71	**187**	197
Foreign exchange income		**20**	24	**67**	62
Other		**7**	52	**109**	181
		753	1,086	**3,079**	3,814
TOTAL INCOME		**3,539**	3,595	**11,491**	11,205
PROVISION FOR CREDIT LOSSES	6	**102**	109	**294**	283
CLAIMS, BENEFITS, ANNUITIES AND CHANGES IN INSURANCE CONTRACT LIABILITIES		**1,246**	1,369	**4,081**	4,543
NON-INTEREST EXPENSE					
Salaries and fringe benefits		**840**	765	**2,614**	2,381
Premises, equipment and furniture, including depreciation		**149**	149	**450**	440
Service agreements and outsourcing		**84**	61	**255**	192
Communications		**66**	60	**214**	205
Other		**534**	547	**1,683**	1,591
		1,673	1,582	**5,216**	4,809
OPERATING SURPLUS EARNINGS		**518**	535	**1,900**	1,570
Income taxes on surplus earnings		**114**	126	**403**	331
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS(1)		**404**	409	**1,497**	1,239
Member dividends		**35**	67	**109**	211
Tax recovery on member dividends		**(9)**	(18)	**(29)**	(56)
NET SURPLUS EARNINGS FOR THE PERIOD AFTER MEMBER DIVIDENDS		**$ 378**	$ 360	**$ 1,417**	$ 1,084
of which:					
Group's share		**$ 361**	$ 348	**$ 1,301**	$ 1,050
Non-controlling interests' share		**17**	12	**116**	34

(1) The Group's share of "Surplus earnings before member dividends" is presented in Note 15, "Segmented information".

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

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

(in millions of Canadian dollars)	For the three-month periods ended September 30 2015	2014	For the nine-month periods ended September 30 2015	2014
Net surplus earnings for the period after member dividends	**$ 378**	$ 360	**$ 1,417**	$ 1,084
Other comprehensive income, net of income taxes				
Items that will not be reclassified subsequently to the Combined Statements of Income				
Remeasurement of net defined benefit plan liabilities	**(25)**	(66)	**310**	(472)
Share of associates and joint ventures accounted for using the equity method	**-**	-	**1**	-
	(25)	(66)	**311**	(472)
Items that will be reclassified subsequently to the Combined Statements of Income				
Net change in unrealized gains and losses on available-for-sale securities				
Net unrealized gains (losses) on available-for-sale securities	**(227)**	(3)	**(83)**	233
Reclassification to the Combined Statements of Income of (gains) losses on available-for-sale securities	**21**	(4)	**(73)**	(121)
	(206)	(7)	**(156)**	112
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**44**	(14)	**175**	67
Reclassification to the Combined Statements of Income of gains on derivative financial instruments designated as cash flow hedges	**(19)**	(19)	**(57)**	(50)
	25	(33)	**118**	17
Net unrealized exchange gains on the translation of an investment in a foreign operation, net of hedging transactions	**1**	-	**2**	-
	(180)	(40)	**(36)**	129
Total other comprehensive income	**(205)**	(106)	**275**	(343)
COMPREHENSIVE INCOME FOR THE PERIOD	**$ 173**	$ 254	**$ 1,692**	$ 741
of which:				
Group's share	**$ 173**	$ 243	**$ 1,581**	$ 708
Non-controlling interests' share	**-**	11	**111**	33

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

INCOME TAXES ON OTHER COMPREHENSIVE INCOME

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

(in millions of Canadian dollars)	For the three-month periods ended September 30 2015	2014	For the nine-month periods ended September 30 2015	2014
Item that will not be reclassified subsequently to the Combined Statements of Income				
Remeasurement of net defined benefit plan liabilities	**$ (9)**	$ (24)	**$ 113**	$ (169)
	(9)	(24)	**113**	(169)
Items that will be reclassified subsequently to the Combined Statements of Income				
Net change in unrealized gains and losses on available-for-sale securities				
Net unrealized gains (losses) on available-for-sale securities	**(73)**	(4)	**(39)**	70
Reclassification to the Combined Statements of Income of (gains) losses on available-for-sale securities	**3**	3	**(22)**	(26)
	(70)	(1)	**(61)**	44
Net change in cash flow hedges				
Net gains (losses) on derivative financial instruments designated as cash flow hedges	**12**	(6)	**62**	26
Reclassification to the Combined Statements of Income of gains on derivative financial instruments designated as cash flow hedges	**(7)**	(6)	**(22)**	(20)
	5	(12)	**40**	6
	(65)	(13)	**(21)**	50
Total income tax expense (recovery)	**$ (74)**	$ (37)	**$ 92**	$ (119)

COMBINED STATEMENTS OF CHANGES IN EQUITY

(unaudited)

For the nine-month periods ended September 30	Capital				Reserves						
(in millions of Canadian dollars)	Capital stock (Note 11)	Share capital	Undistributed surplus earnings	Accumulated other comprehensive income (Note 12)	Stabilization reserve	Reserve for future member dividends	General and other reserves	Total reserves	Equity - Group's share	Non-controlling interests	Total equity
BALANCE AS AT DECEMBER 31, 2014	**$ 4,777**	**$ 85**	**$ 1,468**	**$ 615**	**$ 981**	**$ 479**	**$ 10,016**	**$ 11,476**	**$ 18,421**	**$ 472**	**$ 18,893**
Net surplus earnings for the period after member dividends	**-**	**-**	**1,301**	**-**	**-**	**-**	**-**	**-**	**1,301**	**116**	**1,417**
Other comprehensive income for the period	**-**	**-**	**304**	**(24)**	**-**	**-**	**-**	**-**	**280**	**(5)**	**275**
Comprehensive income for the period	**-**	**-**	**1,605**	**(24)**	**-**	**-**	**-**	**-**	**1,581**	**111**	**1,692**
Issuance of F capital shares	**974**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**974**	**-**	**974**
Other net change in capital stock	**(600)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(600)**	**-**	**(600)**
Issuance of share capital	**-**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**652**	**654**
Redemption of share capital	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(21)**	**(21)**
Remuneration on capital stock	**-**	**-**	**(182)**	**-**	**-**	**-**	**-**	**-**	**(182)**	**-**	**(182)**
Dividends	**-**	**-**	**(3)**	**-**	**-**	**-**	**-**	**-**	**(3)**	**(30)**	**(33)**
Transfer from undistributed surplus earnings (to reserves)	**-**	**-**	**(1,459)**	**-**	**2**	**-**	**1,457**	**1,459**	**-**	**-**	**-**
Transactions related to put options	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**13**	**13**	**(6)**	**7**
Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**	**(3)**
BALANCE AS AT SEPTEMBER 30, 2015	**$ 5,151**	**$ 87**	**$ 1,429**	**$ 591**	**$ 983**	**$ 479**	**$ 11,486**	**$ 12,948**	**$ 20,206**	**$ 1,175**	**$ 21,381**
BALANCE AS AT DECEMBER 31, 2013	$ 3,881	$ 82	$ 1,400	$ 420	$ 913	$ 476	$ 9,616	$ 11,005	$ 16,788	$ 444	$ 17,232
Net surplus earnings for the period after member dividends	-	-	1,050	-	-	-	-	-	1,050	34	1,084
Other comprehensive income for the period	-	-	(464)	122	-	-	-	-	(342)	(1)	(343)
Comprehensive income for the period	-	-	586	122	-	-	-	-	708	33	741
Issuance of F capital shares	592	-	-	-	-	-	-	-	592	-	592
Other net change in capital stock	75	-	-	-	-	-	-	-	75	-	75
Issuance of share capital	-	3	-	-	-	-	-	-	3	4	7
Remuneration on capital stock	-	-	(157)	-	-	-	-	-	(157)	-	(157)
Dividends	-	-	(3)	-	-	-	-	-	(3)	(4)	(7)
Transfer from undistributed surplus earnings (to reserves)	-	-	(651)	-	68	3	580	651	-	-	-
Impact of the acquisition	-	-	-	-	-	-	7	7	7	(7)	-
Other	-	-	-	-	-	-	(3)	(3)	(3)	(3)	(6)
BALANCE AS AT SEPTEMBER 30, 2014	$ 4,548	$ 85	$ 1,175	$ 542	$ 981	$ 479	$ 10,200	$ 11,660	$ 18,010	$ 467	$ 18,477

