Desjardins

# Financial Report

**First quarter of 2021**

# Desjardins Group posts excellent financial results for the first quarter of 2021

## FINANCIAL HIGHLIGHTS

| (in millions of dollars and as a percentage) | As at and for the three-month periods ended | | |
|---|---|---|---|
| | **March 31, 2021** | December 31, 2020 | March 31, 2020 |
| **Results** | | | |
| Net interest income | **$ 1,403** | $ 1,455 | $ 1,353 |
| Net premiums | **2,585** | 2,626 | 2,522 |
| Other operating income[1] | **795** | 749 | 767 |
| **Operating income[1]** | **4,783** | 4,830 | 4,642 |
| Investment income (loss)[1] | **(1,748)** | 534 | 54 |
| **Total income** | **3,035** | 5,364 | 4,696 |
| Provision for credit losses | **4** | 169 | 324 |
| Claims, benefits, annuities and changes in insurance contract liabilities | **(206)** | 1,781 | 2,071 |
| Non-interest expense | **2,165** | 2,332 | 1,999 |
| Income taxes on surplus earnings | **274** | 206 | 17 |
| **Surplus earnings before member dividends** | **$ 798** | $ 876 | $ 285 |
| **Contribution to combined surplus earnings by business segment[2]** | | | |
| Personal and Business Services | **$ 414** | $ 364 | $ 190 |
| Wealth Management and Life and Health Insurance | **125** | 249 | (41) |
| Property and Casualty Insurance | **248** | 378 | 73 |
| Other | **11** | (115) | 63 |
| | **$ 798** | $ 876 | $ 285 |
| **Return to members and the community** | | | |
| Member dividends | **$ 90** | $ 93 | $ 77 |
| Sponsorships, donations and bursaries[3] | **12** | 28 | 16 |
| Desjardins Member Advantages program | **4** | 10 | 11 |
| | **$ 106** | $ 131 | $ 104 |
| **Indicators** | | | |
| Net interest margin[1][4] | **2.10%** | 2.17% | 2.37% |
| Return on equity[1] | **10.3** | 11.4 | 4.0 |
| Productivity index[1] | **66.8** | 65.1 | 76.2 |
| Credit loss provisioning rate[1] | **0.01** | 0.32 | 0.63 |
| Gross credit-impaired loans/gross loans and acceptances[1] | **0.57** | 0.62 | 0.56 |
| Liquidity coverage ratio[5] | **155** | 157 | 125 |
| **On-balance sheet and off-balance sheet** | | | |
| Assets | **$ 376,981** | $ 362,035 | $ 326,919 |
| Net loans and acceptances | **215,005** | 211,749 | 206,326 |
| Deposits | **230,919** | 225,236 | 205,495 |
| Equity | **31,644** | 30,263 | 28,950 |
| Assets under administration | **464,678** | 458,177 | 395,770 |
| Assets under management[6] | **77,169** | 77,474 | 63,435 |
| **Capital ratios and leverage ratio** | | | |
| Tier 1A capital ratio | **22.1%** | 21.9% | 22.2% |
| Tier 1 capital ratio | **22.1** | 21.9 | 22.2 |
| Total capital ratio | **22.6** | 22.6 | 22.2 |
| Leverage ratio | **8.7** | 8.5 | 9.2 |
| **Other information** | | | |
| Number of employees | **50,172** | 48,930 | 48,420 |

(1) See "Non-GAAP measures".
(2) The breakdown by line item is presented in Note 10, "Segmented information", to the Interim Combined Financial Statements.
(3) Including $5 million from the caisses' Community Development Fund ($15 million in the fourth quarter of 2020 and $6 million in the first quarter of 2020).
(4) The data for 2020 have been restated to conform to the current period's presentation because of a refinement in methodology.
(5) The ratio is presented based on the average of daily data during the quarter.
(6) Assets under management may also be administered by Desjardins Group. When this is the case, they are included in assets under administration.

# MESSAGE FROM SENIOR MANAGEMENT

Lévis, May 13, 2021 – For the first quarter ended March 31, 2021, Desjardins Group, the largest financial cooperative in North America, posted surplus earnings before member dividends of $798 million, up $513 million compared to the corresponding quarter of 2020. In the first quarter of 2021, the growth in surplus earnings was mainly due to a decline in the provision for credit losses, good performance from the caisse network and a lower auto insurance loss experience in the Property and Casualty Insurance segment. It's worth noting that surplus earnings for the first quarter of 2020 were affected by the beginning of the COVID-19 pandemic. The provision for credit losses was affected by the deterioration in the economic outlook, and provisions were recognized in travel insurance.

This result reflects the contribution of $414 million made by the Personal and Business Services segment. The Wealth Management and Life and Health Insurance segment and the Property and Casualty Insurance segment contributed $125 million and $248 million, respectively, to surplus earnings.

The total amount returned to members and the community was $106 million in the first quarter of 2021, including a $90 million provision for member dividends, $12 million in the form of sponsorships, donations and bursaries, and $4 million paid out through the Desjardins Member Advantages program, compared to a total amount returned to members and the community of $104 million for the corresponding period of 2020. In addition to this, $7 million of commitments were made for the first quarter of 2021 with regard to the GoodSpark Fund, which seeks in particular to provide social and economic support to the regions.

Desjardins Group complies with Basel III rules and maintains very good capitalization. As at March 31, 2021, Desjardins Group's Tier 1A and total capital ratios were 22.1% and 22.6%, respectively, compared to 21.9% and 22.6% as at December 31, 2020.

"Desjardins began the first quarter of 2021 with solid financial results despite the background of economic uncertainty stemming from the pandemic," said Desjardins President and CEO Guy Cormier. "I am proud of our results and the efforts made by the whole Desjardins team. We are very well positioned to proactively respond to the needs of our members and clients, as well as our communities. In addition, we responded to the government's invitation to limit the spread of COVID-19 by adding the *Cité de la coopération*, in Lévis, to the list of vaccination sites."

Desjardins Group continues to be a very strong financial institution that has demonstrated its ability to support its members and clients despite the COVID-19 pandemic.

# ENHANCED DISCLOSURE TASK FORCE RECOMMENDATIONS INDEX

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.

Information regarding the EDTF recommendations is presented in the 2020 Annual Report, the interim financial report for the first quarter of 2021 and the documents "Supplemental Financial Information" and "Pillar 3 Report", which are available on Desjardins Group's website at www.desjardins.com/ca/about-us/investor-relations. The documents "Supplemental Financial Information" and "Pillar 3 Report" are not incorporated by reference in this Management's Discussion and Analysis (MD&A).

Below is a summary of disclosures under the EDTF recommendations and the location of the disclosures (page number):

| Type of risk | Recommen-dation | Disclosure | 2020 Annual Report | Interim Financial Report | Supplemental Financial Information | Pillar 3 Report |
|---|---|---|---|---|---|---|
| **General** | 1 | Summary of risk information | XXX | Current page | | |
| | 2 | Risk terminology, risk measures and key parameters | 65-70, 233-240 | | 55, 56 | 21-23 |
| | 3 | Principal and emerging risks | 53, 54, 62, 63, 70-72, 88 | 13, 29, 30 | | |
| | 4 | New regulatory ratios | 53-56, 88-94, 193, 194 | 26-28, 37, 38, 40-42 | 7, 9 | |
| **Risk governance, risk management and business models** | 5 | Organizational risk management structure | 66-70 | | | |
| | 6 | Risk management culture | 66-70 | | | |
| | 7 | Risks from business model and risk appetite | 12, 32-43, 53, 57-59, 65-72 | | | |
| | 8 | Stress testing | 66 | | | |
| **Capital adequacy and risk-weighted assets** | 9 | Minimum regulatory capital requirements | 53-55 | 26 | | 6-8, 15, 16 |
| | 10 | Reconciliation of the accounting balance sheet and the regulatory balance sheet | 55, 56, 193, 194 | 27 | 6-8, 10 | 9, 10, 15 |
| | 11 | Movements in regulatory capital | 55, 56 | 28 | 7 | |
| | 12 | Capital management and planning | 53-56 | 25-29 | 6 | |
| | 13 | Risk-weighted assets by business segments | 57-59, 71 | | 11, 12 | 5 |
| | 14 | Breakdown of capital requirements by type of risk and by calculation method | 57-59, 76, 77, 84,85 | 27-29 | 11, 12 | 5 |
| | 15 | Credit risk | | 29 | 24-46 | 14 |
| | 16 | Movements in risk-weighted assets by type of risk | 59 | 27-29 | 13-15 | 14 |
| | 17 | Back testing and validation of credit models | 76 | | 43 | |
| **Liquidity** | 18 | Management of liquidity needs and reserve | 88-94 | 37-42 | | 17 |
| **Funding** | 19 | Encumbered and unencumbered assets | 90-94, 198-200 | 39-41 | | |
| | 20 | Residual contractual maturities of assets, liabilities and off-balance sheet commitments | 91-93, 200-204 | 43-48 | | |
| | 21 | Funding sources and strategies | 52, 88, 91-93 | 37, 38, 43 | | |
| **Market risk** | 22 | Reconciliation of market risk measures to balance sheet | 83, 84 | 33, 34 | | |
| | 23 | Market risk factors | 82-87, 177, 178 | 32-37 | | |
| | 24 | Assumptions, limitations and validation procedures for market risk models | 84-86 | 34, 35 | | |
| | 25 | Extreme loss measures | 53, 66, 84-86 | 34-36 | | |
| **Credit risk** | 26 | Credit risk profile | 51, 52, 63, 64, 66, 76, 77, 79-82 | 24, 31, 32 | 24-54 | 14 |
| | 27 | Policy for identifying gross credit-impaired loans | 78, 121-139 | | | |
| | 28 | Reconciliation of gross credit-impaired loans and allowance for credit losses | 51, 52, 78-81, 121-139, 152-160 | 24, 31, 32, 68-74 | | |
| | 29 | Counterparty risk related to derivatives | 81, 82, 182-191 | | | |
| | 30 | Credit risk mitigation techniques | 77, 81, 82, 182-191 | | 24-26 | |
| **Other risks** | 31 | Management of other risks | 57-59, 68-71, 94-99 | 27-30 | | |
| | 32 | Publicly known risk events | 95, 198-200 | | | |

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The Management's Discussion and Analysis (MD&A) dated May 13, 2021 presents the analysis of the results of and main changes to Desjardins Group's balance sheet for the period ended March 31, 2021, in comparison to previous periods. Desjardins Group reports financial information in compliance with *Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings* (Regulation 52-109) prescribed by the Canadian Securities Administrators (CSA). Unlike the Federation, Desjardins Group is not a reporting issuer, on a combined basis, under this or any other applicable securities regulations. Pursuant to Decision No. 2021-FS-0091 of the *Autorité des marchés financiers* (AMF) dated April 23, 2021, the Combined Financial Statements and MD&As of Desjardins Group will henceforth be filed by the Federation in place of the Consolidated Financial Statements and MD&As of the Federation, in order to meet the financial disclosure obligations of the Federation, as a reporting issuer, under *Regulation 51-102 respecting Continuous Disclosure Obligations* (Regulation 51-102) of the CSA, and the Federation will maintain controls and procedures with respect to the Combined Financial Statements and MD&As of Desjardins Group in compliance with Regulation 52-109. Since April 23, 2021, and pursuant to the AMF and CSA decision, the Federation has used the financial statements and MD&As of Desjardins Group for all relevant purposes under the applicable securities regulations (including, in particular, Regulation 52-109 and Regulation 51-102). Information on the controls and procedures with respect to the Combined Financial Statements and MD&As of Desjardins Group may be found 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), including the notes thereto, as at March 31, 2021, and Desjardins Group's 2020 Annual Report (the 2020 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 Desjardins Capital Inc. profile and, since first quarter 2021, under the *Fédération des caisses Desjardins du Québec* profile). The Annual Information Form of the Federation (under the *Fédération des caisses Desjardins du Québec* profile) can be found on SEDAR as well. Further information is available on the Desjardins website at www.desjardins.com/ca/about-us/investor-relations. None of the information presented on these sites is incorporated by reference into this MD&A.

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 AMF in Québec, which do not differ from IFRS. IFRS represent Canadian generally accepted accounting principles (GAAP). These Interim Combined Financial Statements of Desjardins Group have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". All the accounting policies have been applied as described in Note 2, "Basis of presentation and significant accounting policies", to the Annual Combined Financial Statements, except for the amendments to IFRS 9, IAS 39 and IFRS 7, adopted on January 1, 2021, as part of Phase 2 of the interest rate benchmark reform project and described in Note 2, "Basis of presentation and significant accounting policies", to the 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.

## TABLE OF CONTENTS

## CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

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

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

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

Readers are cautioned not to rely unduly on the forward-looking statements since a number of factors, many of which are beyond Desjardins Group's control and the effects of which can be difficult to predict, could influence, individually or collectively, the accuracy of the forward-looking statements in this MD&A. These factors include those discussed in the "Risk management" section and under "COVID-19 pandemic" in the "Significant events" section of Desjardins Group's 2020 annual MD&A and this MD&A for the first quarter of 2021, such as credit, market, liquidity, operational, insurance, strategic and reputation risk, the risk related to pension plans, environmental or social risk, and legal and regulatory risk.

Additional factors that may affect the accuracy of the forward-looking statements in this MD&A also include factors related to the COVID-19 pandemic, climate change, government, corporate and household indebtedness, technological advancement and regulatory developments, interest rate fluctuations and geopolitical uncertainty. Furthermore, there are factors related to general economic and business conditions in regions in which Desjardins Group operates; security breaches; monetary policies; the critical accounting estimates and accounting standards applied by Desjardins Group; new products and services to maintain or increase Desjardins Group's market share; geographic concentration; acquisitions and joint arrangements; and credit ratings. Other factors include amendments to tax laws, unexpected changes in consumer spending and saving habits, talent recruitment and retention for key positions, the ability to implement Desjardins Group's disaster recovery plan within a reasonable time, the potential impact on operations of international conflicts, public health crises, such as pandemics and epidemics, or any other similar disease affecting the local, national or global economy, and Desjardins Group's ability to anticipate and properly manage the risks associated with these factors, despite a disciplined risk management environment. Additional information about these factors is found in the "Risk management" section and under "COVID-19 pandemic" in the "Significant events" section of Desjardins Group's 2020 annual MD&A and this MD&A for the first quarter of 2021.

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 Desjardins Group's 2020 annual MD&A.

Although Desjardins Group believes that the expectations expressed in these forward-looking statements are reasonable and founded on valid bases, it cannot guarantee that these expectations will materialize or prove to be correct. Desjardins Group cautions readers against placing undue reliance on forward-looking statements when making decisions, given that actual results, conditions, actions or future events could differ significantly from the targets, expectations, estimates or intentions advanced in them, explicitly or implicitly. Readers who rely on these forward-looking statements must carefully consider these risk factors and other uncertainties and potential events, including the uncertainty inherent in forward-looking statements.

The significant economic assumptions underlying the forward-looking statements in this document are described in Section 1.5 "Economic environment and outlook" of Desjardins Group's 2020 annual MD&A. These assumptions may also be updated in the quarterly MD&As, in the "Economic environment and outlook" section. To develop our economic growth forecasts, in general and for the financial services sector, we mainly use historical economic data provided by recognized and reliable organizations, empirical and theoretical relationships between economic and financial variables, expert judgment and identified upside and downside risks for the domestic and global economies. Given how the COVID-19 pandemic has developed and its impact on the global economy and financial market conditions, as well as Desjardins Group's business operations, financial results and financial position, greater uncertainty is attached to our economic assumptions compared to previous periods, such assumptions being determined based on uncertain future developments and considering the difficulty of anticipating the extent of the pandemic's long-term effects.

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

## SIGNIFICANT EVENTS

### COVID-19 pandemic

On March 11, 2020, the World Health Organization declared a COVID-19 pandemic, and on March 13, 2020, the Québec government declared a public health emergency throughout Québec. Since this date, the declaration of a public health emergency has been successively extended. Since March 2020, the Canadian government has introduced various protection measures and the governments of affected regions have implemented measures designed to contain the spread of the virus, including business shutdowns, travel restrictions, quarantines, prohibition of gatherings, event cancellations and curfews. Following recommendations by government authorities concerning the spread of COVID-19, Desjardins Group implemented a number of protection and relief measures as of March 2020.

Since the start of the pandemic, various restrictions, varying in severity from one province and region to another, have been imposed, eased and then reintroduced by governments depending on trends in the spread of COVID-19. In March and April 2021, a strong resurgence in the number of new cases of COVID-19 and the emergence of variants led governments to tighten certain preventive measures. In Québec, for instance, a curfew was in effect in certain regions and teleworking has been mandatory for all workers except those whose physical presence is necessary to pursue the organization's activities. Desjardins continues to make the health and safety of its members and employees its top priority, and to favour online or remote service delivery. In March 2021, more than 80% of employees were working from home. Desjardins is closely monitoring the situation and continues to adjust to ensure service continuity during the COVID-19 pandemic.

Desjardins will also be active in the vaccination effort. As of May 18, the *Cité de la cooperation* in Lévis will become a COVID-19 vaccination site. It should be noted that Desjardins will follow the order of priority for vaccination established by the government, and will not prioritize its employees or its members and clients.

### Main measures for the benefit of members and clients

Desjardins has deployed a number of measures to support its members and clients in the context of the COVID-19 pandemic. A number of relief measures have been in place since March 16, 2020 for personal and business members and clients who might experience difficulty meeting their financial obligations because of the current situation. The main relief measures are still in place and evolving in order to offer solutions for members and clients in financial difficulty, whatever the event or situation. In addition, Desjardins recently launched Flexi Visa, a no-fee credit card with a reduced interest rate. This product will provide a longer-term solution for cardholders who need it, at any time. Details on the measures taken by Desjardins Group may be found under "COVID-19 pandemic" in Section 1.3 "Significant events" of Desjardins Group's 2020 annual MD&A.

The table below presents, as at March 31, 2021, Desjardins members' and clients' use of the main relief measures since the start of the pandemic.

| **Products** | | | |
|---|---|---|---|
| **Financing** | **Number of requests** | **Total loans - relief granted** | **Loan balance as at March 31, 2021** |
| Residential mortgages and consumer loans | **167,675** | **$19.0 billion** | **$1.8 billion** |
| Credit card and other personal loans | **165,825** | **$1.7 billion** | **$46 million** |
| Business loans | **34,583** | **$17.3 billion** | **$1.4 billion** |
| **Insurance** | **Number** | **Value of refund** | |
| Automobile insurance premium refund | **2,151,000** | **$155 million** | |

Desjardins also set up partnerships with the Québec and Canadian governments in order to offer solutions to members and clients. Desjardins Group is participating in the following assistance programs in particular, which help to provide additional liquidity to finance operations or enhance working capital for businesses experiencing temporary difficulties on account of COVID-19.

- Canada Emergency Business Account (CEBA):
  - As at March 31, 2021, 144,135 loans totalling $4.8 billion had been granted to Desjardins Group members and clients since the CEBA program began. Members and clients could take advantage of this program until March 31, 2021.

- Business Development Bank of Canada (BDC) Co-Lending Program:
  - As at March 31, 2021, 126 loans totalling $75 million had been granted to Desjardins Group members and clients since the beginning of the co-lending program. Members and clients can take advantage of this program until June 30, 2021.

- BDC mid-market financing program:
  - No loans have been granted by Desjardins since the program was launched in July 2020. Members and clients can take advantage of this program until June 30, 2021.

- BDC Highly Affected Sectors Credit Availability Program (HASCAP) Guarantee:
  - As at March 31, 2021, 20 loans totalling $4 million had been granted to Desjardins Group members and clients since the beginning of the program. Members and clients can take advantage of this program until June 30, 2021.