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

COMBINED STATEMENTS OF CASH FLOWS

(unaudited)

	For the nine-month periods ended September 30	
(in millions of Canadian dollars)	**2015**	2014
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Operating surplus earnings	**$ 1,900**	$ 1,570
Non-cash adjustments:		
Depreciation of property, plant and equipment and investment property	**122**	115
Net change in insurance contract liabilities	**535**	1,585
Provision for credit losses	**294**	283
Net realized gains on available-for-sale securities	**(218)**	(161)
Impairment on available-for-sale securities recognized in net income	**101**	14
Other	**121**	135
Change in operating assets and liabilities:		
Securities at fair value through profit and loss	**(1,520)**	(1,146)
Securities borrowed or purchased under reverse repurchase agreements	**(175)**	(2,369)
Loans	**(6,549)**	(8,400)
Derivative financial instruments, net amount	**(1,525)**	(584)
Net amounts receivable from and payable to clients, brokers and financial institutions	**1,989**	183
Deposits	**8,219**	7,390
Commitments related to securities sold short	**2,278**	463
Commitments related to securities lent or sold under repurchase agreements	**(3,667)**	2,360
Other	**(202)**	(72)
Income taxes paid on surplus earnings	**(290)**	(265)
Payment of member dividends	**(177)**	(249)
	1,236	852
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Issuance of subordinated notes	**13**	-
Redemption of subordinated notes	**-**	(500)
Purchase of debt securities and subordinated notes from third parties on the market	**(26)**	(22)
Issuance of F capital shares	**974**	592
Other net change in capital stock	**(600)**	75
Remuneration on capital stock	**(182)**	(157)
Issuance of share capital	**654**	7
Redemption of share capital	**(21)**	-
Dividends paid	**(33)**	(7)
Exercise of put options written on non-controlling interests	**(49)**	(17)
	730	(29)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of available-for-sale securities	**(40,629)**	(44,075)
Proceeds from disposals of available-for-sale securities	**22,524**	30,701
Proceeds from maturities of available-for-sale securities	**16,589**	12,971
Business acquisition, net of cash and cash equivalents acquired	**(76)**	-
Acquisitions of property, plant and equipment and investment property	**(231)**	(256)
	(1,823)	(659)
Net increase in cash and cash equivalents	**143**	164
Cash and cash equivalents at beginning of period	**1,781**	1,320
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 1,924**	$ 1,484
Supplemental information on cash flows from (used in) operating activities		
Interest paid	**$ 1,389**	$ 1,368
Interest and dividends received	**4,493**	4,375

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

NOTES TO THE CONDENSED INTERIM COMBINED FINANCIAL STATEMENTS

(unaudited)

NOTE 1 – INFORMATION ON DESJARDINS GROUP

NATURE OF OPERATIONS

Desjardins Group is made up of the Desjardins caisses in Quebec and Ontario, the *Fédération des caisses Desjardins du Québec* (the Federation) and its subsidiaries, the *Fédération des caisses populaires de l'Ontario* and the *Fonds de sécurité Desjardins*. A number of the subsidiaries are active across Canada. The address of its head office is 100 Des Commandeurs Street, Lévis, Quebec, Canada.

BASIS OF PRESENTATION OF THE COMBINED FINANCIAL STATEMENTS

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

As Desjardins caisses and the Federation are financial services cooperatives, these Interim Combined Financial Statements differ from the consolidated financial statements of a group with a traditional organizational structure. Consequently, the Combined Financial Statements of Desjardins Group are a combination of the accounts of the Desjardins caisses of Quebec, the caisses populaires of Ontario, the Federation, the *Fédération des caisses populaires de l'Ontario* and the entities controlled by them, namely the Federation's subsidiaries and the *Fonds de sécurité Desjardins*. The capital stock of Desjardins Group represents the aggregate of the capital stock issued by the caisses, the Federation and the *Fédération des caisses populaires de l'Ontario*.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

STATEMENT OF COMPLIANCE

Pursuant to the *Act Respecting Financial Services Cooperatives*, these Interim Combined Financial Statements have been prepared by Desjardins Group's management in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), 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 Quebec, which do not differ from IFRS.

These Interim Combined Financial Statements should be read in conjunction with the audited Annual Combined Financial Statements (the Annual Combined Financial Statements) for the year ended December 31, 2014, 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 Combined Financial Statements. All accounting policies were applied as described in Note 2, "Significant accounting policies", to the Annual Combined Financial Statements.

These Interim Combined Financial Statements were approved by the Board of Directors of Desjardins Group, which is the Board of Directors of the Federation, on November 13, 2015.

PRESENTATION AND FUNCTIONAL CURRENCY

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

FUTURE ACCOUNTING CHANGES

Accounting standards issued by the IASB, but not yet effective as at December 31, 2014, are described in note 4 "Future accounting changes" to the Annual Combined Financial Statements. The IASB since issued the following:

IFRS 15, *Revenue from Contracts with Customers*

On July 22, 2015, the IASB unanimously confirmed its proposal to postpone the effective date of IFRS 15 for annual periods beginning on or after January 1, 2018. Desjardins Group is currently assessing the impact of adopting this new standard.

NOTE 3 – CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

CLASSIFICATION AND CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

The following tables present the carrying amount of all financial assets and liabilities according to their classification in the categories defined in the financial instrument standards as well as the carrying amount of financial instruments designated as hedging instruments.

	At fair value through profit or loss					
As at September 30, 2015	**Held for trading**	**Designated as at fair value through profit or loss**	**Available for sale**	**Loans and receivables, and financial liabilities at amortized cost**	**Derivatives designated as hedging instruments[2]**	**Total**
Financial assets						
Cash and deposits with financial institutions	$ 8	$ 181	$ 252	$ 1,483	$ -	$ 1,924
Securities						
Securities at fair value through profit or loss	12,851	18,997	-	-	-	31,848
Available-for-sale securities	-	-	22,194	-	-	22,194
Securities borrowed or purchased under reverse repurchase agreements	-	-	-	10,134	-	10,134
Loans[1]	-	-	-	156,906	-	156,906
Other financial assets						
Clients' liability under acceptances	-	-	-	613	-	613
Premiums receivable	-	-	-	1,675	-	1,675
Derivative financial instruments	2,054	-	-	-	2,685	4,739
Amounts receivable from clients, brokers and financial institutions	-	-	-	2,745	-	2,745
Other	-	-	-	1,639	-	1,639
Total financial assets	$ 14,913	$ 19,178	$ 22,446	$ 175,195	$ 2,685	$ 234,417
Financial liabilities						
Deposits	$ -	$ -	$ -	$ 154,543	$ -	$ 154,543
Other financial liabilities						
Acceptances	-	-	-	613	-	613
Commitments related to securities sold short	8,582	-	-	-	-	8,582
Commitments related to securities lent or sold under repurchase agreements	-	-	-	9,405	-	9,405
Derivative financial instruments	1,482	-	-	-	142	1,624
Amounts payable to clients, brokers and financial institutions	-	-	-	6,809	-	6,809
Other	306	-	-	4,189	-	4,495
Subordinated notes	-	-	-	2,553	-	2,553
Total financial liabilities	$ 10,370	$ -	$ -	$ 178,112	$ 142	$ 188,624

[1] For more information, see Note 6, "Loans and allowance for credit losses".
[2] For details on derivatives designated as hedging instruments, see Note 9, "Derivative financial instruments and hedging activities".

NOTE 3 – CARRYING AMOUNT OF FINANCIAL INSTRUMENTS *(continued)*

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

	At fair value through profit or loss					
As at December 31, 2014	Held for trading	Designated as at fair value through profit or loss	Available for sale	Loans and receivables, and financial liabilities at amortized cost	Derivatives designated as hedging instruments[2]	Total
Financial assets						
Cash and deposits with financial institutions	$ 13	$ 174	$ 262	$ 1,332	$ -	$ 1,781
Securities						
Securities at fair value through profit or loss	11,168	13,677	-	-	-	24,845
Available-for-sale securities	-	-	19,890	-	-	19,890
Securities borrowed or purchased under reverse repurchase agreements	-	-	-	9,959	-	9,959
Loans[1]	-	-	-	150,454	-	150,454
Other financial assets						
Clients' liability under acceptances	-	-	-	858	-	858
Premiums receivable	-	-	-	1,127	-	1,127
Derivative financial instruments	1,896	-	-	-	1,237	3,133
Amounts receivable from clients, brokers and financial institutions	-	-	-	1,742	-	1,742
Other	-	-	-	955	-	955
Total financial assets	$ 13,077	$ 13,851	$ 20,152	$ 166,427	$ 1,237	$ 214,744
Financial liabilities						
Deposits	$ -	$ -	$ -	$ 146,324	$ -	$ 146,324
Other financial liabilities						
Acceptances	-	-	-	858	-	858
Commitments related to securities sold short	6,304	-	-	-	-	6,304
Commitments related to securities lent or sold under repurchase agreements	-	-	-	13,072	-	13,072
Derivative financial instruments	1,495	-	-	-	180	1,675
Amounts payable to clients, brokers and financial institutions	-	-	-	3,713	-	3,713
Other	91	-	-	2,798	-	2,889
Subordinated notes	-	-	-	2,564	-	2,564
Total financial liabilities	$ 7,890	$ -	$ -	$ 169,329	$ 180	$ 177,399

[1] For more information, see Note 6, "Loans and allowance for credit losses".
[2] For details on derivatives designated as hedging instruments, see Note 9, "Derivative financial instruments and hedging activities".

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

DETERMINATION OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

For more information on the valuation techniques used to determine the fair value of the main financial instruments, refer to Note 2, “Significant accounting policies”, to the Annual Combined Financial Statements.

Financial instruments whose fair value equals carrying amount

The carrying amount of certain financial instruments that mature in the next 12 months is a reasonable approximation of their fair value. These financial instruments include the following items: “Cash and deposits with financial institutions”, “Securities borrowed or purchased under reverse repurchase agreements”, “Clients’ liability under acceptances”, “Premiums receivable”, “Amounts receivable from clients, brokers and financial institutions”, some items included in “Other assets – Other”, “Acceptances”, “Commitments related to securities lent or sold under repurchase agreements”, “Amounts payable to clients, brokers and financial institutions” and some items included in “Other liabilities – Other”.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents financial instruments whose carrying amount does not equal fair value:

	As at September 30, 2015		As at December 31, 2014	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Loans	**$ 156,906**	**$ 157,359**	$ 150,454	$ 151,014
Financial liabilities				
Deposits	**154,543**	**154,931**	146,324	146,736
Subordinated notes	**2,553**	**2,744**	2,564	2,784

FAIR VALUE HIERARCHY

The fair value measurement of financial instruments is determined using the following three-level fair value hierarchy:

- Level 1 – Measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques based primarily on observable market data;
- Level 3 – Valuation techniques not based primarily on observable market data.

Transfers between levels

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

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

HIERARCHY OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

As at September 30, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at fair value through profit or loss				
Cash and deposits with financial institutions	$ 25	$ 164	$ -	$ 189
Securities at fair value through profit or loss				
Debt securities issued or guaranteed by				
Canadian governmental entities	9,396	825	-	10,221
Provincial governmental entities and municipal corporations in Canada	13,920	1,394	-	15,314
School or public corporations in Canada	31	119	-	150
Foreign public administrations	290	-	-	290
Other securities				
Financial institutions	40	1,076	72	1,188
Other issuers	-	1,804	1,756	3,560
Equity securities	852	201	72	1,125
	24,554	5,583	1,900	32,037
Derivative financial instruments				
Interest rate contracts	-	1,735	-	1,735
Foreign exchange contracts	-	2,086	-	2,086
Other contracts	-	918	-	918
	-	4,739	-	4,739
Total financial assets at fair value through profit or loss	24,554	10,322	1,900	36,776
Available-for-sale financial assets				
Cash and deposits with financial institutions	22	230	-	252
Available-for-sale securities				
Debt securities issued or guaranteed by				
Canadian governmental entities	5,730	1,618	-	7,348
Provincial governmental entities and municipal corporations in Canada	9,275	810	-	10,085
School or public corporations in Canada	8	-	-	8
Foreign public administrations	11	31	-	42
Other securities				
Financial institutions	-	1,624	-	1,624
Other issuers	3	389	106	498
Equity securities	1,944	521	122	2,587
Total available-for-sale financial assets[(1)]	16,993	5,223	228	22,444
Financial instruments of segregated funds	4,976	4,543	-	9,519
Total financial assets	$ 46,523	$ 20,088	$ 2,128	$ 68,739
Financial liabilities				
Financial liabilities held for trading				
Other liabilities				
Commitments related to securities sold short	$ 8,462	$ 120	$ -	$ 8,582
Other	-	-	306	306
	8,462	120	306	8,888
Derivative financial instruments				
Interest rate contracts	-	481	-	481
Foreign exchange contracts	-	222	-	222
Other contracts	-	890	31	921
	-	1,593	31	1,624
Total financial liabilities	$ 8,462	$ 1,713	$ 337	$ 10,512

(1) Certain available-for-sale securities having a carrying amount of $2 million were recognized at cost since their fair value cannot reliably be measured.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