- Loan guarantees for small- and medium-sized enterprises (EDC) :
  - As at March 31, 2021, 117 loans totalling $63 million had been granted to Desjardins Group members and clients since the start of this program. Members and clients can take advantage of this program until June 30, 2021.

- Mid-market guarantee program (EDC):
  - No loans have been granted by Desjardins since the program was launched. Members and clients can take advantage of this program until June 30, 2021.

- Concerted temporary action program for businesses (PACTE) with Investissement Québec:
  - As at March 31, 2021, 204 loans totalling $76 million had been granted to Desjardins Group members and clients since the start of the PACTE program.

Details on these assistance programs may be found under "COVID-19 pandemic" in Section 1.3 "Significant events" of Desjardins Group's 2020 annual MD&A.

Capital and liquidity measures

In view of the COVID-19 pandemic, the AMF introduced a series of measures to support Québec's financial system, including adjustments to capital requirements related to the COVID-19 pandemic, regulatory and administrative relief in respect of certain provisions of the *Deposit Institutions and Deposit Protection Act*, and additional information regarding the consultation and supervisory processes. For details on the measures put in place by Desjardins Group in this regard, please see the "Capital management" section of Desjardins Group's 2020 annual MD&A and of this MD&A for the first quarter of 2021.

In addition, the Canadian government set up programs for extraordinary liquidity facilities to facilitate access to funding for financial institutions. Additional information on the federal government programs used by Desjardins Group may be found under "Liquidity risk" in the "Risk management" section of Desjardins Group's 2020 annual MD&A and this MD&A for the first quarter of 2021.

These additional funding sources allow Desjardins Group to maintain adequate liquidity levels to deal with impacts related to the pandemic. Furthermore, Desjardins Group complies with Basel III rules and maintains very good capitalization. As at March 31, 2021, Desjardins Group's Tier 1A and total capital ratios were 22.1% and 22.6%, respectively, compared to 21.9% and 22.6% as at December 31, 2020.

Social measures and reopening of the economy

For information on the hygiene and protection measures applied by Desjardins Group since March 2020 to help limit the spread of COVID-19 and its effects, see Desjardins Group's 2020 annual MD&A.

To contribute to the reopening of the Québec and Ontario economies, Desjardins has put forward a number of initiatives to encourage innovation and entrepreneurship and thereby help out businesses and community organizations. These initiatives include, in particular, the $250 million GoodSpark Fund and the $10 million Momentum Fund, as well as a partnership with Google and Bonjour Startup Montréal to hold an innovation competition. Information on these initiatives may be found under "COVID-19 pandemic" in Section 1.3 "Significant events" of Desjardins Group's 2020 annual MD&A.

Impact of the pandemic

As mentioned in the "Economic environment and outlook" section of this MD&A, the spread of COVID-19 has had a disruptive impact on the countries and Canadian provinces where Desjardins Group operates, and on the global economy in general, while triggering higher volatility on financial markets. Should the COVID-19 pandemic be prolonged or should subsequent waves of the pandemic occur, or should other diseases appear with similar effects, the adverse impact on the global economy could be exacerbated and lead to declines on financial markets. The impact of the COVID-19 pandemic could have a negative effect on Desjardins Group's operations, operating results, profitability, reputation and financial position for an undetermined, considerable period of time. Desjardins Group is continuing to monitor developments in the COVID-19 pandemic and the potential detrimental effects on its operations. The pandemic's repercussions on the economy and the markets as well as on Desjardins' activities and financial position depend on highly uncertain future developments that are difficult to foresee given the uncertainty about the magnitude, gravity and duration of the pandemic, the size of the current wave in Québec and the rest of Canada, vaccine efficacy, as well as the possibility of subsequent waves or the emergence of new variants that could prolong the closure of certain sectors of the economy, or result in additional closures or a tightening of lockdown measures by government authorities. More information on the impact of the pandemic may be found under "COVID-19 pandemic" in Section 1.3 "Significant events" of Desjardins Group's 2020 annual MD&A.

The COVID-19 pandemic has led to, or could lead to, an increase in some of the risks described in the "Risk management" section of this MD&A and of Desjardins Group's 2020 annual MD&A, including credit, market and liquidity risks, operational risk and insurance risk. The COVID-19 pandemic and its associated risks are the main situation being monitored by Desjardins Group. For details about the impact of the pandemic on risks, see the "Risk management" section of this MD&A and Desjardins Group's 2020 annual MD&A.

Desjardins Group released its medium-term financial objectives in its 2020 Annual Report. The environment of great uncertainty due to the COVID-19 pandemic could continue to affect the global economy and global markets as well as Desjardins Group's operations, results and financial position in 2021. The key medium-term indicators presented in the 2020 Annual Report did not take into account the possible repercussions of the COVID-19 pandemic or other extraordinary events on Desjardins Group's ability to achieve its medium-term financial objectives.

## NON-GAAP MEASURES

To assess its performance, Desjardins Group uses GAAP (IFRS) measures and various non-GAAP financial measures. Non-GAAP 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 GAAP measures. Investors, among others, may find these non-GAAP measures useful in analyzing financial performance. They are defined as follows:

### Average assets – Average loans and acceptances – Average deposits – Average equity

The average balances for these items are used to measure growth. They are equal to averages of the amounts presented in the Combined Financial Statements at the end of the quarters calculated starting from the quarter prior to the period concerned.

### 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 expenses related to claims, benefits, annuities and changes in insurance contract liabilities, expressed as a percentage. A lower ratio indicates greater productivity.

The following table presents the calculation of the productivity index as presented in the MD&A.

| (in millions of dollars and as a percentage) | For the three-month periods ended | | |
|---|---|---|---|
| | **March 31, 2021** | December 31, 2020 | March 31, 2020 |
| **Non-interest expense** | **$ 2,165** | $ 2,332 | $ 1,999 |
| Total income | **3,035** | 5,364 | 4,696 |
| Claims, benefits, annuities and changes in insurance contract liabilities | **206** | (1,781) | (2,071) |
| **Total income excluding claims** | **$ 3,241** | $ 3,583 | $ 2,625 |
| **Productivity index** | **66.8%** | 65.1% | 76.2% |

### Net interest margin

Net interest margin is used to measure profitability. It is equal to net interest income expressed as a percentage of average interest-bearing assets.

### Gross credit-impaired loans/gross loans and acceptances

The gross credit-impaired loans/gross loans and acceptances ratio is used to measure loan portfolio quality and is equal to gross credit-impaired loans expressed as a percentage of total gross loans and acceptances.

The “Gross credit-impaired loans by borrower category” table of the MD&A provides more detailed information on this ratio.

### Loss ratio – Expense ratio – Combined ratio

These ratios are used to measure the performance of the Property and Casualty Insurance segment.

The loss ratio is equal to incurred claims less reinsurance, expressed as a percentage of net premiums, 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.

The loss ratio is comprised of the following ratios:
- Current year loss ratio, which is the loss ratio excluding catastrophe and major event claims expenses for the current year as well as changes in prior year claims, net of related reinsurance, not including reinstatement premiums, as applicable.
- Loss ratio related to catastrophes and major events, which is the loss ratio including catastrophe and major event claims expenses for the current year, net of reinsurance and including the impact of reinstatement premiums, as applicable.
- Ratio of changes in prior year claims, which is the loss ratio including the effect of changes in prior year claims, net of related reinsurance, not including reinstatement premiums, as applicable.

The expense ratio is equal to operating expenses expressed as a percentage of net premiums.

The combined ratio is equal to the sum of the loss ratio and the expense ratio.

The following table presents the calculation of the loss ratio, the expense ratio and the combined ratio, as presented in the MD&A.

| (in millions of dollars and as a percentage) | For the three-month periods ended | | |
|---|---|---|---|
| | **March 31, 2021** | December 31, 2020 | March 31, 2020 |
| **Net premiums** | **$ 1,427** | $ 1,456 | $ 1,377 |
| Claims, benefits, annuities, and changes in insurance contract liabilities | **$ 685** | $ 741 | $ 1,042 |
| Market yield adjustment (MYA) | **117** | (2) | (122) |
| **Claims, benefits, annuities and changes in insurance contract liabilities excluding the MYA** | **$ 802** | $ 739 | $ 920 |
| **Loss ratio** | **56.2%** | 50.8% | 66.8% |
| Non-interest expense | **$ 327** | $ 331 | $ 329 |
| Other expenses excluded from the expense ratio(1) | **(2)** | (2) | (2) |
| **Operating expenses** | **$ 325** | $ 329 | $ 327 |
| **Expense ratio** | **22.8%** | 22.6% | 23.7% |
| **Combined ratio** | **79.0%** | 73.4% | 90.5% |

(1) Comes mainly from investment management expenses.

### Return on equity

Return on equity is used to measure profitability resulting in value creation for members and clients. 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.

The following table presents the reconciliation of return on equity with surplus earnings before member dividends as presented in the MD&A.

| (in millions of dollars and as a percentage) | For the three-month periods ended | | |
|---|---|---|---|
| | **March 31, 2021** | December 31, 2020 | March 31, 2020 |
| Surplus earnings before member dividends | **$ 798** | $ 876 | $ 285 |
| Non-controlling interests' share | **(30)** | (43) | (13) |
| **Group's share** | **$ 768** | $ 833 | $ 272 |
| Average equity before non-controlling interests' share | **$ 30,184** | $ 29,114 | $ 27,463 |
| **Return on equity(1)** | **10.3%** | 11.4% | 4.0% |

(1) Corresponds to an annualized calculation that takes into account the number of days in the period concerned.

### 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 the volatility of results specific to investments, particularly regarding the extent of life and health insurance and Property and Casualty Insurance (P&C) operations, for which a very large proportion of investments are recognized at fair value through profit or loss. 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, generated mainly by the Personal and Business Services segment and the Other category, 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 investment income on securities classified and designated as being at fair value through profit or loss, net investment income on securities classified as being at fair value through other comprehensive income, and net investment income on securities measured at amortized cost and other investment income, which are included under "Net investment income" in the Combined Statements of Income. Investment income also includes the overlay approach adjustment for insurance operations financial assets. The life and health insurance and P&C insurance subsidiaries' matching activities, which include changes in fair value, gains and losses on disposals and interest and dividend income on securities, are presented with investment income, given that these assets back insurance liabilities, which are recognized under expenses related to claims, benefits, annuities and changes in insurance contract liabilities in the Combined Financial Statements. In addition, this investment income includes changes in the fair value of investments for the Personal and Business Services segment, recognized at fair value through profit or loss.

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 | | |
|---|---|---|---|
| | **March 31, 2021** | December 31, 2020 | March 31, 2020 |
| **Presentation of income in the Combined Financial Statements** | | | |
| Net interest income | **$ 1,403** | $ 1,455 | $ 1,353 |
| Net premiums | **2,585** | 2,626 | 2,522 |
| Other income | | | |
| Deposit and payment service charges | **99** | 104 | 105 |
| Lending fees and credit card service revenues | **187** | 165 | 196 |
| Brokerage and investment fund services | **273** | 243 | 241 |
| Management and custodial service fees | **169** | 168 | 150 |
| Net investment income (loss)(1) | **(1,602)** | 646 | (458) |
| Overlay approach adjustment for insurance operations financial assets | **(146)** | (112) | 512 |
| Foreign exchange income | **30** | 21 | 46 |
| Other | **37** | 48 | 29 |
| **Total income** | **$ 3,035** | $ 5,364 | $ 4,696 |
| **Presentation of income in the MD&A** | | | |
| Net interest income | **$ 1,403** | $ 1,455 | $ 1,353 |
| Net premiums | **2,585** | 2,626 | 2,522 |
| Other operating income | | | |
| Deposit and payment service charges | **99** | 104 | 105 |
| Lending fees and credit card service revenues | **187** | 165 | 196 |
| Brokerage and investment fund services | **273** | 243 | 241 |
| Management and custodial service fees | **169** | 168 | 150 |
| Foreign exchange income | **30** | 21 | 46 |
| Other | **37** | 48 | 29 |
| **Operating income** | **4,783** | 4,830 | 4,642 |
| Investment income (loss) | | | |
| Net investment income (loss)(1) | **(1,602)** | 646 | (458) |
| Overlay approach adjustment for insurance operations financial assets | **(146)** | (112) | 512 |
| **Investment income (loss)** | **(1,748)** | 534 | 54 |
| **Total income** | **$ 3,035** | $ 5,364 | $ 4,696 |

(1) The breakdown of this line item is presented in Note 9, “Net interest income and net investment income (loss)”, to the Interim Combined Financial Statements.

### Credit loss provisioning rate

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

The following table presents the calculation of the credit loss provisioning rate as presented in the MD&A.

| (in millions of dollars and as a percentage) | For the three-month periods ended | | |
|---|---|---|---|
| | **March 31, 2021** | December 31, 2020 | March 31, 2020 |
| **Provision for credit losses** | **$ 4** | $ 169 | $ 324 |
| Average gross loans | **214,224** | 211,756 | 205,445 |
| Average gross acceptances | **241** | 164 | 231 |
| **Average gross loans and acceptances** | **$ 214,465** | $ 211,920 | $ 205,676 |
| **Credit loss provisioning rate(1)** | **0.01%** | 0.32% | 0.63% |

(1) Corresponds to an annualized calculation that takes into account the number of days in the period concerned.

## DESJARDINS GROUP PROFILE

Desjardins Group is the largest financial cooperative in North America, with assets of $377.0 billion. The organization included 214 caisses in Québec as at March 31, 2021, as well as the Caisse Desjardins Ontario Credit Union Inc., the *Fédération des caisses Desjardins du Québec* and its subsidiaries, and the *Fonds de sécurité Desjardins*. A number of its subsidiaries and components are active across Canada, and Desjardins Group maintains a presence in the U.S. through Desjardins Bank, National Association.

Through its Personal and Business Services, Wealth Management and Life and Health Insurance, and Property and Casualty Insurance business segments, Desjardins Group offers a full range of financial services to members and clients designed to meet their needs. As one of the largest employers in the country, Desjardins Group capitalizes on the skills of almost 50,200 employees and the commitment of close to 2,500 directors.

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

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

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

## CHANGES IN THE REGULATORY ENVIRONMENT

Desjardins Group closely monitors regulations for financial products and services, as well as new developments in fraud, corruption, tax evasion, protection of personal information, money laundering, terrorist financing and domestic and international economic sanctions in order to mitigate any negative impact on its operations, and aims to comply with best practices in this regard. Additional information can be found in the "Regulatory environment" section of the 2020 annual MD&A, and the "Capital management" section presents further information on regulatory developments relating to capital.

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

The final version of the amendments to the PCMLTFA and its regulations, tabled in June 2018, was published by the Department of Finance Canada on July 10, 2019. Some of the amendments took effect upon official publication, certain others in June 2020 and the rest will take effect in June 2021. In February 2020, the Department of Finance Canada published new proposed regulatory changes, which were commented by Desjardins. The final publication of these recent regulatory changes on June 10, 2020 had to do in particular with ongoing monitoring of business relationships. Desjardins Group is continuing to analyze the various regulatory changes and will make the required adjustments, particularly the changes to be made to the systems for electronic funds transfers and large cash transaction reports. A project was deployed in order to implement the changes to the systems, processes and procedures of Desjardins Group's business lines.

### The *Income Tax Act* (ITA) – Part XVIII (FATCA – Foreign Account Tax Compliance Act) and Part XIX (CRS – Common Reporting Standard)

On July 10, 2020, the Canada Revenue Agency (CRA) published the final version of the guidance documents for Parts XVIII (FATCA) and XIX (CRS) of the ITA. The amendments took effect on January 1, 2021, and provide some clarification on the requirements regarding reasonable measures to be taken and the penalties applicable for non-compliance. The necessary changes have been made to Desjardins Group processes and procedures and circulated internally to ensure that the new requirements are observed and to prevent any non-compliance or penalty.

### U.S. financial reform bills

U.S. reform initiatives pertaining to financial regulation could affect non-U.S. financial institutions operating in the United States, including Desjardins Group. The deregulation bill of U.S. Congress and the American regulators has been set in motion, in particular with the enactment of a statute providing some relief concerning certain rules prescribed by the *Dodd-Frank Wall Street Reform and Consumer Protection Act* and continued with the finalizing of a second draft regulation aimed at simplifying the Volcker rule, whose original purpose was to prohibit banking entities from engaging in proprietary trading and to limit their investing in or sponsoring hedge funds and private equity funds. The final changes to the restrictions on the Volcker rule dated June 25, 2020 concerning investing in and sponsoring hedge funds and private equity funds took effect on October 1, 2020. These changes round out the other revisions to the Volcker rule that took effect on January 1, 2020. The final changes to the restrictions on the control framework pursuant to the *Bank Holding Company Act* took effect on September 30, 2020. Desjardins Group is continuing its work to confirm and document the extent of the relief resulting from these changes with respect to its operations.

### Data confidentiality and security

Because of rapid changes in information technology, the protection of data confidentiality and data security are highly topical areas. On June 16, 2020, the Québec *Ministère de la Justice* tabled Bill 64, *An Act to Modernize Legislative Provisions Respecting the Protection of Personal Information*. As anticipated, Bill 64 follows the broad outline of the European Union's *General Data Protection Regulation*, particularly as it concerns transparency, the duty to inform, consent, the right to data portability and the right to be forgotten. Public consultations were held at the end of September 2020, and the section-by-section detailed study has been underway since February 2, 2021. On November 17, 2020, the Government of Canada tabled Bill C-11, *An Act to enact the Consumer Privacy Protection Act and the Personal Information and Data Protection Tribunal Act and to make related and consequential amendments to other Acts*. The content of Bill C-11 is similar to that of Bill 64, with a few exceptions. Desjardins Group is closely monitoring work on the bills to determine their impact on its operations.

### Pillar 3 financial disclosure requirements

Desjardins Group continues to monitor changes in financial disclosure requirements under global standards developed by the Basel Committee on Banking Supervision (BCBS). These Pillar 3 requirements aim to enhance comparability across financial institutions, transparency and disclosure with regard to regulatory capital adequacy and risk exposure. In December 2016, the AMF filed an update of its guideline on the adequacy of capital base standards for financial services cooperatives, which includes revised Pillar 3 provisions. Desjardins Group has issued a Pillar 3 Report since December 31, 2018 in order to comply with it. On January 1, 2020, the Pillar 3 financial disclosure requirements were included by the AMF in a separate document entitled *Pillar 3 Disclosure Requirements Guideline*, which features new requirements that deal in particular with liquidity risk, operational risk, interest rate risk in the banking book and credit valuation adjustments. During the first two quarters of 2020, the AMF announced relief measures intended to minimize the impact of COVID-19 on Québec's financial system. These measures included, in particular, postponing the effective date of the disclosures to first quarter 2023 and the adjustment of certain existing requirements in order to include additional information on regulatory capital. The table of systemic risk indicators, which aims to present an assessment of Desjardins's relative size within the global financial system, is expected to be applicable as of the disclosure for first quarter 2022.

### Report on Ontario's automobile insurance system

Since the government introduced "Putting Drivers First", its 2019 plan for the auto insurance system, some progress has been made on its commitments related to increased competition, choice and innovation for insurance consumers. However, the changes that would address the existing cost pressures in the system have not yet been implemented. Steps to introduce a "Care, Not Cash" default clause to ensure that a driver's auto insurance coverage will pay for treatment instead of costly legal fees and reforming the flawed medical assessment process to bring credibility and accountability to the assessments that injured claimants must undergo after an accident should be prioritized. The Financial Services Regulatory Authority of Ontario (FSRA) has created a Technical Advisory Committee for Transforming Auto Insurance Rate Regulation. Desjardins and other stakeholders are actively working with the government to ensure a better auto insurance system for Ontario drivers.

#### Amalgamation of the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association (MFDA)

On June 25, 2020, the Canadian Securities Administrators (CSA) launched a consultation on the regulatory framework for the operations of self-regulatory organizations (SROs). The CSA is seeking input on whether the current SRO framework best serves the interests of Canadian investors and the investment industry, in light of the evolution of the financial services industry. Desjardins Group continues to monitor developments in this file and to analyze the potential impact on its operations.

### Client focused reforms

In October 2019, the CSA adopted new obligations for brokerage firms and investment dealers, called the Client Focused Reforms. The new obligations have to do in particular with "know your client" and "know your product", the suitability of recommendations and dealing with conflicts of interest. The CSA also developed a new fundamental requirement for registrants, namely that clients' interests come first in terms of suitability. Desjardins Group is continuing its work in order to comply with the required implementation dates. As a result of COVID-19 challenges, the in-force date is now December 31, 2021 for all elements other than the conflict of interest provisions, which will come into force on June 30, 2021.

#### Interest rate benchmark reform

Interest rate benchmark reform is a global initiative that includes Canada and is being led by the central banks and regulatory authorities. Its objective is to improve benchmark indices by making sure they comply with robust international standards. The gradual withdrawal of certain interest rate benchmarks will begin on May 17, 2021, with the discontinuation of six-month and 12-month CDOR. In addition, regulators recently announced that the publication of LIBOR would officially cease after December 31, 2021 for all currencies except certain USD LIBOR settings which will not cease publication until after June 30, 2023. Desjardins Group has set up a task force to ensure a smooth transition from benchmark interest rates to risk-free rates, and is closely monitoring the preparation of the schedule for withdrawing certain benchmark rates.

### Guideline on Information and Communications Technology Risk Management

In February 2020, the AMF issued the final version of the Guideline on Information and Communications Technology Risk Management (GICT), applying, in particular, to insurers and financial services cooperatives. After filing with the AMF its assessment of compliance with the GICT in February 2021, Desjardins is continuing its work to comply with the guideline.

## ECONOMIC ENVIRONMENT AND OUTLOOK

### Global economy

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

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

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

### United States

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

### Canada

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

### Québec

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

# REVIEW OF FINANCIAL RESULTS

## ANALYSIS OF RESULTS

**Financial results and indicators**

| (in millions of dollars and as a percentage) | For the three-month periods ended March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|---|---|---|
| **Results** | | | |
| Net interest income | **$ 1,403** | $ 1,455 | $ 1,353 |
| Net premiums | **2,585** | 2,626 | 2,522 |
| Other operating income[1] | | | |
| Deposit and payment service charges | **99** | 104 | 105 |
| Lending fees and credit card service revenues | **187** | 165 | 196 |
| Brokerage and investment fund services | **273** | 243 | 241 |
| Management and custodial service fees | **169** | 168 | 150 |
| Foreign exchange income | **30** | 21 | 46 |
| Other | **37** | 48 | 29 |
| **Operating income[1]** | **4,783** | 4,830 | 4,642 |
| Investment income (loss)[1] | | | |
| Net investment income (loss) | **(1,602)** | 646 | (458) |
| Overlay approach adjustment for insurance operations financial assets | **(146)** | (112) | 512 |
| **Investment income (loss)[1]** | **(1,748)** | 534 | 54 |
| **Total income** | **3,035** | 5,364 | 4,696 |
| Provision for credit losses | **4** | 169 | 324 |
| Claims, benefits, annuities and changes in insurance contract liabilities | **(206)** | 1,781 | 2,071 |
| Non-interest expense | **2,165** | 2,332 | 1,999 |
| Income taxes on surplus earnings | **274** | 206 | 17 |
| **Surplus earnings before member dividends** | **$ 798** | $ 876 | $ 285 |
| **Contribution to combined surplus earnings by business segment[2]** | | | |
| Personal and Business Services | **$ 414** | $ 364 | $ 190 |
| Wealth Management and Life and Health Insurance | **125** | 249 | (41) |
| Property and Casualty Insurance | **248** | 378 | 73 |
| Other | **11** | (115) | 63 |
| | **$ 798** | $ 876 | $ 285 |
| **Return to members and the community** | | | |
| Member dividends | **$ 90** | $ 93 | $ 77 |
| Sponsorships, donations and bursaries[3] | **12** | 28 | 16 |
| Desjardins Member Advantages program | **4** | 10 | 11 |
| | **$ 106** | $ 131 | $ 104 |
| **Indicators** | | | |
| Net interest margin[1][4] | **2.10%** | 2.17% | 2.37% |
| Return on equity[1] | **10.3** | 11.4 | 4.0 |
| Productivity index[1] | **66.8** | 65.1 | 76.2 |
| Credit loss provisioning rate[1] | **0.01** | 0.32 | 0.63 |

[1] See “Non-GAAP measures”.
[2] The breakdown by line item is presented in Note 10, “Segmented information”, to the Interim Combined Financial Statements.
[3] Including $5 million from the caisses’ Community Development Fund ($15 million in the fourth quarter of 2020 and $6 million in the first quarter of 2020).
[4] The data for 2020 have been restated to conform to the current period’s presentation because of a refinement in methodology.

## COMPARISON OF THE FIRST QUARTERS OF 2021 AND 2020

### Surplus earnings

For the first quarter ended March 31, 2021, Desjardins Group posted surplus earnings before member dividends of $798 million, up $513 million compared to the corresponding quarter of 2020. In the first quarter of 2021, the growth in surplus earnings was mainly due to a decline in the provision for credit losses, good performance from the caisse network and a lower auto insurance loss experience in the Property and Casualty Insurance segment. It's worth noting that surplus earnings for the first quarter of 2020 were affected by the beginning of the COVID-19 pandemic. The provision for credit losses was affected by the deterioration in the economic outlook, and provisions were recognized in travel insurance.

By its very nature as a cooperative financial group, Desjardins Group's mission is to improve the economic and social well-being of people and communities, which it continued to strive to achieve in the first quarter of 2021.

- A total of $106 million was returned to members and the community, comparable to the corresponding period in 2020.
  - The provision for member dividends totalled $90 million for the quarter ended March 31, 2021, up $13 million compared to the same period in 2020.
  - An amount of $12 million was returned in the form of sponsorships, donations and bursaries, compared to $16 million for the same period in 2020, including $5 million in the first quarter of 2021 and $6 million in the first quarter of 2020 from the caisses' Community Development Fund.
  - Through the Desjardins Member Advantages program, $4 million was paid out, compared to $11 million for the corresponding period in 2020.
- Commitments of $7 million were made in the first quarter of 2021 with regard to the GoodSpark Fund, which seeks in particular to provide social and economic support to the regions. Since 2017, Desjardins Group has made commitments totalling $130 million.

**Business segment contributions to surplus earnings**

- Personal and Business Services: **Surplus earnings of $414 million,** up $224 million compared to the same period in 2020. This increase is essentially due to the following:
  - Decrease in the provision for credit losses in the first quarter of 2021 compared to the same quarter in 2020, reflecting the impact of the deterioration in the economic outlook as a result of the COVID-19 pandemic.
  - Solid performance from the caisse network and Desjardins Securities Inc.

  This increase was partially offset by:
  - Decrease in business volumes from payment and financing activities at Desjardins Card Services as a result of the COVID-19 pandemic.
  - Increase in investments, particularly related to the digital shift and security.
- Wealth Management and Life and Health Insurance: **Surplus earnings of $125 million,** compared to a net deficit of $41 million in the first quarter of 2020, mainly due to the following, basically related to the COVID-19 pandemic.
  - Travel insurance and credit balance insurance provisions recognized in first quarter 2020, i.e. at the start of the pandemic.
  - The markets' positive impact on guaranteed investment funds, whereas they had been adversely affected during the comparative quarter.
- Property and Casualty Insurance: **Surplus earnings of $248 million,** up $175 million compared to the first quarter of 2020, on account of the following items:
  - Lower current year loss ratio than in the comparative quarter in automobile insurance, particularly because of changes in driving habits attributable to the COVID-19 pandemic.
  - Increase in investment income, excluding the change in the fair value of matched bonds.
  - Increase in net premiums.

- **Return on equity was 10.3%,** up compared to 4.0% for the quarter ended March 31, 2020, mainly because of higher surplus earnings, as explained earlier.

### Operating income

Operating income, which comprises net interest income, net premiums and other operating income, totalled $4,783 million, up $141 million, or 3.0%, compared to the first quarter of 2020.

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

- **Net interest income of $1,403 million,** up $50 million, or 3.7%, mainly because of growth in average residential mortgages outstanding, as well as higher interest income from the securities portfolio related to treasury activities. This increase was partially offset by a decrease in average consumer and credit card loans outstanding related to the decline in purchases.

- **Net interest margin of 2.10%** for the quarter ended March 31, 2021, as a percentage of average interest-bearing assets, down 27 basis points compared to the same period in 2020, mainly because of the increase in securities and liquidities with a smaller net interest margin, as well as lower interest rates.

Net premiums were up $63 million, or 2.5%, compared to the first quarter of 2020, to total $2,585 million as at March 31, 2021.

Wealth Management and Life and Health Insurance segment

- **Net insurance and annuity premiums of $1,229 million,** up $12 million, or 1.0%, essentially on account of the following:
  - Increase of $8 million from group insurance and of $4 million from group annuities.

Property and Casualty Insurance segment

- **Net premiums of $1,427 million,** up $50 million, or 3.6%, reflecting the rate adjustments due to changes in driving habits attributable to the COVID-19 pandemic, which slowed growth in the average premium.

Other operating income stood at $795 million, up $28 million, or 3.7%, compared to the first quarter of 2020, due to the following:

- Increase in income from growth in assets under management.
- Increase in income from online brokerage activities.
- Income from the operations of DuProprio and Purplebricks Canada.

This increase was partially offset by the following:

- Change in investment funds that benefited groups having signed agreements under The Personal banner.
- Decrease in business volumes from payment and financing activities at Desjardins Card Services as a result of the COVID-19 pandemic.

### Investment income

Loss of $1,748 million, presented under "Investment income (loss)", compared to income of $54 million in the first quarter of 2020, essentially due to the following:

- Decrease in the fair value of assets backing liabilities related to life and health insurance operations.
  - Change mostly due to fluctuations in the fair value of the bond portfolio mainly related to higher interest rates.
  - Decrease largely offset by the change in actuarial liabilities leading to lower expenses related to claims, benefits, annuities and changes in insurance contract liabilities.
- Unfavourable change in the fair value of matched bonds in the Property and Casualty Insurance segment, whereas there had been a positive change in the comparative quarter, chiefly because of higher market interest rates in the first quarter of 2021, which had been lower in the comparative quarter. This reduction in bond value was offset by a similar decrease in the cost of claims on account of a matching strategy.
- Lower gains on the disposal of securities and real estate investments compared to 2020.
- Offset by higher trading income as a result of developments on financial markets.

### Total income

Total income amounted to $3,035 million, a decrease of $1,661 million, or 35.4%, compared to the same period in 2020.

### Provision for credit losses

The provision for credit losses totalled $4 million, a decrease of $320 million compared to the same period in 2020. While the provision for credit losses in the first quarter of 2020 reflected the significant negative impact of the deterioration in the economic outlook as a result of the COVID-19 pandemic, the provision for the first quarter of 2021 mainly reflected the impact of lower volumes in the credit card portfolio. The provision for credit losses in the first quarter of 2021 also reflected lower net write-offs in the credit card portfolio compared to the same period in 2020.

Desjardins Group continued to present a quality loan portfolio in 2021.

- The credit loss provisioning rate was 0.01% for the first quarter of 2021, compared to 0.63% for the corresponding period of 2020. The decrease in this indicator in the first quarter of 2021 is because the provision for credit losses was much lower in the first quarter of 2021 than in the corresponding quarter of 2020, reflecting the impact of the deterioration in the economic outlook as a result of the COVID-19 pandemic.
- The ratio of gross credit-impaired loans, as a percentage of the total gross loans and acceptances portfolio, was 0.57%, compared to 0.56% as at March 31, 2020.

### Claims, benefits, annuities and changes in insurance contract liabilities

Expenses related to claims, benefits, annuities and changes in insurance contract liabilities were down $2,277 million compared to the corresponding quarter of 2020.

Wealth Management and Life and Health Insurance segment

- **Cost of claims** down $1,925 million, basically due to the following:
  - Decrease of $1,756 million in actuarial liabilities under "Insurance contract liabilities", which included the effect of the decrease in the fair value of matched investments.
  - Decrease in travel insurance provisions and credit balance provisions recognized in the comparative quarter related to the COVID-19 pandemic.

Property and Casualty Insurance segment

- **Cost of claims of $685 million,** down $357 million, or 34.3%, due to the following:
  - Favourable impact of an increase in the discount rates used to measure the provision for claims, whereas there had been an unfavourable impact in the comparative quarter because of a decrease in the discount rates. It should be mentioned that this decrease in the cost of claims was partially offset by a decrease in the value of matched bonds.
  - Loss ratio of 56.2% compared to 66.8% for the corresponding period in 2020.
    - Lower current year loss ratio compared to the corresponding period in 2020, i.e. 63.8% vs. 76.2%, basically in automobile insurance.
      - Changes in driving habits attributable to the COVID-19 pandemic had a positive impact on the current year loss ratio whereas the impact was smaller in the comparative quarter.
      - The mild weather conditions in first quarter 2021 had a favourable effect on the current year loss ratio, just as in the corresponding period of 2020.
    - Offset by the less favourable ratio of changes in prior year claims than in the comparative quarter, i.e. (7.6)% vs. (9.4)%, basically in automobile insurance.

**Non-interest expense and productivity index**

- **Non-interest expense totalled $2,165 million,** up $166 million, or 8.3%, compared to the first quarter of 2020, essentially because of:
  - Higher salaries due to growth in operations and indexing.
  - Increase in investments related to the continued implementation of Desjardins-wide strategic projects, in particular, for creating innovative technology platforms, privacy protection, security and improving business processes.
  - Offset by a contraction in costs from payment and financing activities at Desjardins Card Services particularly as a result of the COVID-19 pandemic situation.

- **Productivity index at 66.8% for the first quarter of 2021,** compared to 76.2% for the corresponding period in 2020. The improvement in the productivity index in first quarter 2021 is due to higher surplus earnings.

**Income taxes**

- **Income taxes on surplus earnings before member dividends of $274 million,** up $257 million compared to the first quarter of 2020.
  - Effective tax rate of 25.6% for the quarter ended March 31, 2021, up compared to 5.6% for the corresponding period in 2020. The increase in the income tax expense is due to an increase in surplus earnings compared to the first quarter of 2020, combined with an increase in the weighted average annual income tax rate expected for the full year 2021, as determined in accordance with accounting standards.

## RESULTS BY BUSINESS SEGMENT

Desjardins Group's financial reporting is organized by business segments, which are defined based on the needs of members and clients, the markets in which Desjardins operates, and on its internal management structure. Desjardins Group's financial results are divided into the following three business segments: Personal and Business 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, services, 2020 achievements and industry, can be found on pages 32 to 43 of Desjardins Group's 2020 annual MD&A.

### Personal and Business Services

Personal and Business Services is central to Desjardins Group's operations. Through a comprehensive, integrated line of products and services designed to meet the needs of individuals, businesses, institutions, non-profit organizations and cooperatives, Desjardins Group is a leader in financial services in Québec and a player on the financial services scene in Ontario as well.

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

In addition, members and clients know that they can rely on the largest advisory force in Québec, made up of dedicated professionals who are there for them at every stage in their life or entrepreneurial growth.

To meet the constantly-changing expectations of its members and clients, Desjardins Group offers its services through the caisse network, the Desjardins Business centres and the Signature Service centres, as well as through complementary distribution networks and specialized teams, by phone, online, via applications for mobile devices, and at ATMs.

**Personal and Business Services – Segment results**

| (in millions of dollars and as a percentage) | For the three-month periods ended | | |
|---|---|---|---|
| | **March 31, 2021** | December 31, 2020 | March 31, 2020 |
| Net interest income | **$ 1,215** | $ 1,277 | $ 1,244 |
| Other operating income(1) | **658** | 625 | 643 |
| **Operating income(1)** | **1,873** | 1,902 | 1,887 |
| Investment income (loss)(1) | **102** | 76 | (26) |
| **Total income** | **1,975** | 1,978 | 1,861 |
| Provision for credit losses | **6** | 196 | 319 |
| Non-interest expense | **1,411** | 1,300 | 1,290 |
| Income taxes on surplus earnings | **144** | 118 | 62 |
| **Surplus earnings before member dividends** | **414** | 364 | 190 |
| Member dividends, net of income tax recovery | **66** | 70 | 57 |
| **Net surplus earnings for the period after member dividends** | **$ 348** | $ 294 | $ 133 |
| **Indicators** | | | |
| Average gross loans and acceptances(1) | **$ 209,470** | $ 206,249 | $ 200,878 |
| Average deposits(1) | **182,867** | 174,655 | 165,436 |
| Credit loss provisioning rate(1) | **0.01%** | 0.38% | 0.64% |
| Gross credit-impaired loans/gross loans and acceptances(1) | **0.58** | 0.64 | 0.57 |

(1) See “Non-GAAP measures”.

## COMPARISON OF THE FIRST QUARTERS OF 2021 AND 2020 – PERSONAL AND BUSINESS SERVICES

- **Surplus earnings before member dividends of $414 million,** up $224 million. This increase was essentially due to the following:
  - Lower provision for credit losses in first quarter 2021 than in the same quarter in 2020, reflecting the impact of the deterioration in the economic outlook as a result of the COVID-19 pandemic.
  - Good performance of the caisse network and Desjardins Securities Inc.

  This increase was partially offset by:
  - Decrease in business volumes from payment and financing activities at Desjardins Card Services as a result of the COVID-19 pandemic.
  - Increase in investments, particularly related to the digital shift and security.

- **Operating income of $1,873 million,** down $14 million, or 0.7%.
  - Decrease of $29 million in net interest income mainly as a result of the drop in average consumer and credit card loans outstanding related to the decline in purchases, which was partially offset by growth in average residential mortgages outstanding.
  - Other operating income of $658 million, up $15 million, or 2.3%, mainly due to:
    - Increase in income from online brokerage activities.
    - Offset by the decrease in business volumes from payment and financing activities at Desjardins Card Services as a result of the COVID-19 pandemic.

- **Investment income of $102 million,** up $128 million essentially because of:
  - Increase in activities related to derivative financial instruments due in particular to financial market volatility and credit spreads compared to first quarter 2020.
  - Higher trading income as a result of developments on financial markets.

- **Total income of $1,975 million,** up $114 million, or 6.1%.

- **Provision for credit losses of $6 million,** down $313 million, compared to the same period in 2020. While the provision for credit losses in the first quarter of 2020 reflected the significant negative impact of the deterioration in the economic outlook as a result of the COVID-19 pandemic, the provision for the first quarter of 2021 mainly reflected the impact of lower volumes in the credit card portfolio. The provision for credit losses in the first quarter of 2021 also reflected lower net write-offs in the credit card portfolio compared to the same period in 2020.

- **Non-interest expense of $1,411 million,** up $121 million, or 9.4%, essentially due to:
  - Business growth, especially in activities aimed at enhancing the service offer to caisse members and clients, including those related to wealth management advisory activities, *AccèsD* services and the shared services centre.
  - Increase in investments, particularly related to the digital shift and security.
  - Offset by the contraction of costs related to payment and financing activities at Desjardins Card Services, particularly as a result of the COVID-19 pandemic.