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

As at December 31, 2014	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Cash and deposits with financial institutions	$ 4	$ 183	$ -	$ 187
Securities at fair value through profit or loss				
Debt securities issued or guaranteed by				
Canadian governmental entities	6,530	428	-	6,958
Provincial governmental entities and municipal corporations in Canada	10,806	418	-	11,224
School or public corporations in Canada	31	132	-	163
Foreign public administrations	797	-	-	797
Other securities				
Financial institutions	25	558	72	655
Other issuers	2	1,635	2,527	4,164
Equity securities	752	111	21	884
	18,947	3,465	2,620	25,032
Derivative financial instruments				
Interest rate contracts	-	1,000	-	1,000
Foreign exchange contracts	-	917	-	917
Other contracts	-	1,216	-	1,216
	-	3,133	-	3,133
Total financial assets at fair value through profit or loss	18,947	6,598	2,620	28,165
Available-for-sale financial assets				
Cash and deposits with financial institutions	-	262	-	262
Available-for-sale securities				
Debt securities issued or guaranteed by				
Canadian governmental entities	6,769	1,326	-	8,095
Provincial governmental entities and municipal corporations in Canada	8,385	198	-	8,583
School or public corporations in Canada	8	-	-	8
Foreign public administrations	-	31	-	31
Other securities				
Financial institutions	192	626	-	818
Other issuers	-	278	107	385
Equity securities	1,533	392	43	1,968
Total available-for-sale financial assets [(1)]	16,887	3,113	150	20,150
Financial instruments of segregated funds	5,044	3,682	-	8,726
Total financial assets	$ 40,878	$ 13,393	$ 2,770	$ 57,041
Financial liabilities				
Financial liabilities held for trading				
Other liabilities				
Commitments related to securities sold short	$ 6,118	$ 186	$ -	$ 6,304
Other	-	-	91	91
	6,118	186	91	6,395
Derivative financial instruments				
Interest rate contracts	-	248	-	248
Foreign exchange contracts	-	230	-	230
Other contracts	-	1,180	17	1,197
	-	1,658	17	1,675
Total financial liabilities	$ 6,118	$ 1,844	$ 108	$ 8,070

(1) Certain available-for-sale securities having a carrying amount of $2 million were recognized at cost since their fair value cannot reliably be measured.

During the nine-month period ended September 30, 2015 and the year ended December 31, 2014, no material transfers attributable to changes in the observability of market data were made between hierarchy levels for instruments measured at fair value.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

FAIR VALUE OF FINANCIAL INSTRUMENTS CATEGORIZED WITHIN LEVEL 3

Valuation process for financial instruments categorized within Level 3

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

The most significant financial instruments categorized within Level 3 that are held by Desjardins Group are ABTNs under the Montréal Accord, mortgage bonds, equity securities, the financial liability related to put options written on certain non-controlling interests as well as the financial liability related to a contingent consideration resulting from a price adjustment clause for certain property and casualty insurance contracts acquired.

Desjardins Group uses an internal model to measure ABTNs. Data obtained from third parties are used to validate this measurement afterwards, and any significant difference is analyzed. In addition, the results from this model are frequently compared with certain credit indexes and other relevant indicators.

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

Desjardins Group measures the majority of equity securities based on brokers' valuations obtained from independent third parties. Data obtained are reviewed and approved by Desjardins Group.

In connection with the acquisition of Qtrade Canada Inc., which was completed in 2013, Desjardins Group wrote in favour of certain holders of non-controlling interests put options that give them the right to sell their interests at predetermined dates at a price representing fair value as at such date (hereinafter referred to as “Financial liability related to put options”). The main inputs used in the measurement of this financial liability are derived from internal forecasts prepared by the management of the acquiree and estimates made by Desjardins Group. The internal forecasts and assumptions on which this valuation technique is based have been prepared by an independent third party and have been reviewed and approved afterwards by Desjardins Group.

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

Sensitivity of financial instruments categorized within Level 3

Desjardins Group performs sensitivity analyses to measure the fair value of financial instruments categorized within Level 3. Changing unobservable inputs to one or more reasonably possible alternative assumptions does not significantly change the fair value of financial instruments categorized within Level 3.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

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

Changes in fair value of financial instruments categorized within Level 3

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

For the nine-month period ended September 30, 2015	Balance at beginning of period	Realized gains / losses recognized in profit or loss[(1)]	Unrealized gains / losses recognized in profit or loss[(2)]	Unrealized gains / losses recognized in other comprehensive income[(3)]	Transfers of instruments into (out of) Level 3	Purchases / Issuances	Sales / Settlements	Balance at end of period
Financial assets								
Financial assets at fair value through profit or loss								
Securities at fair value through profit or loss								
Other securities								
Financial institutions								
Mortgage bonds	$ 72	$ -	$ -	$ -	$ -	$ -	$ -	$ 72
Other issuers								
Hedge funds	10	-	(1)	-	-	-	-	9
Asset-backed term notes	1,641	-	39	-	-	-	(882)	798
Mortgage bonds	850	-	6	-	-	89	(23)	922
Financial asset-backed securities	26	-	1	-	-	-	-	27
Equity securities	21	-	1	-	-	56	(6)	72
Total financial assets at fair value through profit or loss	2,620	-	46	-	-	145	(911)	1,900
Available-for-sale financial assets								
Available-for-sale securities								
Other securities								
Other issuers								
Mortgage bonds	107	-	-	1	-	-	(2)	106
Equity securities	43	3	1	17	-	69	(11)	122
Total available-for-sale financial assets	150	3	1	18	-	69	(13)	228
Total financial assets	$ 2,770	$ 3	$ 47	$ 18	$ -	$ 214	$ (924)	$ 2,128
Financial liabilities								
Financial liabilities held for trading								
Other liabilities - Other								
Financial liability related to put options	$ 91	$ -	$ 4	$ -	$ -	$ -	$ (23)	$ 72
Financial liability related to the contingent consideration	-	-	121	-	-	113	-	234
Derivative financial instruments								
Other contracts - Other	17	3	14	-	-	3	(6)	31
Total financial liabilities	$ 108	$ 3	$ 139	$ -	$ -	$ 116	$ (29)	$ 337

(1) Realized gains or losses on financial assets held for trading and designated as at fair value through profit or loss are presented under “Net income on securities at fair value through profit or loss”. Realized gains or losses on available-for-sale financial assets are recognized under “Net income on available-for-sale securities”.
(2) Unrealized gains or losses on financial assets held for trading and designated as at fair value through profit or loss are presented under “Net income on securities at fair value through profit or loss”.
(3) Unrealized gains or losses on available-for-sale financial assets are recognized under “Net unrealized gains (losses) on available-for-sale securities” in the Combined Statements of Comprehensive Income.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

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

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

For the nine-month period ended September 30, 2014	Balance at beginning of period	Realized gains / losses recognized in profit or loss[1]	Unrealized gains / losses recognized in profit or loss[2]	Unrealized gains / losses recognized in other comprehensive income[3]	Transfers of instruments into (out of) Level 3	Purchases / Issuances	Sales / Settlements	Balance at end of period
Financial assets								
Financial assets at fair value								
through profit or loss								
Securities at fair value through profit or loss								
Other securities								
Financial institutions								
Mortgage bonds	$ 61	$ -	$ -	$ -	$ -	$ 11	$ -	$ 72
Other issuers								
Hedge funds	18	-	(1)	-	-	-	(6)	11
Asset-backed term notes	1,630	-	58	-	-	-	(6)	1,682
Mortgage bonds	817	-	15	-	-	12	(64)	780
Financial asset-backed securities	40	-	2	-	-	-	(15)	27
Equity securities	9	-	-	-	-	16	-	25
Derivative financial instruments								
Other contracts								
Total return swap	1	-	(1)	-	-	-	-	-
Total financial assets at fair value through profit or loss	2,576	-	73	-	-	39	(91)	2,597
Available-for-sale financial assets								
Available-for-sale securities								
Other securities								
Other issuers								
Mortgage bonds	104	-	-	3	-	-	(2)	105
Equity securities	29	(1)	-	8	-	9	(1)	44
Total available-for-sale financial assets	133	(1)	-	11	-	9	(3)	149
Financial instruments of segregated funds	-	-	-	-	(2)	2	-	-
Total financial assets	$ 2,709	$ (1)	$ 73	$ 11	$ (2)	$ 50	$ (94)	$ 2,746
Financial liabilities								
Financial liabilities held for trading								
Other liabilities - Other								
Financial liability related to put options	$ 133	$ -	$ 4	$ -	$ -	$ -	$ (17)	$ 120
Derivative financial instruments								
Other contracts - Other	10	(1)	7	-	-	2	(1)	17
Total financial liabilities	$ 143	$ (1)	$ 11	$ -	$ -	$ 2	$ (18)	$ 137

(1) Realized gains or losses on financial assets held for trading and designated as at fair value through profit or loss are presented under "Net income on securities at fair value through profit or loss". Realized gains or losses on available-for-sale financial assets are recognized under "Net income on available-for-sale securities".
(2) Unrealized gains or losses on financial assets held for trading and designated as at fair value through profit or loss are presented under "Net income on securities at fair value through profit or loss".
(3) Unrealized gains or losses on available-for-sale financial assets are recognized under "Net unrealized gains (losses) on available-for-sale securities" in the Combined Statements of Comprehensive Income.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

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

The following table presents the main techniques and inputs used to measure the fair value of financial instruments categorized within Level 3.

As at September 30, 2015	Fair value	Main valuation techniques	Unobservable inputs	Input value ranges			
Financial assets							
Securities							
Asset-backed term notes	**$ 798**	Internal model[1]	Illiquidity premium[B]		**2%**		
			Credit spread[B,C]	**0 bp**	**to**	**300 bp**	
Mortgage bonds	**1,100**	Discounted cash flows	Comparable inputs[B,C]	**0 bp**	**to**	**520 bp**	
			Proportion of credit spread[B,C]		**75%**		
	31	Option valuation model	Increase in exercise price[B,C]		**5%**		
Equity securities	**163**	Brokers' valuations	Brokers' inputs	**-**		**-**	(2)
Other financial assets[3]	**36**						
Total financial assets	**$ 2,128**						
Financial liabilities							
Other liabilities - Other							
			Enterprise value[A,C]	**-**		**-**	(4)
			Discount rate[B,C]		**7.5%**		
Financial liability related to put options	**$ 72**	Discounted cash flows	Put option exercise date[B,C]	**9 month**	**to**	**4.25 years**	
Financial liability related to the contingent consideration	**234**	Actuarial techniques[5]	Provision for claims and adjustment expenses[B]	**-**		**-**	(6)
Other financial liabilities[7]	**31**						
Total financial liabilities	**$ 337**						

As at December 31, 2014	Fair value	Main valuation techniques	Unobservable inputs	Input value ranges			
Financial assets							
Securities							
Asset-backed term notes	$ 1,641	Internal model[1]	Illiquidity premium[B]		4%		
			Credit spread[B,C]	0 bp	to	300 bp	
Mortgage bonds	1,029	Discounted cash flows	Comparable inputs[B,C]	0 bp	to	520 bp	
			Proportion of credit spread[B,C]		75%		
	17	Option valuation model	Increase in exercise price[B,C]		5%		
Equity securities	47	Brokers' valuations	Brokers' inputs	-		-	(2)
Other financial assets[3]	36						
Total financial assets	$ 2,770						
Financial liabilities							
Other liabilities - Other							
			Enterprise value[A,C]	-		-	(4)
			Discount rate[B,C]		7.5%		
Financial liability related to put options	$ 91	Discounted cash flows	Put option exercise date[B,C]	6 months	to	5 years	
Other financial liabilities[7]	17						
Total financial liabilities	$ 108						

(1) For a description of the internal model, see the “Securities – Asset-backed term notes” section of Note 5, “Securities”.
(2) Due to the nature of this type of investment, no input value range is presented.
(3) Include other financial assets such as hedge funds and financial asset-backed securities.
(4) Due to the wide-ranging operations of the underlying business lines associated with the enterprise value, no input value range is presented.
(5) The actuarial techniques used to measure the provision for claims and adjustment expenses are in accordance with Canadian accepted actuarial practices.
(6) Due to the nature of this financial liability, no input value range is presented.
(7) Include other financial liabilities such as other derivative financial instrument contracts.

Fair value sensitivity to changes in unobservable inputs

(A) An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.
(B) An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
(C) There is no predictable relationship between this input and other material unobservable inputs.

NOTE 5 – SECURITIES

UNREALIZED GAINS AND LOSSES ON AVAILABLE-FOR-SALE SECURITIES

The following tables present unrealized gains and losses on available-for-sale securities.

As at September 30, 2015	**Amortized cost**	**Unrealized gross gains**	**Unrealized gross losses**	**Carrying amount**
Debt securities issued or guaranteed by				
Canadian governmental entities	**$ 7,234**	**$ 118**	**$ 4**	**$ 7,348**
Provincial governmental entities and municipal corporations in Canada	**9,917**	**191**	**23**	**10,085**
School or public corporations in Canada	**8**	**-**	**-**	**8**
Foreign public administrations	**41**	**1**	**-**	**42**
Other securities				
Financial institutions	**1,624**	**5**	**5**	**1,624**
Other issuers	**483**	**18**	**2**	**499**
Equity securities	**2,432**	**277**	**121**	**2,588**
	$ 21,739	**$ 610**	**$ 155**	**$ 22,194**

As at December 31, 2014	Amortized cost	Unrealized gross gains	Unrealized gross losses	Carrying amount
Debt securities issued or guaranteed by				
Canadian governmental entities	$ 8,026	$ 69	$ -	$ 8,095
Provincial governmental entities and municipal corporations in Canada	8,336	247	-	8,583
School or public corporations in Canada	8	-	-	8
Foreign public administrations	30	1	-	31
Other securities				
Financial institutions	811	7	-	818
Other issuers	370	16	-	386
Equity securities	1,667	312	10	1,969
	$ 19,248	$ 652	$ 10	$ 19,890

Impairment losses recognized

During the nine-month period ended September 30, 2015, Desjardins Group concluded that there was objective evidence of impairment. Impairment losses of $70 million ($9 million for the three-month period ended September 30, 2014) and $101 million ($14 million for the nine-month period ended September 30, 2014) on available-for-sale securities were recognized under "Net income on available-for-sale securities" in the Combined Statements of Income.

SECURITIES – ASSET-BACKED TERM NOTES UNDER THE MONTRÉAL ACCORD

Desjardins Group holds ABTNs from Master Asset Vehicles (MAV) having a fair value and a nominal value of $798 million and $844 million, respectively, as at September 30, 2015 ($1,641 million and $1,722 million as at December 31, 2014) and allocated among MAV 1 and MAV 3, with substantially all of the value attributable to MAV 1.