## Wealth Management and Life and Health Insurance

The Wealth Management and Life and Health Insurance segment combines different categories of service offers aimed at growing the assets of Desjardins Group members and clients and helping them protect their financial security. These offers are intended for individuals and businesses, while its group insurance and savings plans meet the needs of employees through their company, or individuals who are part of any other group.

The segment designs several lines of individual insurance (life and health) coverage as well as investment and group retirement savings solutions. The segment also includes asset management and trust services for institutional clients.

The Wealth Management and Life and Health Insurance segment's vast and diversified Canada-wide distribution networks are one of its greatest strengths:
- Desjardins caisse network.
- Desjardins agent networks.
- Desjardins Financial Security Life Assurance Company partner networks.
- External insurance and investment solution networks.
- Actuarial consulting firms and brokers.

To meet members' and clients' needs and preferences, certain product lines are also distributed directly via customer care centres, online or through applications for mobile devices. Online services are constantly being finetuned so that they properly meet clients' changing requirements.

**Wealth Management and Life and Health Insurance – Segment results**

| (in millions of dollars) | For the three-month periods ended | | |
|---|---|---|---|
| | **March 31, 2021** | December 31, 2020 | March 31, 2020 |
| Net interest income | **$ -** | $ 1 | $ 3 |
| Net premiums | **1,229** | 1,240 | 1,217 |
| Other operating income[1] | **354** | 324 | 321 |
| **Operating income[1]** | **1,583** | 1,565 | 1,541 |
| Investment income (loss)[1] | **(1,737)** | 317 | (43) |
| **Total income (loss)** | **(154)** | 1,882 | 1,498 |
| Provision for (recovery of) credit losses | **-** | (2) | 2 |
| Claims, benefits, annuities and changes in insurance contract liabilities | **(884)** | 1,048 | 1,041 |
| Non-interest expense | **576** | 539 | 524 |
| Income taxes on surplus earnings | **29** | 48 | (28) |
| **Net surplus earnings (deficit) for the period** | **$ 125** | $ 249 | $ (41) |
| **Indicators** | | | |
| Net sales of savings products | **$ 3,669** | $ 229 | $ 1,899 |
| Insurance sales | **179** | 90 | 122 |
| Group insurance premiums | **840** | 841 | 832 |
| Individual insurance premiums | **222** | 238 | 222 |
| Annuity premiums | **167** | 161 | 163 |
| Segregated fund receipts | **1,860** | 617 | 765 |

[1] See "Non-GAAP measures".

### COMPARISON OF THE FIRST QUARTERS OF 2021 AND 2020 – WEALTH MANAGEMENT AND LIFE AND HEALTH INSURANCE

- **Net surplus earnings of $125 million,** compared to a net deficit of $41 million in the first quarter of 2020, mainly due to the following items essentially related to the COVID-19 pandemic:
  - Travel insurance and credit balance insurance provisions recognized in the first quarter of 2020, i.e. at the start of the pandemic.
  - Markets' positive impact on guaranteed investment funds, whereas they had been adversely affected in the comparative quarter.

- **Operating income of $1,583 million,** up $42 million, or 2.7%.

- **Net premiums of $1,229 million,** up $12 million, or 1.0%, on account of the following:
  - Increase of $8 million from group insurance and of $4 million from group annuities.

- **Other operating income of $354 million,** up $33 million, or 10.3%, mainly as a result of the increase in assets under management.

- **Loss of $1,737 million, presented under "Investment income (loss)",** compared to a loss of $43 million in the first quarter of 2020, mainly due to the following:
  - Decrease in the fair value of assets backing liabilities related to life and health insurance operations.
    - Change mostly due to fluctuations in the fair value of the bond portfolio primarily as a result of higher interest rates.
    - Decrease largely offset by the change in actuarial liabilities leading to lower expenses related to claims, benefits, annuities and changes in insurance contract liabilities.
  - Lower gains on the disposal of securities and real estate investments than in 2020.

- **Loss of $154 million, presented under "Total income (loss)",** compared to total income of $1,498 million in the comparative quarter.

- **Expenses related to claims, benefits, annuities and changes in insurance contract liabilities** down $1,925 million, essentially due to the following:
  - Decrease of $1,756 million in actuarial liabilities under "Insurance contract liabilities", which included the effect of the decrease in the fair value of matched investments.
  - Lower travel insurance and credit balance insurance provisions recognized during the comparative quarter related to the COVID-19 pandemic.

- **Non-interest expense of $576 million,** up $52 million, or 9.9%, primarily due to the following:
  - Increase in administration costs to improve services for caisse members and clients.
  - Higher expenses as a result of the increase in assets under management.

## Property and Casualty Insurance

The Property and Casualty Insurance segment offers insurance products providing coverage for the assets of Desjardins Group members and clients and guarding them against disasters. This segment includes the operations of Desjardins General Insurance Group Inc. and its subsidiaries, offering a personal line of automobile and property insurance products across Canada and also providing businesses with insurance products. Its products are distributed through property and casualty insurance agents in the Desjardins caisse network in Québec, a number of client care centres (call centres) and Desjardins Business centres, as well as through an exclusive agent network of close to 500 agencies in Ontario, Alberta and New Brunswick, which distributes P&C insurance and several other financial products. Digital services and applications for mobile devices form an integral part of the distribution strategy for each of our networks.

Desjardins General Insurance Group Inc., which has more than 3 million clients, markets its products to the Canada-wide individual and business market under the Desjardins Insurance banner, and to the group market—including members of professional associations and unions, and employers' staff—under The Personal banner.

**Property and Casualty Insurance – Segment results**

| (in millions of dollars and as a percentage) | For the three-month periods ended | | |
|---|---|---|---|
| | **March 31, 2021** | December 31, 2020 | March 31, 2020 |
| Net premiums | **$ 1,427** | $ 1,456 | $ 1,377 |
| Other operating income (loss)[1] | **(54)** | (35) | (30) |
| **Operating income[1]** | **1,373** | 1,421 | 1,347 |
| Investment income(loss)[1] | **(36)** | 162 | 114 |
| **Total income** | **1,337** | 1,583 | 1,461 |
| Claims, benefits, annuities and changes in insurance contract liabilities | **685** | 741 | 1,042 |
| Non-interest expense | **327** | 331 | 329 |
| Income taxes on surplus earnings | **77** | 133 | 17 |
| **Net surplus earnings for the period** | **$ 248** | $ 378 | $ 73 |
| Of which: | | | |
| Group's share | **$ 218** | $ 335 | $ 60 |
| Non-controlling interests' share | **30** | 43 | 13 |
| **Indicators** | | | |
| Gross written premiums | **$ 1,315** | $ 1,409 | $ 1,244 |
| Loss ratio[1] | **56.2%** | 50.8% | 66.8% |
| Current year loss ratio[1] | **63.8** | 53.5 | 76.2 |
| Loss ratio related to catastrophes and major events[1] | **-** | 1.5 | - |
| Ratio of favourable changes in prior year claims[1] | **(7.6)** | (4.2) | (9.4) |
| Expense ratio[1] | **22.8** | 22.6 | 23.7 |
| Combined ratio[1] | **79.0** | 73.4 | 90.5 |

[1] See "Non-GAAP measures".

### COMPARISON OF THE FIRST QUARTERS OF 2021 AND 2020 – PROPERTY AND CASUALTY INSURANCE

- **Net surplus earnings of $248 million,** up $175 million compared to the first quarter of 2020, due to:
  - Lower current year loss ratio than in the comparative quarter in automobile insurance, particularly because of changes in driving habits attributable to the COVID-19 pandemic.
  - Increase in investment income, excluding the change in the fair value of matched bonds.
  - Increase in net premiums.

- **Operating income of $1,373 million,** up $26 million, or 1.9%.

- **Net premiums of $1,427 million,** up $50 million, or 3.6%, reflecting the rate adjustments arising from changes in driving habits attributable to the COVID-19 pandemic, which slowed growth in the average premium.

- **Loss of $54 million, presented under "Other operating income (loss)",** compared to a loss of $30 million in first quarter 2020, as a result of the change in investment funds that benefited groups having signed agreements under The Personal banner.

- **Loss of $36 million, presented under "Investment income (loss)",** compared to income of $114 million for the comparative quarter as a result of:
  - Decrease in the fair value of matched bonds, whereas there had been an increase in the comparative quarter, chiefly because of higher market interest rates in the first quarter of 2021, while they had declined in the comparative quarter. It should be remembered that this reduction in bond value was offset by a similar decrease in the cost of claims on account of a matching strategy.

  This decrease was partially offset by the following:
  - Net gains on common shares while net losses were recorded in the comparative quarter.
  - Favourable results for derivative financial instruments while the results had been unfavourable in the comparative quarter.

- **Total income of $1,337 million,** down $124 million, or 8.5%.

- **Cost of claims totalling $685 million,** down $357 million, or 34.3%, as a result of:
  - Favourable impact of an increase in the discount rates used to measure the provision for claims, whereas there had been an unfavourable impact in the comparative quarter because of a decrease in the discount rates. It should be mentioned that this decrease in the cost of claims was partially offset by a decrease in the value of matched bonds.
  - Loss ratio of 56.2% compared to 66.8% for the corresponding period in 2020.
    - Lower current year loss ratio compared to the same period in 2020, i.e. 63.8% vs. 76.2%, basically in automobile insurance.
      - Changes in driving habits attributable to the COVID-19 pandemic had a favourable impact on the current year loss ratio whereas the impact was smaller in the comparative quarter.
      - The mild weather conditions in first quarter 2021 had a favourable effect on the current year loss ratio, just as in the corresponding period of 2020.
    - Offset by the less favourable ratio of changes in prior year claims than in the comparative quarter, i.e. (7.6)% vs. (9.4)%, basically in automobile insurance.

- **Non-interest expense of $327 million,** comparable to the amount in the same quarter in 2020.

## Other category

The Other category includes financial information that is not specific to a business segment. It mainly includes treasury activities and financial intermediation between liquidity surpluses and needs of the caisses. This category also includes the results for the support functions provided by the Federation to Desjardins Group as a whole, including finance, administration, risk management, human resources, communications and marketing, as well as the Desjardins Group Security Office. It further includes the operations of Desjardins Capital Inc. and 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, intersegment balance eliminations are classified in this category.

Since the third quarter of 2020, the Other category has also included the real estate operations of 9420-7404 Québec Inc., which manages two brands: DuProprio and Purplebricks Canada.

**Other category**

| (in millions of dollars) | For the three-month periods ended | | |
|---|---|---|---|
| | **March 31, 2021** | December 31, 2020 | March 31, 2020 |
| Net interest income | **$ 188** | $ 177 | $ 106 |
| Net premiums | **(71)** | (70) | (72) |
| Other operating income (loss)[1] | **(163)** | (165) | (167) |
| **Operating income (loss)[1]** | **(46)** | (58) | (133) |
| Investment income (loss)[1] | **(77)** | (21) | 9 |
| **Total income (loss)** | **(123)** | (79) | (124) |
| Provision for (recovery of) credit losses | **(2)** | (25) | 3 |
| Claims, benefits, annuities and changes in insurance contract liabilities | **(7)** | (8) | (12) |
| Non-interest expense | **(149)** | 162 | (144) |
| Income taxes on surplus earnings | **24** | (93) | (34) |
| **Net surplus earnings (deficit) for the period** | **$ 11** | $ (115) | $ 63 |

[1] See “Non-GAAP measures”.

## COMPARISON OF THE FIRST QUARTERS OF 2021 AND 2020 – CONTRIBUTION OF OTHER CATEGORY TO SURPLUS EARNINGS

- **Net surplus earnings of $11 million,** compared to net surplus earnings of $63 million for the first quarter of 2020.
  - Increase in income tax expense, essentially due to slower recognition of income tax savings related to the remuneration of F capital shares, based on income tax recognition using the expected annual effective tax rate method.
  - In relation to treasury activities, market rate fluctuations as well as changes in hedging positions for matching activities had an overall favourable effect on total income.
  - Non-interest expense included expenses related to the continued implementation of Desjardins-wide strategic projects, in particular, for creating innovative technology platforms, privacy protection, security and improving business processes, thereby enhancing the member and client experience, improving productivity and ensuring the implementation of best practices in security. It also included commitments made regarding the GoodSpark Fund, with the aim, in particular, of providing social and economic support to the regions, and the amounts paid out under the Desjardins Member Advantages program.

## 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) | 2021 | 2020 | | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|
| | **Q1** | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| Net interest income | **$ 1,403** | $ 1,455 | $ 1,464 | $ 1,368 | $ 1,353 | $ 1,383 | $ 1,363 | $ 1,290 |
| Net premiums | **2,585** | 2,626 | 2,534 | 2,238 | 2,522 | 2,527 | 2,326 | 2,242 |
| Other operating income(1) | | | | | | | | |
| Deposit and payment service charges | **99** | 104 | 96 | 83 | 105 | 109 | 116 | 103 |
| Lending fees and credit card service revenues | **187** | 165 | 126 | 141 | 196 | 185 | 193 | 186 |
| Brokerage and investment fund services | **273** | 243 | 235 | 235 | 241 | 226 | 223 | 223 |
| Management and custodial service fees | **169** | 168 | 152 | 147 | 150 | 155 | 148 | 140 |
| Foreign exchange income | **30** | 21 | 22 | 14 | 46 | 12 | 11 | 27 |
| Other | **37** | 48 | 14 | 58 | 29 | 341 | 12 | 9 |
| **Operating income(1)** | **4,783** | 4,830 | 4,643 | 4,284 | 4,642 | 4,938 | 4,392 | 4,220 |
| Investment income (loss)(1) | | | | | | | | |
| Net investment income (loss) | **(1,602** | 646 | 304 | 2,624 | (458) | (93) | 608 | 1,052 |
| Overlay approach adjustment for insurance operations financial assets | **(146)** | (112) | (143) | (299) | 512 | (22) | (13) | 10 |
| **Investment income (loss)(1)** | **(1,748** | 534 | 161 | 2,325 | 54 | (115) | 595 | 1,062 |
| **Total income** | **3,035** | 5,364 | 4,804 | 6,609 | 4,696 | 4,823 | 4,987 | 5,282 |
| Provision for (recovery of) credit losses | **4** | 169 | 99 | 271 | 324 | 113 | 154 | (11) |
| Claims, benefits, annuities and changes in insurance contract liabilities | **(206)** | 1,781 | 1,775 | 3,606 | 2,071 | 1,411 | 2,247 | 2,345 |
| Non-interest expense | **2,165** | 2,332 | 1,954 | 2,012 | 1,999 | 2,172 | 1,861 | 2,069 |
| Income taxes on surplus earnings | **274** | 206 | 247 | 191 | 17 | 192 | 155 | 187 |
| **Surplus earnings before member dividends** | **798** | 876 | 729 | 529 | 285 | 935 | 570 | 692 |
| Member dividends, net of income tax recovery | **66** | 70 | 60 | 58 | 57 | 57 | 60 | 58 |
| **Net surplus earnings for the period after member dividends** | **$ 732** | $ 806 | $ 669 | $ 471 | $ 228 | $ 878 | $ 510 | $ 634 |
| Of which: | | | | | | | | |
| Group's share | **$ 702** | $ 763 | $ 648 | $ 464 | $ 215 | $ 858 | $ 499 | $ 616 |
| Non-controlling interests' share | **30** | 43 | 21 | 7 | 13 | 20 | 11 | 18 |

(1) See "Non-GAAP measures".

Quarterly income, expenses and surplus earnings before member dividends are affected by certain trends, including seasonal variations, and by changes in general economic conditions and the financial markets. In the past year, the quarters were affected by the public health crisis related to the COVID-19 pandemic, leading to significant fluctuations in quarterly results, compared to those normally recognized by Desjardins. The results of the fourth quarter of 2019, on the other hand, were affected by the sale to Global Payments of the entire portfolio of merchants receiving Desjardins Group services under the Monetico brand, completed on December 31, 2019. For more information about quarterly trends, see pages 47 and 48 of the 2020 annual MD&A.

# BALANCE SHEET REVIEW

## BALANCE SHEET MANAGEMENT

### Combined Balance Sheets

| (in millions of dollars and as a percentage) | As at March 31, 2021 | | As at December 31, 2020 | |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and deposits with financial institutions | **$ 19,853** | **5.3%** | $ 12,126 | 3.3% |
| Securities | **83,429** | **22.1** | 87,668 | 24.2 |
| Securities borrowed or purchased under reverse repurchase agreements | **13,634** | **3.6** | 9,658 | 2.7 |
| Net loans and acceptances | **215,005** | **57.0** | 211,749 | 58.5 |
| Segregated fund net assets | **20,662** | **5.5** | 19,093 | 5.3 |
| Derivative financial instruments | **5,585** | **1.5** | 5,820 | 1.6 |
| Other assets | **18,813** | **5.0** | 15,921 | 4.4 |
| **Total assets** | **$ 376,981** | **100.0%** | $ 362,035 | 100.0% |
| **Liabilities and equity** | | | | |
| Deposits | **$ 230,919** | **61.2%** | $ 225,236 | 62.2% |
| Commitments related to securities sold short | **11,589** | **3.1** | 9,353 | 2.6 |
| Commitments related to securities lent or sold under repurchase agreements | **21,883** | **5.8** | 19,152 | 5.3 |
| Derivative financial instruments | **5,236** | **1.4** | 4,884 | 1.3 |
| Insurance contract liabilities | **32,822** | **8.7** | 34,827 | 9.6 |
| Segregated fund net liabilities | **20,660** | **5.5** | 19,089 | 5.3 |
| Other liabilities | **20,755** | **5.5** | 17,738 | 4.9 |
| Subordinated notes | **1,473** | **0.4** | 1,493 | 0.4 |
| Equity | **31,644** | **8.4** | 30,263 | 8.4 |
| **Total liabilities and equity** | **$ 376,981** | **100.0%** | $ 362,035 | 100.0% |

### Assets

As at March 31, 2021, Desjardins Group's total assets stood at $377.0 billion, up by $14.9 billion, or 4.1%, since December 31, 2020. This growth was largely due to an increase in cash and deposits with financial institutions, securities borrowed or purchased under reverse repurchase agreements, and net loans and acceptances, partially offset by the decrease in securities.

Desjardins Group's cash and deposits with financial institutions were up $7.7 billion, or 63.7%. Securities borrowed or purchased under reverse repurchase agreements increased by $4.0 billion, or 41.2%, while securities decreased by $4.2 billion, or 4.8%.

Desjardins Group's outstanding loan portfolio, including acceptances, net of the allowance for credit losses, increased by $3.3 billion, or 1.5%. Residential mortgages, which have a very important place in Desjardins Group's credit activities, were responsible for this growth and accounted for 64.0% of its portfolio as at March 31, 2021.

### Loans and acceptances

| (in millions of dollars and as a percentage) | As at March 31, 2021 | | As at December 31, 2020 | |
|---|---|---|---|---|
| Residential mortgages | **$ 138,438** | **64.0%** | $ 136,208 | 64.0% |
| Consumer, credit card and other personal loans | **24,789** | **11.5** | 25,310 | 11.9 |
| Business and government | **52,842** | **24.5** | 51,343 | 24.1 |
| | **216,069** | **100.0%** | 212,861 | 100.0% |
| Allowance for credit losses | **(1,064)** | | (1,112) | |
| **Total loans and acceptances by borrower category** | **$ 215,005** | | $ 211,749 | |

Desjardins Group's residential mortgages were up $2.2 billion, or 1.6%, since December 31, 2020. Desjardins Group was able to capitalize on the sustained growth in housing activity, particularly in Québec. Outstanding business and government loans, including acceptances, increased by $1.5 billion, or 2.9%. Consumer, credit card and other personal loans outstanding were down $521 million, or 2.1%, since the end of 2020, essentially because of the decrease in credit card loans outstanding related in particular to the decline in purchases during the COVID-19 pandemic.

Information on the quality of Desjardins Group's credit portfolio can be found in the "Risk management" section, on pages 31 and 32 of this MD&A.

Segregated fund net assets were up $1.6 billion, or 8.2%, on account of changes in policyholders.

Derivative financial instrument assets were down by $235 million, or 4.0%, particularly because of developments on financial markets.

Other assets increased by $2.9 billion, or 18.2%, mainly as a result of the higher amounts receivable from clients, brokers and financial institutions.

### Liabilities

Desjardins Group's total liabilities amounted to $345.3 billion as at March 31, 2021, up $13.6 billion, or 4.1%, since December 31, 2020, largely due to the increase in deposits and commitments related to securities sold short and lent or sold under repurchase agreements.

Outstanding deposits grew by $5.7 billion, or 2.5%. The increase in business and government deposits, which comprised 43.1% of Desjardins Group's total deposit portfolio as at the same date, partly accounted for this growth. In fact, these outstanding deposits were up $2.8 billion, or 2.9%, particularly because of growth in member deposits in the caisse network. Various securities, including medium-term notes and covered bonds, issued on U.S., Canadian and European markets, made it possible to support the growth of Desjardins Group's funding requirements.

#### Deposits

| (in millions of dollars and as a percentage) | As at March 31, 2021 | | As at December 31, 2020 | |
|---|---|---|---|---|
| Individuals | **$ 129,676** | **56.2%** | $ 127,928 | 56.8% |
| Business and government | **99,638** | **43.1** | 96,853 | 43.0 |
| Deposit-taking institutions | **1,605** | **0.7** | 455 | 0.2 |
| **Total deposits** | **$ 230,919** | **100.0%** | $ 225,236 | 100.0% |

Personal deposits outstanding, which accounted for 56.2% of the total deposit portfolio, increased by $1.7 billion, or 1.4%, because of growth in member deposits in the caisse network. Deposits from deposit-taking institutions were up by $1.2 billion.

Commitments related to securities sold short and lent or sold under repurchase agreements increased by $5.0 billion, or 17.4%, to reach a volume of $33.5 billion.

Derivative financial instrument liabilities were up $352 million, or 7.2%, notably because of developments on financial markets.

Desjardins Group's insurance contract liabilities were down by $2.0 billion, or 5.8%, largely as a result of actuarial liabilities arising from life and health insurance operations.

Segregated fund net liabilities increased by $1.6 billion, or 8.2%, mainly because of changes in policyholders.

Other liabilities grew by $3.0 billion, or 17.0%, due to the higher amounts payable to clients, brokers and financial institutions.

### Equity

Equity was up $1.4 billion, or 4.6%, since December 31, 2020. Net surplus earnings after member dividends, totalling $732 million for the first three months of 2021, and other comprehensive income of $660 million were the primary sources of this growth.

Note 22, "Capital stock", and Note 23, "Share capital", to the Annual Combined Financial Statements provide additional information about Desjardins Group's capital stock and share capital.

## CAPITAL MANAGEMENT

Capital management is crucial to 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 protection for members and clients, and regulators' expectations and requirements. In addition, it must optimize the allocation of capital and internal capital flow mechanisms, and support growth, development and asset risk management at Desjardins Group. Additional information on the Integrated Capital Management Framework can be found in the "Capital management" section of Desjardins Group's 2020 annual MD&A.

### 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 Management Committee, through the Finance and Risk Management Committee, to ensure that Desjardins Group has a sufficient capital base in light of the organization's strategic objectives and regulatory obligations. The Finance, Treasury and Administration Executive Division is responsible for preparing, on an annual basis, a capitalization plan to forecast capital trends, devise strategies and recommend action plans for achieving capital objectives and targets.

The current situation and the forecasts show that overall, Desjardins Group has a solid capital base that maintains it among 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 for 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.

Under this framework, a minimum amount of capital must be maintained on a combined basis by all the Desjardins Group components. Some of these components are subject to separate requirements regarding regulatory capital, liquidity and funding, which are set by regulatory authorities governing banks, insurers 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 regulation.

In this regard, it should be mentioned that the life and health insurance subsidiaries under provincial jurisdiction are subject to the Capital Adequacy Requirements Guideline (CARLI) issued by the AMF. The property and casualty insurance subsidiaries under provincial jurisdiction must comply with the Guideline on Capital Adequacy Requirements issued by the AMF. The property and casualty insurance subsidiaries under federal jurisdiction must comply with the OSFI's Minimum Capital Test Guideline for federally regulated property and casualty insurance companies.

For the purpose of calculating capital, Desjardins Financial Corporation Inc., the holding corporation that mainly includes the insurance companies, has been deconsolidated and presented as a partial capital deduction under the rules for significant investments stated in the guideline. Furthermore, Desjardins Financial Corporation Inc. is subject to the AMF's CARLI guideline.

In addition, the Total Loss Absorbing Capacity Guideline (TLAC Guideline) issued by the AMF took effect on March 31, 2019. As of April 1, 2022, Desjardins Group will be required to maintain at all times a minimum loss absorbing capacity composed of unsecured external long-term debt that meets the target criteria, or regulatory capital instruments to support its recapitalization in the event of a failure.

Under the TLAC Guideline, the AMF expects Desjardins Group to maintain a risk-based TLAC ratio of at least 21.5% of risk-weighted assets as well as a TLAC leverage ratio of at least 6.75% as of the second quarter of 2022. For this purpose, Desjardins Group started issuing TLAC-eligible debt on October 1, 2019 and expects to be able to meet the minimum requirements when they take effect.

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

**Summary of ratios regulated by the AMF under Basel III(1)(2)**

| (as a percentage) | Minimum ratio | Capital conservation buffer | Minimum ratio including capital conservation buffer | Supplement applying to D-SIFIs(3)(4) | Minimum ratio including capital conservation buffer and supplement applying to D-SIFIs | Capital and leverage ratio as at March 31, 2021 |
|---|---|---|---|---|---|---|
| Tier 1A capital | > 4.5% | 2.5% | > 7.0% | 1.0% | > 8.0% | **22.1%** |
| Tier 1 capital | > 6.0 | 2.5 | > 8.5 | 1.0 | > 9.5 | **22.1** |
| Total capital | > 8.0 | 2.5 | > 10.5 | 1.0 | > 11.5 | **22.6** |
| Leverage ratio | > 3.5 | N/A | > 3.5 | N/A | > 3.5 | **8.7** |

(1) The capital ratios are expressed as a percentage of regulatory capital to risk-weighted assets, as required in the guideline.
(2) The leverage ratio is calculated by dividing Tier 1 capital by the exposure measure, which is an independent measure of risk and includes: 1) on-balance sheet exposures, 2) securities financing transaction exposures, 3) derivative exposures, and 4) other off-balance sheet items.
(3) In June 2013, the AMF determined that Desjardins Group met the criteria for designation as a domestic systemically important financial institution (D-SIFI). Since January 1, 2016, Desjardins Group has therefore been subject, as a D-SIFI, to an additional capital requirement of 1% on its minimum capital ratios.
(4) At its discretion, the AMF may also set higher target ratios when warranted by circumstances. In this regard, since March 31, 2019, the AMF could activate the countercyclical buffer when it considers that excess credit growth is associated with a build-up of system-wide risk. Based on this assessment, a countercyclical buffer requirement representing between 0% and 2.5% of total risk-weighted assets (RWA) will be put in place when circumstances warrant. This requirement will be lifted when the risk either crystallizes or dissipates.

### Regulatory developments

Desjardins Group continues to monitor changes in capital requirements under the global standards developed by the Basel Committee on Banking Supervision (BCBS) and to assess their impact on the capital ratios and the leverage ratio. Additional information in this regard can be found in Desjardins Group's 2020 annual MD&A on page 54. This section also presents the measures issued by the AMF since March 31, 2020, aimed at minimizing the impacts of the COVID-19 pandemic and thereby support Québec's financial system. The "Changes in the regulatory environment" section presents additional details on regulation as it affects all Desjardins Group operations.

On February 1, 2021, the AMF issued a notice to the effect that the guaranteed portion of a loan granted under the BDC's Highly Affected Sectors Credit Availability Program (HASCAP) is treated as a Government of Canada exposure, and the residual portion not covered by the guarantee is considered to be a borrower exposure. The total amount of the loan is included in the calculation of the leverage ratio.

On March 17, 2021, the AMF announced that the relief measure granted at the beginning of the pandemic aimed at reducing the stressed Value-at-Risk multiplier under market risk from 3 to 1 would expire on April 30, 2021.

### Compliance with requirements

As at March 31, 2021, the Tier 1A, Tier 1 and total capital ratios of Desjardins Group, calculated in accordance with Basel III requirements, were 22.1%, 22.1% and 22.6%, respectively. The leverage ratio was 8.7%. Desjardins Group therefore has very good capitalization, with a Tier 1A capital ratio above the 15% target.

As at March 31, 2021, the Tier 1A capital ratio was up 20 basis points compared to December 31, 2020, due to the increase in reserves and surplus earnings as well as the decrease in defined benefit plan liabilities as at March 31, 2021, partially offset by growth in risk-weighted assets.

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 March 31, 2021.

### Regulatory capital

The following tables present Desjardins Group's main capital components, regulatory 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(1) | Tier 1B(1) | |
| **Eligible items** | • Reserves and undistributed surplus earnings<br>• Eligible accumulated other comprehensive income<br>• F capital shares<br>• Caisse permanent shares and surplus shares subject to phase-out<br>• Eligible portion of general allowance(4) | • Non-controlling interests(2) | • General allowance<br>• Senior notes subject to phase-out<br>• NVCC subordinated notes(3)<br>• Eligible qualifying shares |
| **Regulatory adjustments** | • Goodwill<br>• Software<br>• Other intangible assets<br>• Deferred tax assets essentially resulting from loss carryforwards<br>• Shortfall in allowance | | |
| **Deductions** | • Mainly significant investments in financial entities(5) | • Investment in preferred shares of a component deconsolidated for regulatory capital purposes | • Investment in preferred shares of a component deconsolidated for regulatory capital purposes<br>• Subordinated financial instrument |

(1) The Tier 1A and Tier 1B ratios are the equivalent of the financial institutions' CET1 and AT1 ratios, for financial services cooperatives regulated by the AMF.
(2) The amount of non-controlling interests is determined, in particular, based on the nature of the operations and the capitalization level of the investee.
(3) These notes meet the Non-Viability Contingent Capital (NVCC) requirements of the guideline. To be eligible, the notes must include a clause requiring the full and permanent conversion into a Tier 1A capital instrument at the point of non-viability.
(4) On March 31, 2020, the AMF published transitional provisions stipulating that a portion of the general allowance initially included in Tier 2 capital could be included in Tier 1A capital. For more information, see the "Capital management" section in the 2020 annual MD&A.
(5) Represent the portion of investments in the components deconsolidated for regulatory capital purposes (mainly Desjardins Financial Corporation Inc.) that exceeds 10% of capital net of regulatory adjustments. In addition, when the non-deducted balance, plus deferred tax assets net of corresponding deferred tax liabilities, exceeds 15% of the adjusted capital, the surplus is also deducted from this capital. The net non-deducted balance is subject to risk-weighting at a rate of 250%.

**Regulatory capital, risk-weighted assets and capital ratios**

| (in millions of dollars and as a percentage) | As at March 31, 2021 | As at December 31, 2020 |
|---|---|---|
| **Capital** | | |
| Tier 1A capital | **$ 27,503** | $ 26,317 |
| Tier 1 capital | **27,503** | 26,317 |
| Total capital | **28,118** | 27,114 |
| **Risk-weighted assets** | | |
| Credit risk | **$ 106,309** | $ 103,658 |
| Market risk | **2,861** | 2,561 |
| Operational risk | **13,822** | 13,705 |
| **Total risk-weighted assets before the RWA floor** | **122,992** | 119,924 |
| RWA floor adjustment | **1,412** | 177 |
| **Total risk-weighted assets** | **$ 124,404** | $ 120,101 |
| **Ratios and leverage ratio exposure** | | |
| Tier 1A capital | **22.1%** | 21.9% |
| Tier 1 capital | **22.1** | 21.9 |
| Total capital | **22.6** | 22.6 |
| Leverage | **8.7** | 8.5 |
| Leverage ratio exposure | **$ 314,328** | $ 307,925 |

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, as prescribed. 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% until January 1, 2022. These instruments include permanent shares and surplus shares issued before September 12, 2010, which totalled $2.1 billion.

In addition, the subordinated notes issued by Desjardins Capital 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.

The Federation is able to issue NVCC instruments on Canadian, U.S. and European markets. In the second quarter of 2020, it issued $1.0 billion of such securities.

**Change in regulatory capital**
For the three-month periods ended

| (in millions of dollars) | March 31, 2021 |
|---|---|
| **Tier 1A capital** | |
| Balance at beginning of period | $ 26,317 |
| Increase in reserves and undistributed surplus earnings[1] | 1,660 |
| Eligible accumulated other comprehensive income | (304) |
| Permanent shares and surplus shares subject to phase-out | (15) |
| Deductions | (155) |
| Balance at end of period | 27,503 |
| **Total Tier 1 capital[2]** | 27,503 |
| **Tier 2 capital** | |
| Balance at beginning of period | 797 |
| Eligible instruments | (3) |
| Senior notes subject to phase-out | (186) |
| General allowance | 7 |
| Deductions | - |
| Balance at end of period | 615 |
| **Total capital** | $ 28,118 |

(1) Amount including the change in defined benefit pension plan liabilities.
(2) No Tier 1B capital instrument has been issued to date.

### Risk-weighted assets (RWA)

Desjardins Group calculates risk-weighted assets for credit risk, market risk and operational risk.

Credit risk

- Desjardins uses the Internal Ratings-Based Approach for credit risk.
- Since March 2009, the Internal Ratings-Based Approach has been used for credit risk related to retail exposures − Personal.
- Since December 2019, the Internal Ratings-Based Approach has been used for most exposures in the asset classes consisting of sovereign borrowers, financial institutions, businesses and SMEs similar to other retail client exposures.
- The Standardized Approach is used to measure the credit risk of certain exposures related to components of lesser importance, as well as asset classes that are not significant in terms of amount and perceived risk profile.

Market risk

- Since September 2018, Desjardins Group has been using market risk internal models for trading portfolios.
- The Standardized Approach is used for foreign exchange risk and commodity risk in the banking portfolio.

Operational risk

- Since June 2017, Desjardins Group has been using the Standardized Approach to calculate operational risk.

Desjardins is also subject to an RWA floor. When the RWA modelled are lower than the RWA calculated using the Standardized Approach multiplied by a factor set by the AMF, the difference is added to the denominator of the regulatory capital, as specified in the Guideline on adequacy of capital base standards for financial services cooperatives issued by the AMF.

RWA totalled $124.4 billion as at March 31, 2021, up $4.3 billion compared to the previous quarter.

For credit risk, changes in RWA for the first quarter of 2021 are divided into two segments: credit risk other than counterparty risk, and counterparty risk. In credit risk other than counterparty risk, the net increase of $2.6 billion in RWA was mainly the result of changes in methods and policies, which led to a $977 million increase in RWA, changes in portfolio size, which caused a $664 million increase in RWA, as well as the updating of models, which resulted in a $548 million increase in RWA. In counterparty risk, a slight $64 million increase in RWA was basically due to the updating of models, offset by changes in portfolio quality and size.

In market risk, a $300 million increase in RWA resulted from a change in risk levels.

An increase of $117 million in RWA was noted in operational risk as a result of fluctuations in the income generated.

The RWA floor adjustment as previously defined caused RWA to increase by $1.2 billion since December 31, 2020, mainly due to changes in portfolio size and quality, partially offset by the updating of models and changes in methods and policies.

## OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of operations, Desjardins Group enters into various off-balance sheet arrangements, including assets under management and under administration on behalf of its members and clients, credit instruments, guarantees, participation in government loan programs and structured entities, including securitization. Additional information can be found in the "Off-balance sheet arrangements" section of Desjardins Group's 2020 annual MD&A.

Note 13, "Interests in other entities", and Note 29, "Commitments, guarantees and contingent liabilities", to Desjardins Group's Annual Combined Financial Statements contain information about structured entities, credit instruments and guarantees, while Note 8, "Derecognition of financial assets", to the Annual Combined Financial Statements provides information about participation in government loan programs and the securitization of Desjardins Group's loans.

### Assets under management and under administration

As at March 31, 2021, Desjardins Group administered, for the account of its members and clients, assets worth $464.7 billion, for an increase of $6.5 billion, or 1.4% since December 31, 2020. The financial assets entrusted to Desjardins Group as wealth manager totalled $77.2 billion as at March 31, 2021, down $305 million, or 0.4%, since December 31, 2020.

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

## ADDITIONAL INFORMATION RELATED TO CERTAIN RISK EXPOSURES

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

### Asset-backed securities

| (in millions of dollars) | **As at March 31, 2021** | | As at December 31, 2020 | |
|---|---|---|---|---|
| | **Notional amounts** | **Fair value** | Notional amounts | Fair value |
| Financial asset-backed and mortgage-backed securities[(1)] | **$ 77** | **$ 79** | $ 97 | $ 97 |

(1) None of the securities held is directly backed by subprime residential mortgage loans. These securities are presented under "Securities at fair value through profit or loss" and "Securities at fair value through other comprehensive income" on the Combined Balance Sheets.

### Leveraged finance loans and subprime loans

| (in millions of dollars) | **As at March 31, 2021** | As at December 31, 2020 |
|---|---|---|
| Leveraged finance loans[(1)] | **$ 214** | $ 325 |
| Alt-A mortgage loans[(2)] | **12** | 12 |
| Subprime residential mortgage loans[(3)] | **3** | 3 |

(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 on 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. Subprime residential mortgages are recorded on the Combined Balance Sheets under "Loans – Residential mortgages" and are measured at amortized cost.

# RISK MANAGEMENT

## RISK MANAGEMENT

Desjardins Group's objective in risk management is to optimize the risk-return trade-off by developing and applying integrated risk management strategies, frameworks, practices and procedures to all of the organization's business sectors and support functions. To this end, Desjardins developed an Integrated Risk Management Framework reflective of its business strategies and organizational risk-taking philosophy which is aimed, among other things, at giving its senior management and the Federation's Board of Directors an appropriate level of confidence and comfort regarding the understanding and management of the risks associated with the achievement of its objectives.

Desjardins Group is exposed to different types of risk in the normal course of its operations, including credit risk, market risk, liquidity risk, operational risk, insurance risk, strategic risk, reputational risk, risk related to pension plans, environmental or social risk and risk 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 soundness 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 proactive approach in which each of its business segments, employees and managers is responsible for risk management.

In the first three months of fiscal 2021, Desjardins Group's governance structure, frameworks and practices for risk management, and the nature and description of the risks to which it is exposed (including operational risk, insurance risk, strategic risk, reputational risk, risk related to pension plans, environmental or social risk and risk related to the regulatory and legal environment) did not change significantly from those described on pages 65 to 99 of Desjardins Group's 2020 annual MD&A. In addition to these types of risk, other risk factors, which are beyond Desjardins Group's control, could have an impact on its future results. These principal risks and emerging risks, as well as other risk factors, did not change significantly from those described on pages 62 to 64 of Desjardins Group's 2020 annual MD&A.

The COVID-19 pandemic and its associated risks are the primary situation being monitored by Desjardins Group. Much work has been done by Desjardins to deal with this, and the impact and developments of the COVID-19 pandemic are still subject to ongoing supervision. The pandemic has had and will continue to have repercussions on the risks to which Desjardins Group is exposed. Desjardins is closely monitoring developments in these risks to ensure the sustainability of its operations during the crisis. Below you will find the pandemic's main impact on some of the principal types of risk at Desjardins:

- Market risk
  - Market data are significantly affected by the global pandemic. Therefore, the extreme volatility during the first quarter of 2020 is reflected in the data histories of subsequent quarters. Given that the VaR model uses one-year data histories, the data observed continue to have an impact on current VaR levels.