The credit default swaps serving as an economic hedge for ABTNs had a negative fair value of $3 million as at September 30, 2015 (negative fair value of $3 million as at December 31, 2014, including the positive fair value of $1 million of the total return swap, which expired on March 31, 2015). For information on the ABTN measurement methodology, see the "Securities – Asset-backed term notes" section of Note 8, "Securities", and Note 6, "Fair value of financial instruments", to the 2014 Annual Combined Financial Statements.

Desjardins Group participates, for an amount of $1,193 million, in the margin funding facility (MFF) intended to cover any potential collateral calls from the counterparties to the credit default swaps of MAV 1. As at September 30, 2015, no amount had been drawn on the MFF. In addition, Desjardins Group purchased a $400 million protection for its commitments under the MFF. For more information on the terms of the MFF and acquired protection, see the "Securities – Asset-backed term notes" section of Note 8, "Securities", to the 2014 Annual Combined Financial Statements.

Impact on profit or loss

A gain of $5 million related to the fair value of ABTNs was recognized in Desjardins Group's Combined Statement of Income for the three-month period ended September 30, 2015 (gain of $25 million for the three-month period ended September 30, 2014) and a gain of $39 million was recognized for the nine-month period ended September 30, 2015 (gain of $58 million for the nine-month period ended September 30, 2014). In addition, a gain of $1 million related to the derivative financial instruments hedging ABTNs was recognized for the three-month period ended September 30, 2015 (gain of $4 million for the three-month period ended September 30, 2014) and an immaterial loss was recognized for the nine-month period ended September 30, 2015 (nil for the nine-month period ended September 30, 2014).

NOTE 6 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

LOANS, IMPAIRED LOANS AND ALLOWANCES FOR CREDIT LOSSES

The following tables present the credit quality of loans.

As at September 30, 2015	**Gross loans neither past due nor impaired**	**Gross loans past due but not impaired**	**Gross impaired loans**	**Individual allowances**	**Collective allowance[1]**	**Net loans**
Residential mortgages	**$ 100,994**	**$ 261**	**$ 165**	**$ 17**	**$ 50**	**$ 101,353**
Consumer, credit card and other personal loans	**18,491**	**2,460**	**98**	**19**	**129**	**20,901**
Business and government	**34,047**	**570**	**298**	**96**	**167**	**34,652**
	$ 153,532	**$ 3,291**	**$ 561**	**$ 132**	**$ 346**	**$ 156,906**

[1] Includes the collective allowance on impaired loans of $19 million.

As at December 31, 2014	Gross loans neither past due nor impaired	Gross loans past due but not impaired	Gross impaired loans	Individual allowances	Collective allowance[1]	Net loans
Residential mortgages	$ 97,061	$ 303	$ 148	$ 14	$ 50	$ 97,448
Consumer, credit card and other personal loans	18,095	2,313	87	21	119	20,355
Business and government	32,026	601	276	89	163	32,651
	$ 147,182	$ 3,217	$ 511	$ 124	$ 332	$ 150,454

[1] Includes the collective allowance on impaired loans of $13 million.

GROSS LOANS PAST DUE BUT NOT IMPAIRED

The following tables present the aging of gross loans that are past due but not impaired.

As at September 30, 2015	**1 to 29 days**	**30 to 59 days**	**60 to 89 days**	**90 days or more**	**Total**
Residential mortgages	**$ 211**	**$ 30**	**$ 11**	**$ 9**	**$ 261**
Consumer, credit card and other personal loans	**1,907**	**271**	**122**	**160**	**2,460**
Business and government	**382**	**34**	**37**	**117**	**570**
	$ 2,500	**$ 335**	**$ 170**	**$ 286**	**$ 3,291**

As at December 31, 2014	1 to 29 days	30 to 59 days	60 to 89 days	90 days or more	Total
Residential mortgages	$ 242	$ 35	$ 15	$ 11	$ 303
Consumer, credit card and other personal loans	1,717	307	129	160	2,313
Business and government	393	70	28	110	601
	$ 2,352	$ 412	$ 172	$ 281	$ 3,217

ALLOWANCES FOR CREDIT LOSSES

The following table presents the changes in allowances for credit losses.

	Residential mortgages		**Consumer, credit card and other personal loans**		**Business and government**		**Total**	
For the nine-month periods ended September 30	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Balance at beginning of period	**$ 65**	$ 58	**$ 176**	$ 167	**$ 306**	$ 294	**$ 547**	$ 519
Provision for credit losses	**13**	18	**238**	190	**43**	75	**294**	283
Write-offs and recoveries	**(10)**	(14)	**(227)**	(186)	**(25)**	(25)	**(262)**	(225)
Balance at end of period	**$ 68**	$ 62	**$ 187**	$ 171	**$ 324**	$ 344	**$ 579**	$ 577
Composed of:								
Allowance for credit losses	**$ 67**	$ 59	**$ 147**	$ 129	**$ 264**	$ 270	**$ 478**	$ 458
Allowance for off-balance sheet credit commitments[1]	**1**	3	**40**	42	**60**	74	**101**	119

[1] The allowance for off-balance sheet credit commitments is presented under “Other liabilities – Other”.

NOTE 7 – COVERED BONDS

Structured entities are in place to guarantee principal and interest payments owing to the holders of the covered bonds issued by Desjardins Group. The operations of each of these entities are included in the Combined Financial Statements of Desjardins Group as they are controlled by Desjardins Group. Desjardins Group sold residential mortgage loans to one or another of these entities and granted them financing to facilitate the acquisition of these assets. The financing granted by Desjardins Group may reach a maximum amount equal to the outstanding loans held by these entities for purposes of guaranteeing the covered bonds issued. Under the terms and conditions of each of the issuance agreements, Desjardins Group has limited access to the assets that are legally owned by one or another of these structured entities. The assets, totalling $7,773 million as at September 30, 2015 ($6,798 million as at December 31, 2014), are presented under “Loans – Residential mortgages” in the Combined Balance Sheets, and the covered bonds, amounting to $6,309 million as at September 30, 2015 ($5,694 million as at December 31, 2014), are presented under “Deposits – Business and government”.

NOTE 8 – DEPOSITS

Deposits consist of demand deposits (payable on demand), notice deposits (payable upon notice) and term deposits (payable on a fixed date). Demand deposits are interest-bearing or non-interest-bearing deposits, primarily accounts with chequing privileges, for which Desjardins Group does not have the right to require notice prior to withdrawal. Notice deposits are interest-bearing deposits, primarily savings accounts, for which Desjardins Group has the legal right to require notice prior to withdrawal. Term deposits are interest-bearing deposits, primarily fixed-term deposit accounts, guaranteed investment certificates or other similar instruments, with a term that generally varies from 1 day to 10 years and mature on a predetermined date.

The following table presents the breakdown of deposits.

	As at September 30, 2015				As at December 31, 2014			
	Payable on demand	**Payable upon notice**	**Payable on a fixed date**	**Total**	Payable on demand	Payable upon notice	Payable on a fixed date	Total
Individuals	**$ 36,172**	**$ 3,715**	**$ 49,274**	**$ 89,161**	$ 34,285	$ 3,788	$ 50,390	$ 88,463
Business and government	**22,068**	**342**	**41,143**	**63,553**	17,800	332	38,384	56,516
Deposit-taking institutions	**100**	**-**	**1,729**	**1,829**	51	-	1,294	1,345
	$ 58,340	**$ 4,057**	**$ 92,146**	**$ 154,543**	$ 52,136	$ 4,120	$ 90,068	$ 146,324

NOTE 9 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

	As at September 30, 2015			As at December 31, 2014		
	Notional amount	**Assets**	**Liabilities**	Notional amount	Assets	Liabilities
Designated as hedging instruments						
Fair value hedges	**$ 34,491**	**$ 2,249**	**$ 82**	$ 31,444	$ 1,012	$ 161
Cash flow hedges	**21,952**	**436**	**60**	21,971	225	19
Total - Designated as hedging instruments	**56,443**	**2,685**	**142**	53,415	1,237	180
Trading purposes	**156,706**	**2,054**	**1,482**	127,435	1,896	1,495
Total derivative financial instruments before impact of master netting agreements	**213,149**	**4,739**	**1,624**	180,850	3,133	1,675
Less :						
Impact of master netting agreements[1]	**-**	**624**	**624**	-	412	412
Total derivative financial instruments after impact of master netting agreements	**$ 213,149**	**$ 4,115**	**$ 1,000**	$ 180,850	$ 2,721	$ 1,263

[1] Impact of offsetting credit exposure when Desjardins Group holds master netting agreements without the intention of settling on a net basis or simultaneously.

HEDGING ACTIVITIES

The following table presents the net amounts related to the ineffectiveness of fair value hedges and cash flow hedges that are recognized under "Net income on securities at fair value through profit or loss" in the Combined Statements of Income.

	For the three-month periods ended September 30		**For the nine-month periods ended September 30**	
	2015	2014	**2015**	2014
Fair value hedge ineffectiveness	**$ 5**	$ 10	**$ 37**	$ 11
Cash flow hedge ineffectiveness	**10**	4	**17**	17

NOTE 10 – SIGNIFICANT ACQUISITION

On January 1, 2015, Desjardins Group completed the acquisition of all of the Canadian property and casualty and life and health insurance, mutual fund, loan and living benefit businesses of State Farm Mutual Automobile Insurance Company (State Farm). The acquisition of the property and casualty and life and health insurance businesses was carried out by transferring assets and assuming liabilities, while the acquisition of the other businesses was carried out by purchasing company shares. This acquisition has allowed Desjardins Group to develop a multi-product distribution network that gives it access to a new client base and to reach a scale, in particular in property and casualty insurance, that should provide it with competitive advantages.

The following table presents the fair value of the identifiable assets acquired and liabilities assumed as at the acquisition date.

Net identifiable assets acquired	
Cash and deposits with financial institutions	$ 12
Securities	6,409
Loans	197
Premiums receivable	442
Reinsurance assets	2
Property, plant and equipment	86
Intangible assets	82
Deferred tax assets	111
Other assets – Other	79
Insurance contract liabilities	(6,602)
Net defined benefit plan liabilities	(106)
Deferred tax liabilities	(7)
Other liabilities – Other	(452)
	$ 253
Consideration	
Acquired cash and cash equivalents	12
Net cash used for the acquisition	76
Contingent consideration	113
Total consideration	**201**
Gain on acquisition	**$ 52**

The gain on acquisition was recognized under “Other income – Other” in the Combined Statement of Income.

Securities of $5,090 million received as part of the acquisition were pledged as collateral pursuant to the reinsurance treaty that transfers the property and casualty insurance contract liabilities of the Canadian businesses of State Farm to Desjardins Group.

The acquisition agreement includes a price adjustment clause based on the favourable and unfavourable development of the provision for claims and adjustment expenses related to the property and casualty insurance contract liabilities transferred as part of the acquisition. State Farm will compensate Desjardins Group for 95% of the unfavourable development of these liabilities, while Desjardins Group will have to give State Farm 90% of the favourable development of these liabilities. As at the acquisition date, Desjardins Group determined that the fair value of the contingent consideration it expects to pay was $113 million. As at September 30, 2015, the value of the contingent consideration recognized under “Other liabilities – Other” amounted to $234 million.

As part of this transaction, State Farm and *Groupe des Assurances du Crédit Mutuel S.A.*, a minority partner in Desjardins General Insurance Group Inc. (DGIG), have respectively invested $450 million in non-voting preferred shares and $200 million in common shares, non-voting preferred shares and subordinated notes of DGIG’s insurance subsidiaries. Desjardins Group ownership interest in the common shares of these subsidiaries did not change as a result of these investments.

The determination of the fair value of the identifiable assets and liabilities acquired was substantially completed during the period ended September 30, 2015. Should new information about facts and circumstances that existed as of the acquisition date become available by December 31, 2015, these fair values might however have to be adjusted.

Since the acquisition, the contribution of the Canadian businesses of State Farm to Desjardins Group’s “Total income” and “Net surplus earnings for the period after member dividends”, excluding the gain on acquisition, has amounted to $731 million and $134 million, respectively.

In the nine-month period ended September 30, 2015, closing costs of $4 million ($20 million in fiscal 2014) directly attributable to the acquisition of the Canadian businesses of State Farm have been recognized under “Non-interest expense – Other” in the Combined Statement of Income.

NOTE 11 – CAPITAL STOCK

ISSUANCE OF CAPITAL SHARES

During the nine-month period ended September 30, 2015, the Federation issued 97,421,191 F capital shares for a cash consideration of $974 million.

NOTE 12 – ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents the main components of “Accumulated other comprehensive income” (net of taxes).

	As at September 30, 2015		As at December 31, 2014	
	Group's share	**Non-controlling interests' share**	Group's share	Non-controlling interests' share
Items that will be reclassified subsequently to the Combined Statements of Income				
Net unrealized gains on available-for-sale securities	**$ 296**	**$ 30**	$ 438	$ 44
Net gains on derivative financial instruments designated as cash flow hedges	**293**	**1**	176	-
Net unrealized exchange gains on the translation of an investment in a foreign operation, net of hedging transactions	**2**	**1**	1	-
Accumulated other comprehensive income	**$ 591**	**$ 32**	$ 615	$ 44

NOTE 13 – CAPITAL MANAGEMENT

The goal of capital management at Desjardins Group is to ensure that a sufficient level of high-quality capital is maintained in order to have flexibility for its development, to maintain favourable credit ratings and to maintain the confidence of depositors and financial markets.

Desjardins Group’s capital ratios are calculated according to the guideline on adequacy of capital base standards applicable to financial services cooperatives (the guideline) issued by the AMF and are expressed as a percentage of regulatory capital over risk-weighted assets. The minimum Tier 1A capital ratio that Desjardins Group must maintain is 7.0%. In addition, its Tier 1 capital ratio and total capital ratio must be above 8.5% and 10.5%, respectively. These minimum ratios include a 2.5% capital conservation buffer. Furthermore, the use of the Internal Ratings-Based Approach for credit risk related to retail loan portfolios (individuals) is conditional to the total capital ratio being greater than 11.5% instead of 10.5%, as stated in the guideline.

Since January 1, 2014, the measures and requirements related to the credit valuation adjustment (CVA) charge have been phased in as set out in the guideline. This charge will reach 100% by 2019 for each of the capital ratios. As at September 30, 2015, the CVA charge applied to the Tier 1A capital ratio, the Tier 1 capital ratio and the total capital ratio was 64%, 71% and 77%, respectively.