- Credit risk – Portfolio quality
  - The quality of the credit portfolio has remained stable since the second quarter of 2020. A possible increase in delinquencies is being monitored.

- Credit risk – Provisioning
  - Despite the continued application of public health measures and closures of certain sectors, delinquencies and defaults did not increase as anticipated. Consequently, the expected credit losses recognized because of the anticipated effects of the COVID-19 pandemic have not materialized for the time being, but an increase in bankruptcies over the coming months could bring about these expected losses. Desjardins Group continues to monitor developments in the situation.

- Insurance risk – Life and Health Insurance
  - The evolution of the experience as a result of the pandemic continues to be monitored, in particular for disability and mortality.

- Insurance risk – Property and Casualty Insurance
  - Given COVID-19 public health measures, claims, particularly in automobile insurance, have been declining since the beginning of the pandemic. The Property and Casualty Insurance segment has provided support to its insured clients by applying rate adjustments due to changes in driving habits because of the COVID-19 pandemic, which slowed down growth in the average premium. The P&C Insurance segment also adjusted its programs with the launch of a new version of Ajusto based on modified use of the motor vehicle driven. Ajusto is a telematics program providing personalized feedback on driving and is used to reflect the changes in insured clients' driving habits.
  - There is still uncertainty about growth in premiums versus claims, the likely increase in fraud and potential civil liability claims for businesses. Additional margins are included in loss reserves and unearned premiums.

- Liquidity risk
  - In order to prevent liquidity from drying up, the Government of Canada has set up exceptional liquidity granting programs to facilitate access to funding from financial institutions. The use of these programs by Desjardins Group and growth in deposits have resulted in very high liquidity ratios. With the stabilization of market conditions, certain programs have expired and the liquidity level remains high.

- Operational risks – Information security
  - Given the massive increase in telework, remote monitoring has been reinforced, including on applications with confidential data. The adequacy of the working environment for all employees has been assessed to ensure compliance with information security standards.

- Operational risks – Technology
  - The robustness and monitoring of technology infrastructures were enhanced in order to better meet performance needs for telework and the increased use of digital services by our members and clients. Enhanced monitoring of infrastructure stability has been put in place.

- Operational risks – Business continuity
  - The risk of abnormal absenteeism caused by a third wave of COVID-19 affecting Desjardins employees and their families is being monitored, and business continuity plans are adjusted and finetuned on an ongoing basis to ensure backup of operations. The risk of exhausting resources, which increased due to the resulting disruptions in operations, and the abnormally fast pace of work are still also being monitored.

- Operational risks – Third parties
  - The pandemic is heightening third party risk. There is increased monitoring, in particular, of major suppliers' business continuity strategies. Furthermore, special attention is being paid to their financial health.

In order to mitigate this impact, Desjardins Group has increased the frequency of its risk management activities, which are set out in Section 4 of Desjardins Group's 2020 annual MD&A. For more information about the impact of the COVID-19 pandemic and the measures implemented by Desjardins Group, please see "Significant events – COVID-19 pandemic" in Desjardins Group's 2020 annual MD&A and in this MD&A, which presents certain factors that could add to the risks described above and those presented in Desjardins Group's 2020 annual MD&A.

## CREDIT RISK

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

Desjardins Group is exposed to credit risk first through its direct personal, business and government loans. It is also exposed through various other commitments, including letters of credit and transactions involving derivative financial instruments as well as securities transactions.

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

### Quality of loan portfolio

As at March 31, 2021, in accordance with Note 5, "Loans and allowance for credit losses", to the Interim Combined Financial Statements, the loss allowance for expected credit losses on loans totalled $1,064 million, down $48 million compared to December 31, 2020, mainly as a result of the decline in credit card portfolio volumes. For more information about the methodology and assumptions used to estimate the loss allowance for expected credit losses, please refer to Note 5, "Loans and allowance for credit losses", to the Interim Combined Financial Statements.

Gross credit-impaired loans outstanding are considered Stage 3 loans of the impairment model. The ratio of gross credit-impaired loans, as a percentage of the total gross loans and acceptances portfolio, was 0.57% for the first quarter of 2021, compared to 0.62% as at December 31, 2020. The allowance for credit losses on credit-impaired loans totalled $313 million as at March 31, 2021, resulting in a provisioning rate of 25.3% for credit-impaired loans.

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

**Gross loans past due but not credit-impaired**
As at March 31, 2021

| (in millions of dollars) | 1 to 29 days | 30 to 59 days | 60 to 89 days | 90 days or more | Total |
|---|---|---|---|---|---|
| Residential mortgages | $ 1,114 | $ 147 | $ 24 | $ - | $ 1,285 |
| Consumer, credit card and other personal loans | 435 | 112 | 38 | 36 | 621 |
| Business and government | 135 | 39 | 9 | - | 183 |
| | $ 1,684 | $ 298 | $ 71 | $ 36 | $ 2,089 |

As at December 31, 2020

| (in millions of dollars) | 1 to 29 days | 30 to 59 days | 60 to 89 days | 90 days or more | Total |
|---|---|---|---|---|---|
| Residential mortgages | $ 1,305 | $ 150 | $ 31 | $ 1 | $ 1,487 |
| Consumer, credit card and other personal loans | 551 | 138 | 55 | 46 | 790 |
| Business and government | 192 | 98 | 14 | 1 | 305 |
| | $ 2,048 | $ 386 | $ 100 | $ 48 | $ 2,582 |

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

**Gross credit-impaired loans by borrower category**

| (in millions of dollars and as a percentage) | As at March 31, 2021 | | | | | As at December 31, 2020 | |
|---|---|---|---|---|---|---|---|
| | Gross carrying amount | | | Allowance for credit losses on credit-impaired loans | Net credit-impaired loans | Gross credit-impaired loans | Net credit-impaired loans |
| | Gross loans and acceptances | Gross credit-impaired loans | | | | | |
| Residential mortgages | $ 138,438 | $ 323 | 0.23% | $ 26 | $ 297 | $ 374 | $ 345 |
| Consumer, credit card and other personal loans | 24,789 | 186 | 0.75 | 109 | 77 | 212 | 86 |
| Business and government | 52,842 | 727 | 1.38 | 178 | 549 | 737 | 556 |
| **Total loans** | $ 216,069 | $ 1,236 | 0.57% | $ 313 | $ 923 | $ 1,323 | $ 987 |

**Change in gross credit-impaired loans**

| (in millions of dollars) | For the three-month periods ended | | |
|---|---|---|---|
| | **March 31, 2021** | December 31, 2020 | March 31, 2020 |
| **Gross credit-impaired loans at the beginning of the period** | **$ 1,323** | $ 1,340 | $ 1,142 |
| Gross loans that became credit-impaired since the last period | **608** | 851 | 483 |
| Loans returned to unimpaired status | **(699)** | (772) | (407) |
| Write-offs and recoveries | **(56)** | (114) | (105) |
| Other changes | **60** | 18 | 54 |
| **Gross credit-impaired loans at the end of the period** | **$ 1,236** | $ 1,323 | $ 1,167 |

### 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 Risk Management Executive Division sets the maximum exposure for each counterparty and issuer based on quantitative and qualitative criteria. In addition, limits are set for certain financial instruments. The amounts are then allocated to different components based on their needs. Growth in Desjardins Group's securities portfolio increases exposure to economic losses when credit spreads widen. This exposure impacts net income.

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

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

### Governance

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

### Link between market risk and the Combined Balance Sheets

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

**Link between market risk and the Combined Balance Sheets**
As at March 31, 2021

| | | Exposed to market risk | | | |
|---|---|---|---|---|---|
| (in millions of dollars) | Combined Balance Sheets | Trading activities[(1)(2)] | Non-trading activities[(3)] | Not exposed to market risk | Principal risks associated with non-trading activities |
| **Assets** | | | | | |
| Cash and deposits with financial institutions | $ 19,853 | $ - | $ 19,853 | $ - | Interest rate |
| Securities | | | | | |
| Securities at fair value through profit or loss | 36,542 | 10,738 | 25,804 | - | Interest rate |
| Securities at fair value through other comprehensive income | 46,862 | - | 46,862 | - | Interest rate, FX, price |
| Securities at amortized cost | 25 | - | 25 | - | Interest rate |
| Securities borrowed or purchased under reverse repurchase agreements | 13,634 | 12,823 | 811 | - | Interest rate |
| Net loans and acceptances | 215,005 | - | 215,005 | - | Interest rate |
| Segregated fund net assets | 20,662 | - | 20,662 | - | Interest rate, price |
| Derivative financial instruments | 5,585 | 293 | 5,292 | - | Interest rate, FX, price |
| Other assets | 18,813 | - | - | 18,813 | |
| **Total assets** | $ 376,981 | $ 23,854 | $ 334,314 | $ 18,813 | |
| **Liabilities and equity** | | | | | |
| Deposits | $ 230,919 | $ - | $ 230,919 | $ - | Interest rate |
| Commitments related to securities sold short | 11,589 | 11,450 | 139 | - | Interest rate |
| Commitments related to securities lent or sold under repurchase agreements | 21,883 | 18,797 | 3,086 | - | Interest rate |
| Derivative financial instruments | 5,236 | 355 | 4,881 | - | Interest rate, FX, price |
| Insurance contract liabilities | 32,822 | - | 32,822 | - | Interest rate |
| Segregated fund net liabilities | 20,660 | - | 20,660 | - | Interest rate, price |
| Other liabilities | 20,755 | - | 1,877 | 18,878 | Interest rate |
| Subordinated notes | 1,473 | - | 1,473 | - | Interest rate |
| Equity | 31,644 | - | - | 31,644 | |
| **Total liabilities and equity** | $ 376,981 | $ 30,602 | $ 295,857 | $ 50,522 | |

Footnotes to this table are presented on the next page.

**Link between market risk and the Combined Balance Sheets (continued)**
As at December 31, 2020

| (in millions of dollars) | Combined Balance Sheets | Exposed to market risk: Trading activities[1][2] | Exposed to market risk: Non-trading activities[3] | Not exposed to market risk | Principal risks associated with non-trading activities |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and deposits with financial institutions | $ 12,126 | $ - | $ 12,126 | $ - | Interest rate |
| Securities | | | | | |
| Securities at fair value through profit or loss | 34,960 | 8,170 | 26,790 | - | Interest rate |
| Securities at fair value through other comprehensive income | 52,679 | - | 52,679 | - | Interest rate, FX, price |
| Securities at amortized cost | 29 | - | 29 | - | Interest rate |
| Securities borrowed or purchased under reverse repurchase agreements | 9,658 | 8,842 | 816 | - | Interest rate |
| Net loans and acceptances | 211,749 | - | 211,749 | - | Interest rate |
| Segregated fund net assets | 19,093 | - | 19,093 | - | Interest rate, price |
| Derivative financial instruments | 5,820 | 405 | 5,415 | - | Interest rate, FX, price |
| Other assets | 15,921 | - | - | 15,921 | |
| **Total assets** | $ 362,035 | $ 17,417 | $ 328,697 | $ 15,921 | |
| **Liabilities and equity** | | | | | |
| Deposits | $ 225,236 | $ - | $ 225,236 | $ - | Interest rate |
| Commitments related to securities sold short | 9,353 | 9,352 | 1 | - | Interest rate |
| Commitments related to securities lent or sold under repurchase agreements | 19,152 | 12,508 | 6,644 | - | Interest rate |
| Derivative financial instruments | 4,884 | 548 | 4,336 | - | Interest rate, FX, price |
| Insurance contract liabilities | 34,827 | - | 34,827 | - | Interest rate |
| Segregated fund net liabilities | 19,089 | - | 19,089 | - | Interest rate, price |
| Other liabilities | 17,738 | - | 3,107 | 14,631 | Interest rate |
| Subordinated notes | 1,493 | - | 1,493 | - | Interest rate |
| Equity | 30,263 | - | - | 30,263 | |
| **Total liabilities and equity** | $ 362,035 | $ 22,408 | $ 294,733 | $ 44,894 | |

(1) Trading activity positions for which the risk measure is VaR and SVaR.
(2) The amounts presented in trading activities take into account inter-company eliminations.
(3) Positions mainly related to non-trading banking activities and insurance activities.

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

The market risk of trading portfolios is managed on a day-to-day basis under specific frameworks, which set out the risk factors that must be measured and the limit for each of these factors as well as the total. Tolerance limits are also provided for various stress testing. Compliance with these limits is monitored daily and a market risk dashboard is produced on a daily basis and sent to senior management. Any limit exceeded is immediately analyzed and the 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 (holding horizon extended up to 10 days for regulatory capital calculations). 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 stressed VaR (SVaR). It is calculated in the same way as aggregate VaR, except for the use of historical data. Therefore, instead of using the interval of the past year, aggregate SVaR takes into account the historical data for a crisis period of one year from September 2008. However, a ratio of aggregate SVaR to VaR is calculated on a daily basis to ensure that the stress period selected is still adequate. In addition, this stress period is reviewed periodically, as well as stress testing.

The incremental risk charge (IRC) supplements the VaR and SVaR measures and represents an estimate of default and migration risks of unsecuritized products held in the trading portfolio, exposed to interest rate risk, and measured over a one-year horizon at a 99.9% confidence level.

The table below presents the aggregate VaR and the aggregate SVaR of trading activities by risk category, as well as the IRC. Equity price risk, foreign exchange risk, interest rate risk and specific interest rate risk are the four risk categories to which Desjardins Group is exposed. These risk factors are taken into account in measuring the market risk of the trading portfolio. They are reflected in the VaR table presented below. The definition of a trading portfolio meets the various criteria defined in the AMF standard.

**Market risk measures for the trading portfolio**

| (in millions of dollars) | **For the quarter ended March 31, 2021** | | | | For the quarters ended December 31, 2020 | | For the quarters ended March 31, 2020 | |
|---|---|---|---|---|---|---|---|---|
| | **As at March 31, 2021** | **Average** | **High** | **Low** | As at December 31, 2020 | Average | As at March 31, 2020 | Average |
| Equities | **$ 0.6** | **$ 0.8** | **$ 1.2** | **$ 0.5** | $ 0.9 | $ 1.0 | $ 3.4 | $ 1.5 |
| Foreign exchange | **0.8** | **1.3** | **3.3** | **0.5** | 0.6 | 1.1 | 1.6 | 0.4 |
| Interest rate | **3.0** | **4.7** | **7.2** | **3.0** | 3.7 | 4.7 | 4.0 | 3.7 |
| Specific interest rate risk(1) | **1.4** | **2.0** | **3.0** | **1.4** | 3.2 | 3.1 | 3.5 | 2.0 |
| Diversification effect(2) | **(2.5)** | **(3.4)** | **N/A(3)** | **N/A(3)** | (4.2) | (4.6) | (6.7) | (3.4) |
| Aggregate VaR | **$ 3.3** | **$ 5.4** | **$ 8.0** | **$ 3.3** | $ 4.2 | $ 5.3 | $ 5.8 | $ 4.2 |
| Aggregate SVaR | **$ 17.3** | **$ 14.9** | **$ 25.3** | **$ 8.1** | $ 7.6 | $ 14.5 | $ 12.1 | $ 11.9 |
| Incremental risk charge (IRC) | **$ 64.5** | **$ 59.9** | **$ 71.9** | **$ 50.0** | $ 56.6 | $ 54.9 | $ 55.4 | $ 44.2 |

(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 involving the specific risk of an issuer, such as provinces, municipalities and companies, and a sub-portfolio that contains the positions considered to be without issuer risk, such as governments in the local currency.
(2) Represents the risk reduction related to diversification, namely the difference between the sum of the VaR of the various market risks and the aggregate VaR.
(3) The highs and lows of the various market risk categories can refer to different dates. It is not relevant to calculate a diversification effect.

The average of the trading portfolio's aggregate VaR was $5.4 million for the quarter ended March 31, 2021, remaining stable compared to the quarter ended December 31, 2020. The average of the aggregate SVaR was $14.9 million for the quarter ended March 31, 2021, up $0.4 million compared to the quarter ended December 31, 2020. The average of the incremental risk charge totalled $59.9 million, up $5.0 million compared to the previous quarter.

It should be noted that the considerable market volatility during the first quarter of 2020 continued to have an impact on VaR levels during the quarter. This impact started to dissipate at the end of the first quarter of 2021 and will continue during the second quarter of 2021.

Aggregate VaR and aggregate SVaR are appropriate measures for a trading portfolio but they must be interpreted by taking into account certain limits, in particular the following ones:

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

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

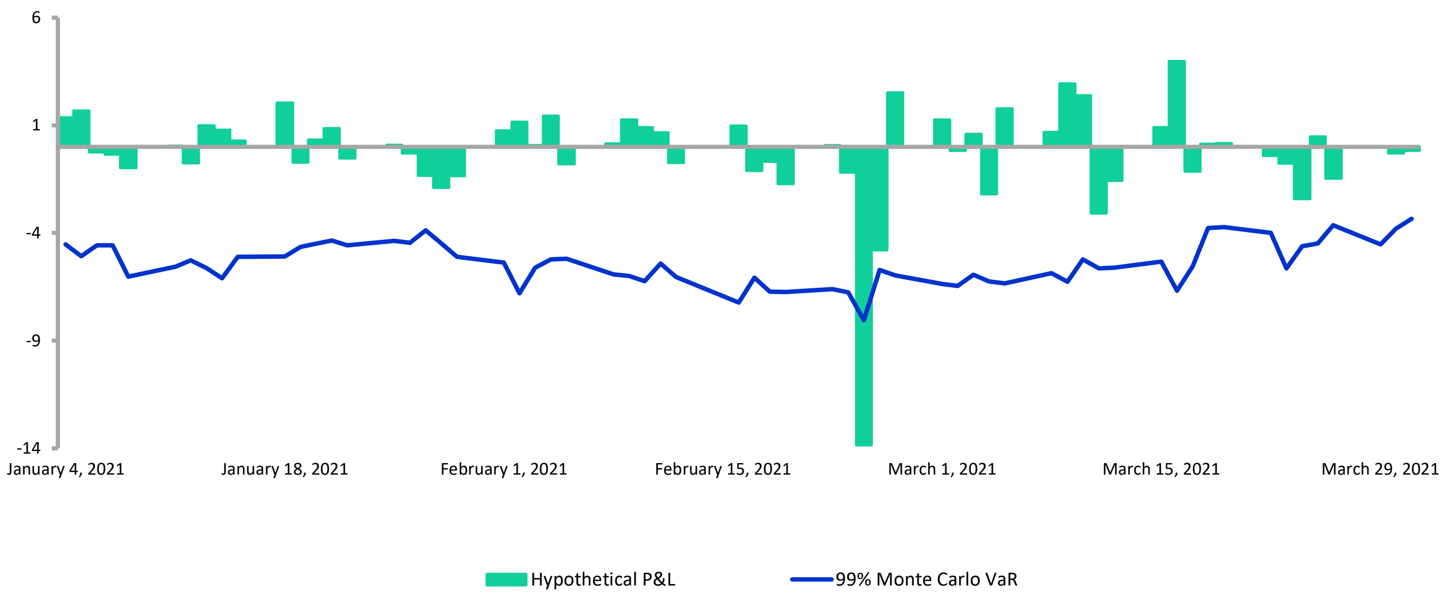
### Back testing

Back testing, which is a daily comparison of the VaR with the profits and losses (P&L) on portfolios, is conducted to validate the VaR model used by ensuring that results correspond statistically to those of the VaR model. In addition, an independent modelling validation unit works on the model every year.