Effective January 1, 2015, the asset/capital ratio was replaced by a new leverage ratio defined as the capital measure (namely Tier 1 capital) divided by the exposure measure. The exposure measure includes: 1) on-balance sheet exposures; 2) securities financing transaction exposures; 3) derivative exposures; and 4) other off-balance sheet exposures. According to the guideline, the minimum leverage ratio that Desjardins Group must meet is 3%.

As mentioned in Note 11, “Capital stock”, the Federation issued F capital shares in 2015 for gross proceeds of $974 million.

As at September 30, 2015, Desjardins Group was in compliance with the AMF's capital ratio and leverage ratio regulatory requirements.

NOTE 14 – NET INCOME (LOSS) ON SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

FINANCIAL INSTRUMENTS HELD FOR TRADING

The following table presents the impact of income from financial instruments held for trading on the Combined Statements of Income.

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2015	2014	**2015**	2014
Income				
Net interest income	**$ 6**	$ 1	**$ 18**	$ 15
Net income on securities at fair value through profit or loss	**105**	23	**168**	176
	$ 111	$ 24	**$ 186**	$ 191

FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following table presents the impact of income from financial instruments designated as at fair value through profit or loss on the Combined Statements of Income.

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2015	2014	**2015**	2014
Income				
Net interest income	**$ -**	$ 1	**$ 3**	$ 4
Net income (loss) on securities at fair value through profit or loss	**(88)**	265	**411**	1,143
	$ (88)	$ 266	**$ 414**	$ 1,147

NOTE 15 – SEGMENTED INFORMATION

RESULTS BY BUSINESS SEGMENT

The following tables provide a summary of Desjardins Group's financial results by business segment.

	Personal Services and Business and Institutional Services		Wealth Management and Life and Health Insurance		Property and Casualty Insurance		Other		Combined	
For the three-month periods ended September 30	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Net interest income	**$ 1,038**	$ 955	**$ -**	$ 1	**$ 1**	$ 3	**$ 55**	$ 54	**$ 1,094**	$ 1,013
Net premiums	**-**	-	**1,056**	982	**702**	574	**(66)**	(60)	**1,692**	1,496
Other income	**485**	482	**394**	631	**(31)**	56	**(95)**	(83)	**753**	1,086
Total income	**1,523**	1,437	**1,450**	1,614	**672**	633	**(106)**	(89)	**3,539**	3,595
Provision for credit losses	**113**	109	**-**	-	**-**	-	**(11)**	-	**102**	109
Claims, benefits, annuities and changes in insurance contract liabilities	**-**	-	**814**	1,036	**436**	337	**(4)**	(4)	**1,246**	1,369
Non-interest expense	**1,046**	1,014	**515**	479	**265**	211	**(153)**	(122)	**1,673**	1,582
Operating surplus earnings	**364**	314	**121**	99	**(29)**	85	**62**	37	**518**	535
Income taxes on surplus earnings	**96**	82	**38**	19	**(6)**	18	**(14)**	7	**114**	126
Surplus earnings before member dividends[1]	**268**	232	**83**	80	**(23)**	67	**76**	30	**404**	409
Member dividends, net of income tax recovery	**26**	49	**-**	-	**-**	-	**-**	-	**26**	49
Net surplus earnings for the period after member dividends	**$ 242**	$ 183	**$ 83**	$ 80	**$ (23)**	$ 67	**$ 76**	$ 30	**$ 378**	$ 360
of which:										
Group's share	**$ 242**	$ 183	**$ 72**	$ 76	**$ (27)**	$ 60	**$ 74**	$ 29	**$ 361**	$ 348
Non-controlling interests' share	**-**	-	**11**	4	**4**	7	**2**	1	**17**	12

[1] For the three-month periods ended September 30, 2015 and 2014, the Group's share of "Surplus earnings before member dividends" was respectively $268 million and $232 million for the Personal Services and Business and Institutional Services segment, $72 million and $76 million for the Wealth Management and Life and Health Insurance segment, $(27) million and $60 million for the Property and Casualty Insurance segment and $74 million and $29 million for the Other category.

NOTE 15 – SEGMENTED INFORMATION *(continued)*

RESULTS BY BUSINESS SEGMENT ***(continued)***

For the nine-month periods ended September 30	Personal Services and Business and Institutional Services 2015	2014	Wealth Management and Life and Health Insurance 2015	2014	Property and Casualty Insurance 2015	2014	Other 2015	2014	Combined 2015	2014
Net interest income	**$ 2,982**	$ 2,790	**$ -**	$ 2	**$ 1**	$ -	**$ 163**	$ 163	**$ 3,146**	$ 2,955
Net premiums	**-**	-	**3,038**	2,924	**2,425**	1,693	**(197)**	(181)	**5,266**	4,436
Other income	**1,486**	1,455	**1,600**	2,320	**233**	263	**(240)**	(224)	**3,079**	3,814
Total income	**4,468**	4,245	**4,638**	5,246	**2,659**	1,956	**(274)**	(242)	**11,491**	11,205
Provision for credit losses	**305**	283	**-**	-	**-**	-	**(11)**	-	**294**	283
Claims, benefits, annuities and changes in insurance contract liabilities	**-**	-	**2,564**	3,421	**1,528**	1,131	**(11)**	(9)	**4,081**	4,543
Non-interest expense	**3,211**	3,121	**1,584**	1,430	**818**	631	**(397)**	(373)	**5,216**	4,809
Operating surplus earnings	**952**	841	**490**	395	**313**	194	**145**	140	**1,900**	1,570
Income taxes on surplus earnings	**249**	204	**114**	78	**66**	45	**(26)**	4	**403**	331
Surplus earnings before member dividends [(1)]	**703**	637	**376**	317	**247**	149	**171**	136	**1,497**	1,239
Member dividends, net of income tax recovery	**80**	155	**-**	-	**-**	-	**-**	-	**80**	155
Net surplus earnings for the period after member dividends	**$ 623**	$ 482	**$ 376**	$ 317	**$ 247**	$ 149	**$ 171**	$ 136	**$ 1,417**	$ 1,084
of which:										
Group's share	**$ 622**	$ 481	**$ 307**	$ 297	**$ 205**	$ 138	**$ 167**	$ 134	**$ 1,301**	$ 1,050
Non-controlling interests' share	**1**	1	**69**	20	**42**	11	**4**	2	**116**	34

(1) For the nine-month periods ended September 30, 2015 and 2014, the Group's share of "Surplus earnings before member dividends" was respectively $702 million and $636 million for the Personal Services and Business and Institutional Services segment, $307 million and $297 million for the Wealth Management and Life and Health Insurance segment, $205 million and $138 million for the Property and Casualty Insurance segment and $167 million and $134 million for the Other category.

SEGMENT ASSETS

	Personal Services and Business and Institutional Services	Wealth Management and Life and Health Insurance	Property and Casualty Insurance	Other	Combined
As at September 30, 2015	**$ 191,859**	**$ 35,170**	**$ 14,396**	**$ 9,547**	**$ 250,972**
As at December 31, 2014	$ 185,068	$ 32,000	$ 6,140	$ 6,179	$ 229,387

NOTE 16 – SUBSEQUENT EVENT

On October 15, 2015, the AMF authorized *Capital Desjardins inc.*, a wholly-owned subsidiary included in the Group scope of Desjardins Group, to call all of its outstanding Series H senior notes, in the amount of $700 million, on November 23, 2015.