Desjardins Group performs back testing daily, applying a hypothetical P&L and an actual 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 graph shows changes in VaR for trading activities as well as the hypothetical P&L related to these activities. During the first quarter of 2021, an overage of $5.8 million of hypothetical P&L compared to VaR was observed for Desjardins Group on February 24. It was essentially due to a very significant hike in Canadian and U.S. interest rates. No overage of actual P&L compared to the VaR was observed for Desjardins Group.

**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 a distribution and are the result of extreme situations. Use of a stress-testing program is required to assess the impact of these potential situations.

The stress-testing program used for trading portfolios includes historical, hypothetical and sensitivity scenarios based, for instance, on events such as 9/11 or the 2008 credit crisis. Using such stress testing, changes can be monitored in the market value of positions held depending on various scenarios. Most stress-testing is predictive. For a given stress test, shocks are applied to certain risk factors (interest rates, exchange rates and commodities) and the effects of these shocks are passed on to all the risk factors taking historical correlations into account. The running of each stress test is considered to be independent of the others. In addition, certain stress testing is subject to limit tracking. Stress-testing results are analyzed and reported daily using a dashboard, together with VaR calculations, in order to detect vulnerability to such events. The stress-testing program is reviewed periodically to ensure that it is kept current.

### Structural interest rate risk management

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

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

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

In addition to the total sensitivity gap, the main structural interest rate risk factors are:
- the trend in interest rate level and volatility;
- the changes in the shape of the yield curve;
- member and client behaviour in their choice of products;
- the financial intermediation margin;
- the optionality of the various financial products offered.

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

The assumptions used in the stress testing 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 and client behaviour, and in pricing. Desjardins Group's Asset/Liability Committee (ALCO) is responsible for analyzing and approving the global matching strategy on a monthly basis while respecting the parameters defined in structural interest rate risk management policies. In the current context of the COVID-19 pandemic, the situation is still under control because the portfolios are well matched.

The table below presents the potential impact before income taxes, with regard to structural interest rate risk management associated with banking activities, of a sudden and sustained 25- and 100-basis-point increase or decrease in interest rates on net interest income and the economic value of equity for Desjardins Group. The impact related to insurance activities is presented in Note 1 of this table.

**Interest rate sensitivity (before income taxes)[(1)]**

| (in millions of dollars) | **As at March 31, 2021** | | As at December 31, 2020 | | As at March 31, 2020 | |
|---|---|---|---|---|---|---|
| | **Net interest income[(2)]** | **Economic value of equity[(3)]** | Net interest income[(2)] | Economic value of equity[(3)] | Net interest income[(2)] | Economic value of equity[(3)] |
| Impact of a 100-basis-point increase in interest rates | **$ 35** | **$ (154)** | $ 30 | $ (168) | $ (20) | $ (17) |
| Impact of a 25-basis-point decrease in interest rates (100-basis-point as at March 31, 2020)[(4)] | **(13)** | **37** | 7 | 39 | 88 | (36) |

(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 $162 million decrease in the economic value of equity before taxes as at March 31, 2021, and in a $165 million and $124 million decrease as at December 31, 2020 and March 31, 2020, respectively. A 25-basis-point decrease in interest rates would result in a $44 million increase in the economic value of equity before taxes as at March 31, 2021, and of $49 million as at December 31, 2020. A 100-basis-point decrease would result in a $165 million increase in the economic value of equity as at March 31, 2020.

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

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

(4) The results of the impact of a decrease in interest rates take into consideration the use of a floor to avoid negative interest rates. In addition, given the current environment where interest rates are low, the impact of a decrease in interest rates has been calculated using a decrease of 25 basis points as at March 31, 2021 and December 31, 2020, compared to 100 basis points as at March 31, 2020.

### 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 Executive Division. To ensure that this risk is properly controlled, Desjardins Group and its components also use, among other things, derivative financial instruments such as foreign exchange forward contracts and currency swaps. Desjardins Group's residual exposure to this risk is low because it reduces its foreign exchange risk by using derivative financial instruments.

## LIQUIDITY RISK

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

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

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

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

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

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

In the current context of the COVID-19 pandemic, the Government of Canada has set up exceptional liquidity programs to facilitate access to funding for financial institutions. Additional information on Government of Canada programs is presented under "Sources of funding" in the "Liquidity risk" section of Desjardins Group's 2020 annual MD&A. Desjardins Group has used these programs to maintain adequate liquidity in order to deal with this unprecedented situation. However, as market conditions stabilized, some Bank of Canada programs to provide temporary liquidity to the financial system ended. Among others, the contingent term liquidity facility was deactivated in early April, while the Standing Term Liquidity Facility is expected to be terminated indefinitely in mid-May. Desjardins Group's average LCR was 155% for the quarter ended March 31, 2021, compared to 157% for the previous quarter. Despite this decline, the average ratio for the first quarter rose to a very high level following the use of the aforementioned programs and the increase in deposits. The AMF requires that in the absence of stressed conditions, the ratio be greater than or equal to the minimum requirement of 100%. However, in order to promote the effective circulation of liquidity during the COVID-19 pandemic crisis, the AMF could exceptionally accept levels this one time that are lower than the minimum requirements. Desjardins Group does not expect its regulatory ratio to fall below the regulatory limit. 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.

**Liquidity risk measurement and monitoring**

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

The minimum liquid asset levels to be maintained by Desjardins Group are specifically prescribed by policies. Daily management of these securities and the reserve level to be maintained is centralized at Desjardins Group Treasury and is subject to monitoring by the Risk Management function under the supervision of the 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 complying with regulatory ratios, a Desjardins-wide stress testing program has been set up. This program incorporates the concepts put forward by the Basel Committee on Banking Supervision in "Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring". The scenarios make it possible to:

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

### Liquid assets

The tables below present a summary of Desjardins Group's liquid assets, which do not include assets held by the insurance subsidiaries because those assets are committed to 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. Encumbered liquid assets mainly include liquid assets that are pledged as collateral or cannot be used as a result of regulatory, legal, operational or other requirements.

**Liquid assets**[1]

As at March 31, 2021

| (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** | **$ 19,217** | **$ -** | **$ 19,217** | **$ -** | **$ 19,217** |
| **Securities** | | | | | |
| Issued or guaranteed by Canada, provinces and municipal corporations in Canada, school or public corporations in Canada, and foreign public administrations | **48,909** | **12,287** | **61,196** | **29,156** | **32,040** |
| Other securities in Canada | **3,617** | **1,554** | **5,171** | **4,257** | **914** |
| Issued or guaranteed by foreign issuers | **391** | **4** | **395** | **7** | **388** |
| **Loans** | | | | | |
| Insured residential mortgage-backed securities | **6,723** | **-** | **6,723** | **1,837** | **4,886** |
| **Total** | **$ 78,857** | **$ 13,845** | **$ 92,702** | **$ 35,257** | **$ 57,445** |

As at December 31, 2020

| (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** | $ 11,300 | $ - | $ 11,300 | $ - | $ 11,300 |
| **Securities** | | | | | |
| Issued or guaranteed by Canada, provinces and municipal corporations in Canada, school or public corporations in Canada, and foreign public administrations | 51,483 | 8,526 | 60,009 | 24,139 | 35,870 |
| Other securities in Canada | 4,273 | 1,387 | 5,660 | 4,446 | 1,214 |
| Issued or guaranteed by foreign issuers | 421 | 3 | 424 | 6 | 418 |
| **Loans** | | | | | |
| Insured residential mortgage-backed securities | 7,366 | - | 7,366 | 1,610 | 5,756 |
| **Total** | $ 74,843 | $ 9,916 | $ 84,759 | $ 30,201 | $ 54,558 |

[1] Excluding assets held by insurance subsidiaries.

**Unencumbered liquid assets by entity**[1]

| (in millions of dollars) | As at March 31, 2021 | As at December 31, 2020 |
|---|---|---|
| Federation | **$ 38,343** | $ 34,603 |
| Caisse network | **16,386** | 17,463 |
| Other entities | **2,716** | 2,492 |
| **Total** | **$ 57,445** | $ 54,558 |

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

### Encumbered assets

In the normal course of its operations, Desjardins Group pledges securities, loans and other assets as collateral, mainly with regard to financing operations, participation in clearing and payments systems and operations related to provisions for claims and adjustment expenses. The following table presents, for all assets on the Combined Balance Sheets and securities held as collateral, those that are encumbered as well as those that may be pledged as collateral as part of financing or other transactions.

**Encumbered assets**

As at March 31, 2021

| | | | | Breakdown of total assets | | | |
|---|---|---|---|---|---|---|---|
| | | | | Encumbered assets | | Unencumbered assets | |
| (in millions of dollars) | Combined Balance Sheet assets | Securities held as collateral | Total assets | Pledged as collateral | Other(1) | Available as collateral | Other(2) |
| Cash and deposits with financial institutions | **$ 19,853** | **$ -** | **$ 19,853** | **$ -** | **$ 687** | **$ 18,530** | **$ 636** |
| Securities | **83,429** | **19,495** | **102,924** | **38,971** | **1,251** | **32,190** | **30,512** |
| Securities borrowed or purchased under reverse repurchase agreements | **13,634** | **-** | **13,634** | **-** | **-** | **-** | **13,634** |
| Net loans and acceptances | **215,005** | **-** | **215,005** | **28,171** | **-** | **74,528** | **112,306** |
| Segregated fund net assets | **20,662** | **-** | **20,662** | **-** | **-** | **-** | **20,662** |
| Other assets | **24,398** | **-** | **24,398** | **-** | **-** | **-** | **24,398** |
| **Total** | **$ 376,981** | **$ 19,495** | **$ 396,476** | **$ 67,142** | **$ 1,938** | **$ 125,248** | **$ 202,148** |

As at December 31, 2020

| | | | | Breakdown of total assets | | | |
|---|---|---|---|---|---|---|---|
| | | | | Encumbered assets | | Unencumbered assets | |
| (in millions of dollars) | Combined Balance Sheet assets | Securities held as collateral | Total assets | Pledged as collateral | Other(1) | Available as collateral | Other(2) |
| Cash and deposits with financial institutions | $ 12,126 | $ - | $ 12,126 | $ - | $ 359 | $ 10,941 | $ 826 |
| Securities | 87,668 | 14,649 | 102,317 | 32,945 | 1,173 | 36,708 | 31,491 |
| Securities borrowed or purchased under reverse repurchase agreements | 9,658 | - | 9,658 | - | - | - | 9,658 |
| Net loans and acceptances | 211,749 | - | 211,749 | 28,401 | - | 73,167 | 110,181 |
| Segregated fund net assets | 19,093 | - | 19,093 | - | - | - | 19,093 |
| Other assets | 21,741 | - | 21,741 | - | - | - | 21,741 |
| **Total** | $ 362,035 | $ 14,649 | $ 376,684 | $ 61,346 | $ 1,532 | $ 120,816 | $ 192,990 |

(1) Assets that cannot be used for legal or other reasons.
(2) "Other" unencumbered assets include those of the insurance companies as well as assets that in management's opinion would not be immediately available for collateral or financing purposes in their current form.

### 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 on financial 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 template 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 March 31, 2021 Total unweighted value[2] (average[4]) | For the quarter ended March 31, 2021 Total weighted value[3] (average[4]) | For the quarter ended December 31, 2020 Total weighted value[3] (average[4]) |
|---|---|---|---|
| **High-quality liquid assets** | | | |
| Total high-quality liquid assets | **N/A** | **$ 46,101** | $ 47,028 |
| **Cash outflows** | | | |
| Retail deposits and deposits from small business customers, including: | **$ 95,275** | **6,265** | 5,998 |
| Stable deposits | **46,601** | **1,398** | 1,336 |
| Less stable deposits | **48,674** | **4,867** | 4,662 |
| Unsecured wholesale funding, including: | **34,022** | **17,202** | 17,911 |
| Operational deposits (all counterparties) and deposits in cooperative bank networks | **9,572** | **2,281** | 2,057 |
| Non-operational deposits (all counterparties) | **16,206** | **6,677** | 6,886 |
| Unsecured debt | **8,244** | **8,244** | 8,968 |
| Secured wholesale funding | **N/A** | **6** | 13 |
| Additional requirements, including: | **14,623** | **3,097** | 3,634 |
| Outflows related to exposures on derivatives and other collateral required | **1,349** | **1,231** | 1,216 |
| Outflows related to funding loss on debt products | **78** | **78** | 644 |
| Credit and liquidity facilities | **13,196** | **1,788** | 1,774 |
| Other contractual funding liabilities | **4,170** | **2,470** | 2,209 |
| Other contingent funding liabilities | **98,447** | **2,493** | 2,343 |
| **Total cash outflows** | **N/A** | **$ 31,533** | $ 32,108 |
| **Cash inflows** | | | |
| Secured loans (e.g. reverse repurchase agreements) | **$ 12,097** | **$ 41** | $ 39 |
| Inflows related to completely effective exposures | **3,399** | **1,700** | 1,689 |
| Other cash inflows | **113** | **113** | 516 |
| **Total cash inflows** | **$ 15,609** | **$ 1,854** | $ 2,244 |

| | **Total adjusted value[5]** | Total adjusted value[5] |
|---|---|---|
| **Total high-quality liquid assets** | **$ 46,101** | $ 47,028 |
| **Total net cash outflows** | **29,679** | 29,864 |
| **Liquidity coverage ratio** | **155%** | 157% |

(1) Excluding the insurance subsidiaries.
(2) The unweighted values of cash inflows and outflows represent unpaid balances either maturing or falling due and payable within 30 days.
(3) 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.
(4) The ratio is presented based on the average of daily data for the quarter.
(5) The total adjusted value takes into account, if applicable, the caps prescribed by the AMF for high-quality liquid assets and cash inflows.

### Net stable funding ratio

The net stable funding ratio (NSFR) was developed by the Basel Committee on Banking Supervision to promote the medium- and long-term resilience of liquidity risk profile of financial institutions. The NSFR requires financial institutions to maintain a stable funding and liquidity profile in relation to the composition of their assets and off-balance sheet activities. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability. The NSFR presents the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). According to the AMF’s Liquidity Adequacy Guideline, this ratio should be equal to at least 100% on an on-going basis.

The amount of ASF designates the portion of capital and liabilities considered stable over a one-year horizon. Liabilities with the longest contractual maturities are the most significant contributors to the increase in the ratio. The amount of RSF is measured based on the broad characteristics of the liquidity risk profile of assets and off-balance sheet exposures. The amounts of ASF and RSF are weighted to reflect the degree of stability of liabilities and the liquidity of assets.

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

**Net Stable Funding Ratio(1)**
As at March 31, 2021

| | Unweighted value by residual maturity | | | | |
|---|---|---|---|---|---|
| (in millions of dollars and as a percentage) | No maturity | < 6 months | From 6 months to < 1 year | ≥ 1 year | Weighted value |
| **Available Stable Funding (ASF) item** | | | | | |
| Capital | $ 30,742 | $ - | $ - | $ - | $ 30,742 |
| Regulatory capital | 30,742 | - | - | - | 30,742 |
| Other capital instruments | - | - | - | - | - |
| Retail deposits and deposits from small business customers | 74,342 | 42,747 | 13,400 | 30,510 | 149,810 |
| Stable deposits | 41,987 | 7,093 | 4,385 | 10,343 | 61,134 |
| Less stable deposits | 32,355 | 35,654 | 9,015 | 20,167 | 88,676 |
| Wholesale funding | 22,681 | 37,976 | 2,217 | 12,919 | 25,692 |
| Operational deposits | 9,581 | - | - | - | 4,790 |
| Other wholesale funding | 13,100 | 37,976 | 2,217 | 12,919 | 20,902 |
| Liabilities with matching interdependent assets | - | 678 | 708 | 10,844 | - |
| Other liabilities | 24,281 | 10,899 | 5,161 | - | - |
| NSFR derivative liabilities | N/A | - | 5,161 | - | N/A |
| All other liabilities and equity not included in the above categories | 24,281 | 10,899 | - | - | - |
| **Total ASF** | N/A | N/A | N/A | N/A | $ 206,244 |
| **Required Stable Funding (RSF) item** | | | | | |
| Total NSFR high-quality liquid assets (HQLA) | N/A | N/A | N/A | N/A | $ 455 |
| Deposits held by other financial institutions for operational purposes | $ - | $ - | $ - | $ - | - |
| Performing loans and securities | 18,137 | 38,349 | 21,255 | 137,391 | 138,256 |
| Performing loans to financial institutions secured by Level 1 HQLA | - | 11,646 | - | - | 582 |
| Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions | - | 2,204 | - | 375 | 596 |
| Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs), of which: | 12,617 | 18,627 | 8,851 | 49,023 | 64,019 |
| Loans with a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk | - | 6,151 | 4,936 | 10,570 | 6,871 |
| Performing residential mortgages, of which: | 5,510 | 5,435 | 11,730 | 86,590 | 71,302 |
| Loans with a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk | 5,510 | 5,435 | 11,730 | 86,590 | 71,302 |
| Securities that are not in default and do not quality as HQLA, including exchange-traded equities | 10 | 437 | 674 | 1,403 | 1,757 |
| Assets with matching interdependent liabilities | - | 678 | 708 | 10,844 | - |
| Other assets(2) | - | - | 23,421 | - | 13,018 |
| Physical traded commodities, including gold | - | N/A | N/A | N/A | - |
| Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties(2) | N/A | - | 580 | - | 493 |
| NSFR derivative assets(2) | N/A | - | 5,413 | - | 259 |
| NSFR derivative liabilities before deduction of variation margin posted(2) | N/A | - | 5,162 | - | - |
| All other assets not included in the above categories | - | 17 | 4 | 12,245 | 12,266 |
| Off-balance sheet items | N/A | - | 112,346 | - | 2,646 |
| **Total RSF** | N/A | N/A | N/A | N/A | $ 154,375 |
| **Net Stable Funding Ratio (%)** | N/A | N/A | N/A | N/A | 134% |

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

### Sources of funding

Core funding, which includes capital, long-term liabilities and a diversified deposit portfolio, is the foundation upon which Desjardins Group's liquidity position depends. The solid base of deposits from individuals combined with wholesale funding, diversified in terms of both the programs used as well as the staggering of contractual maturities, allows Desjardins Group to maintain high regulatory liquidity ratios while ensuring their stability. Total deposits, including wholesale funding, presented on the Combined Balance Sheets amounted to $230.9 billion as at March 31, 2021, up $5.7 billion since December 31, 2020. Additional information on deposits is presented in the "Balance sheet management" section.

#### Funding programs and strategies

As Desjardins Group's Treasurer, the Federation meets the needs of the organization's members and clients. Its first priority is to implement appropriate strategies to identify, measure and manage risks, and these strategies are regulated by policies. In the first three months of 2021, the Federation succeeded in maintaining a liquidity level sufficient to meet Desjardins Group's needs through its strict treasury policy, solid institutional funding and the contribution of the caisse network. Short-term wholesale funding is used to finance very liquid assets while long-term wholesale funding is mainly used to finance less liquid assets and to support reserves of liquid assets.

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

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

**Main funding programs**
As at March 31, 2021

| | Maximum authorized amount |
|---|---|
| Medium-term notes (Canadian) | **$10 billion** |
| Covered bonds (multi-currency)(1) | **$17 billion** |
| Short-term notes (European) | **€3 billion** |
| Short-term notes (U.S.) | **US$15 billion** |
| Medium-term and subordinated notes (multi-currency) | **€7 billion** |
| NVCC subordinated notes (Canadian) | **$3 billion** |

(1) On April 6, 2021, the AMF announced the unwinding, effective immediately, of the temporary increase in the covered bond issue limits and, therefore, a return to the normal target of 5.5% of Desjardins Group's assets, as calculated according to the AMF's decision on the matter. As at April 6, 2021, the maximum authorized amount under the covered bond program was therefore lowered from $26 billion to $17 billion (calculated as at March 31, 2021).

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

**Remaining contractual term to maturity of wholesale funding**

| (in millions of dollars) | As at March 31, 2021 | | | | | | | | As at December 31, 2020 |
|---|---|---|---|---|---|---|---|---|---|
| | Less than 1 month | 1 to 3 months | 3 to 6 months | 6 to 12 months | Total – Less than 1 year | 1 to 2 years | Over 2 years | Total | Total |
| Bearer discount notes | $ 1,486 | $ 966 | $ 20 | $ 13 | $ 2,485 | $ - | $ - | $ 2,485 | $ 3,833 |
| Commercial paper | 7,485 | 1,342 | 1,931 | 56 | 10,814 | - | - | 10,814 | 11,676 |
| Medium-term notes | - | - | 1,473 | 998 | 2,471 | 841 | 4,012 | 7,324 | 6,446 |
| Mortgage loan securitization | - | 352 | 325 | 705 | 1,382 | 1,710 | 9,155 | 12,247 | 12,100 |
| Covered bonds | 2,416 | - | - | 464 | 2,880 | 2,233 | 4,627 | 9,740 | 9,979 |
| Subordinated notes | - | - | - | - | - | - | 1,473 | 1,473 | 1,493 |
| **Total** | $ 11,387 | $ 2,660 | $ 3,749 | $ 2,236 | $ 20,032 | $ 4,784 | $ 19,267 | $ 44,083 | $ 45,527 |
| Including: | | | | | | | | | |
| Secured | $ 2,416 | $ 352 | $ 325 | $ 1,169 | $ 4,262 | $ 3,943 | $ 15,255 | $ 23,460 | $ 23,572 |
| Unsecured | 8,971 | 2,308 | 3,424 | 1,067 | 15,770 | 841 | 4,012 | 20,623 | 21,955 |

Desjardins Group's total wholesale funding presented in the table above was carried out by the Federation, except for the subordinated notes, which were issued by Desjardins Capital Inc. Total wholesale funding decreased by $1.4 billion compared to December 31, 2020, mainly because of a decline in bearer discount notes and commercial paper partially offset by an increase in medium-term notes. Desjardins Group does not foresee any event, commitment or requirement that could have a major impact on its ability to raise funds through wholesale funding or its members' deposits.

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

**Wholesale funding by currency**

| (in millions of dollars and as a percentage) | As at March 31, 2021 | | As at December 31, 2020 | |
|---|---|---|---|---|
| Canadian dollars | **$ 23,929** | **54.3%** | $ 24,205 | 53.2% |
| U.S. dollars | **13,508** | **30.6** | 13,491 | 29.6 |
| Other | **6,646** | **15.1** | 7,831 | 17.2 |
| | **$ 44,083** | **100.0%** | $ 45,527 | 100.0% |

Moreover, the Federation participated in new issues under the NHA Mortgage-Backed Securities Program for a total amount of $416 million in the first three months of 2021. During the same period, the Federation also made one issue for a total of $1.0 billion, subject to the bail-in regime, under its Canadian medium-term notes program. Furthermore, on April 8, 2021, the Federation also floated a new issue for a total of 500 million euros under its legislative covered bond program.

Outstanding notes issued under the Federation's medium-term financing programs amounted to $29.3 billion as at March 31, 2021, compared to $28.5 billion as at December 31, 2020. The outstanding notes for these issues are presented under "Deposits – Business and government" on the Combined Balance Sheets. Desjardins Capital Inc.'s senior notes outstanding totalled $0.5 billion as at March 31, 2021, unchanged from December 31, 2020.

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

### Credit ratings of securities issued and outstanding

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

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

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

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

**Credit ratings of securities issued and outstanding**

| | DBRS | FITCH | MOODY'S | STANDARD & POOR'S |
|---|---|---|---|---|
| *Fédération des caisses Desjardins du Québec* | | | | |
| Short-term | **R-1 (high)** | **F1+** | **P-1** | **A-1** |
| Medium- and long-term, existing senior(1) | **AA** | **AA** | **Aa2** | **A+** |
| Medium- and long-term, senior(2) | **AA (low)** | **AA-** | **A2** | **A-** |
| NVCC subordinated notes | **A (low)** | **A** | **A2** | **BBB+** |
| Covered bonds | **-** | **AAA** | **Aaa** | **-** |
| Outlook | **Stable** | **Stable** | **Stable** | **Stable** |
| Desjardins Capital Inc. | | | | |
| Medium- and long-term, senior | **A (high)** | **A** | **A2** | **A** |
| Outlook | **Stable** | **-** | **Stable** | **Stable** |

(1) Includes medium- and long-term senior debt issued before March 31, 2019, as well as that issued on or after that date and excluded from the bail-in regime applicable to Desjardins Group.
(2) Includes medium- and long-term senior debt issued on or after March 31, 2019, which can be converted under the bail-in regime applicable to Desjardins Group.

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

### Contractual maturities of on-balance sheet items and off-balance sheet commitments

The following table presents assets and liabilities recorded on the Combined Balance Sheets and off-balance sheet commitments at their carrying amount and classified according to their residual contractual maturities. The classification of maturities is an information source for liquidity and financing risk, but it differs from the analysis performed by Desjardins Group to determine the expected maturity of the items for liquidity risk management purposes. Many factors other than contractual maturity are taken into consideration to measure expected future cash flows and liquidity risk.

The value of the credit commitments presented in this table represents the maximum amount of additional credit that Desjardins Group could be required to grant if the commitments were fully used. The value of guarantees and standby letters of credit amounts to the maximum cash outflows that Desjardins Group could be required to make in the event of complete default of the parties to the guarantees, without taking any possible recovery into account. These commitments and guarantees do not necessarily represent future liquidity needs because a large portion of these instruments will expire or be cancelled without giving rise to any cash outflows.

Note 16, "Insurance contract liabilities", to the Annual Combined Financial Statements provides additional information on the contractual maturities of actuarial liabilities and provisions for claims and adjustment expenses.

**Residual contractual maturities of on-balance sheet items and off-balance sheet commitments**
As at March 31, 2021

| (in millions of dollars) | Less than 1 month | 1 to 3 months | 3 to 6 months | 6 to 9 months | 9 to 12 months | 1 to 2 years | 2 to 5 years | Over 5 years | No stated maturity | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| Cash and deposits with financial institutions | $ 19,598 | $ 252 | $ 3 | $ - | $ - | $ - | $ - | $ - | $ - | $ 19,853 |
| **Securities** | | | | | | | | | | |
| Securities at fair value through profit or loss[(1)] | 122 | 587 | 532 | 982 | 1,384 | 2,142 | 6,475 | 18,838 | 5,480 | 36,542 |
| Securities at fair value through other comprehensive income[(1)] | 363 | 394 | 588 | 1,113 | 784 | 3,228 | 22,752 | 17,573 | 67 | 46,862 |
| Securities at amortized cost | - | - | - | 1 | - | 1 | 5 | 18 | - | 25 |
| Securities borrowed or purchased under reverse repurchase agreements | 12,368 | 316 | 650 | 300 | - | - | - | - | - | 13,634 |
| **Loans** | | | | | | | | | | |
| Residential mortgages[(2)] | 2,424 | 3,634 | 5,829 | 8,307 | 8,873 | 20,918 | 75,528 | 7,007 | 5,918 | 138,438 |
| Consumer, credit card and other personal loans[(2)] | 54 | 81 | 186 | 278 | 263 | 1,322 | 5,540 | 7,774 | 9,291 | 24,789 |
| Business and government[(2)] | 12,152 | 5,305 | 5,086 | 5,786 | 4,207 | 3,790 | 8,152 | 3,010 | 5,200 | 52,688 |
| Allowance for credit losses | - | - | - | - | - | - | - | - | (1,064) | (1,064) |
| Segregated fund net assets | - | - | - | - | - | - | - | - | 20,662 | 20,662 |
| Clients' liability under acceptances | 114 | 26 | 14 | - | - | - | - | - | - | 154 |
| Premiums receivable | 163 | 63 | 13 | 3 | - | - | - | - | 2,399 | 2,641 |
| Derivative financial instruments | 260 | 308 | 208 | 274 | 175 | 1,145 | 2,951 | 264 | - | 5,585 |
| Amounts receivable from clients, brokers and financial institutions | 4,612 | 3 | - | - | - | - | - | - | 774 | 5,389 |
| Reinsurance assets | 34 | 59 | 75 | 67 | 64 | 171 | 349 | 1,085 | - | 1,904 |
| Right-of-use assets | - | - | - | - | - | - | - | - | 563 | 563 |
| Investment property | - | - | - | - | - | - | - | - | 918 | 918 |
| Property, plant and equipment | - | - | - | - | - | - | - | - | 1,514 | 1,514 |
| Goodwill | - | - | - | - | - | - | - | - | 156 | 156 |
| Intangible assets | - | - | - | - | - | - | - | - | 455 | 455 |
| Investments in companies accounted for using the equity method | - | - | - | - | - | - | - | - | 1,238 | 1,238 |
| Deferred tax assets | - | - | - | - | - | - | - | - | 833 | 833 |
| Other assets | 774 | 251 | 123 | 13 | 17 | 28 | 48 | 12 | 1,936 | 3,202 |
| **Total assets** | $ 53,038 | $ 11,279 | $ 13,307 | $ 17,124 | $ 15,767 | $ 32,745 | $121,800 | $ 55,581 | $ 56,340 | $ 376,981 |

See page 48 for footnotes.

**Residual contractual maturities of on-balance sheet items and off-balance sheet commitments (continued)**
As at March 31, 2021

| (in millions of dollars) | Less than 1 month | 1 to 3 months | 3 to 6 months | 6 to 9 months | 9 to 12 months | 1 to 2 years | 2 to 5 years | Over 5 years | No stated maturity | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Liabilities and equity** | | | | | | | | | | |
| **Deposits** | | | | | | | | | | |
| Individuals(3) | $ 6,716 | $ 4,475 | $ 5,091 | $ 6,987 | $ 5,299 | $ 13,299 | $ 16,571 | $ 387 | $ 70,851 | $ 129,676 |
| Business and government(3) | 13,464 | 3,314 | 4,273 | 1,616 | 1,919 | 6,178 | 15,675 | 3,886 | 49,313 | 99,638 |
| Deposit-taking institutions(3) | 545 | 2 | - | 6 | 3 | 7 | 3 | - | 1,039 | 1,605 |
| Acceptances | 114 | 26 | 14 | - | - | - | - | - | - | 154 |
| Commitments related to securities sold short(4) | 490 | 241 | 310 | 262 | 63 | 3,078 | 2,076 | 5,067 | 2 | 11,589 |
| Commitments related to securities lent or sold under repurchase agreements | 21,863 | - | - | 20 | - | - | - | - | - | 21,883 |
| Derivative financial instruments | 228 | 137 | 544 | 217 | 268 | 997 | 2,718 | 127 | - | 5,236 |
| Amounts payable to clients, brokers and financial institutions | 5,260 | 4 | - | - | - | - | - | - | 5,783 | 11,047 |
| Lease liabilities | 6 | 10 | 16 | 16 | 16 | 61 | 168 | 329 | 9 | 631 |
| Insurance contract liabilities | 448 | 748 | 990 | 885 | 870 | 2,231 | 4,825 | 18,995 | 2,830 | 32,822 |
| Segregated fund net liabilities | - | - | - | - | - | - | - | - | 20,660 | 20,660 |
| Net defined benefit plan liabilities | - | - | - | - | - | - | - | - | 1,877 | 1,877 |
| Deferred tax liabilities | - | - | - | - | - | - | - | - | 334 | 334 |
| Other liabilities | 2,908 | 691 | 123 | 84 | 222 | 232 | 161 | 33 | 2,258 | 6,712 |
| Subordinated notes | - | - | - | - | - | - | - | 1,473 | - | 1,473 |
| Total equity | - | - | - | - | - | - | - | - | 31,644 | 31,644 |
| **Total liabilities and equity** | $ 52,042 | $ 9,648 | $ 11,361 | $ 10,093 | $ 8,660 | $ 26,083 | $ 42,197 | $ 30,297 | $ 186,600 | $ 376,981 |
| **Off-balance sheet commitments** | | | | | | | | | | |
| Credit commitments(5) | $ 852 | $ 1,054 | $ 1,019 | $ 1,066 | $ 364 | $ 3,254 | $ 7,430 | $ 255 | $ 107,235 | $ 122,529 |
| Indemnification commitments related to securities lending | - | - | - | - | - | - | - | - | 1,223 | 1,223 |
| Documentary letters of credit | 1 | 11 | 2 | 3 | 1 | - | - | - | - | 18 |
| Guarantees and standby letters of credit | 99 | 305 | 217 | 255 | 175 | 240 | 31 | 8 | 15 | 1,345 |
| Credit default swaps | - | - | - | - | - | - | - | 641 | - | 641 |

See page 48 for footnotes.

**Residual contractual maturities of on-balance sheet items and off-balance sheet commitments (continued)**
As at December 31, 2020

| (in millions of dollars) | Less than 1 month | 1 to 3 months | 3 to 6 months | 6 to 9 months | 9 to 12 months | 1 to 2 years | 2 to 5 years | Over 5 years | No stated maturity | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| Cash and deposits with financial institutions | $ 11,739 | $ 384 | $ 3 | $ - | $ - | $ - | $ - | $ - | $ - | $ 12,126 |
| **Securities** | | | | | | | | | | |
| Securities at fair value through profit or loss(1) | 172 | 181 | 866 | 303 | 627 | 1,508 | 5,632 | 20,671 | 5,000 | 34,960 |
| Securities at fair value through other comprehensive income(1) | 695 | 648 | 644 | 625 | 1,749 | 6,738 | 23,188 | 18,326 | 66 | 52,679 |
| Securities at amortized cost | - | - | - | - | 1 | 2 | 4 | 22 | - | 29 |
| Securities borrowed or purchased under reverse repurchase agreements | 8,676 | 599 | 383 | - | - | - | - | - | - | 9,658 |
| **Loans** | | | | | | | | | | |
| Residential mortgages(2) | 2,257 | 3,040 | 7,108 | 6,494 | 8,643 | 24,388 | 73,124 | 5,136 | 6,018 | 136,208 |
| Consumer, credit card and other personal loans(2) | 56 | 59 | 138 | 246 | 359 | 1,350 | 5,762 | 7,918 | 9,422 | 25,310 |
| Business and government(2) | 11,150 | 5,796 | 5,553 | 5,054 | 4,824 | 3,591 | 7,786 | 2,757 | 4,504 | 51,015 |
| Allowance for credit losses | - | - | - | - | - | - | - | - | (1,112) | (1,112) |
| Segregated fund net assets | - | - | - | - | - | - | - | - | 19,093 | 19,093 |
| Clients' liability under acceptances | 312 | 2 | - | 14 | - | - | - | - | - | 328 |
| Premiums receivable | 169 | 59 | 13 | 3 | - | - | - | - | 2,559 | 2,803 |
| Derivative financial instruments | 155 | 203 | 390 | 223 | 217 | 891 | 3,153 | 588 | - | 5,820 |
| Amounts receivable from clients, brokers and financial institutions | 1,807 | 10 | - | - | - | - | - | - | 682 | 2,499 |
| Reinsurance assets | 38 | 71 | 78 | 69 | 66 | 173 | 362 | 1,105 | - | 1,962 |
| Right-of-use assets | - | - | - | - | - | - | - | - | 565 | 565 |
| Investment property | - | - | - | - | - | - | - | - | 924 | 924 |
| Property, plant and equipment | - | - | - | - | - | - | - | - | 1,541 | 1,541 |
| Goodwill | - | - | - | - | - | - | - | - | 156 | 156 |
| Intangible assets | - | - | - | - | - | - | - | - | 424 | 424 |
| Investments in companies accounted for using the equity method | - | - | - | - | - | - | - | - | 1,189 | 1,189 |
| Deferred tax assets | - | - | - | - | - | - | - | - | 1,154 | 1,154 |
| Other assets | 583 | 187 | 134 | 14 | 17 | 21 | 47 | 12 | 1,689 | 2,704 |
| **Total assets** | $ 37,809 | $ 11,239 | $ 15,310 | $ 13,045 | $ 16,503 | $ 38,662 | $ 119,058 | $ 56,535 | $ 53,874 | $ 362,035 |

See page 48 for footnotes.

**Residual contractual maturities of on-balance sheet items and off-balance sheet commitments (continued)**
As at December 31, 2020

| (in millions of dollars) | Less than 1 month | 1 to 3 months | 3 to 6 months | 6 to 9 months | 9 to 12 months | 1 to 2 years | 2 to 5 years | Over 5 years | No stated maturity | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Liabilities and equity** | | | | | | | | | | |
| **Deposits** | | | | | | | | | | |
| Individuals(3) | $ 4,129 | $ 3,579 | $ 8,209 | $ 5,044 | $ 7,058 | $ 14,559 | $ 15,392 | $ 343 | $ 69,615 | $ 127,928 |
| Business and government(3) | 11,884 | 6,236 | 5,159 | 2,556 | 1,115 | 6,273 | 15,384 | 3,720 | 44,526 | 96,853 |
| Deposit-taking institutions(3) | 45 | - | 3 | - | 6 | 10 | 5 | - | 386 | 455 |
| Acceptances | 312 | 2 | - | 14 | - | - | - | - | - | 328 |
| Commitments related to securities sold short(4) | 248 | 343 | 399 | 91 | 141 | 858 | 1,920 | 5,347 | 6 | 9,353 |
| Commitments related to securities lent or sold under repurchase agreements | 13,266 | 1,250 | 3,119 | - | 505 | 1,012 | - | - | - | 19,152 |
| Derivative financial instruments | 330 | 278 | 500 | 229 | 187 | 855 | 2,377 | 128 | - | 4,884 |
| Amounts payable to clients, brokers and financial institutions | 3,195 | - | - | - | - | - | - | - | 3,615 | 6,810 |
| Lease liabilities | 6 | 11 | 16 | 16 | 16 | 61 | 168 | 330 | 9 | 633 |
| Insurance contract liabilities | 467 | 845 | 1,007 | 906 | 855 | 2,126 | 4,877 | 20,754 | 2,990 | 34,827 |
| Segregated fund net liabilities | - | - | - | - | - | - | - | - | 19,089 | 19,089 |
| Net defined benefit plan liabilities | - | - | - | - | - | - | - | - | 3,107 | 3,107 |
| Deferred tax liabilities | - | - | - | - | - | - | - | - | 372 | 372 |
| Other liabilities | 2,132 | 890 | 587 | 161 | 51 | 146 | 164 | 35 | 2,322 | 6,488 |
| Subordinated notes | - | - | - | - | - | - | - | 1,493 | - | 1,493 |
| Total equity | - | - | - | - | - | - | - | - | 30,263 | 30,263 |
| **Total liabilities and equity** | $ 36,014 | $ 13,434 | $ 18,999 | $ 9,017 | $ 9,934 | $ 25,900 | $ 40,287 | $ 32,150 | $ 176,300 | $ 362,035 |
| **Off-balance sheet commitments** | | | | | | | | | | |
| Credit commitments(5) | $ 804 | $ 189 | $ 1,072 | $ 1,044 | $ 1,120 | $ 3,381 | $ 7,168 | $ 154 | $ 107,380 | $ 122,312 |
| Indemnification commitments related to securities lending | - | - | - | - | - | - | - | - | 1,702 | 1,702 |
| Documentary letters of credit | 10 | 9 | 72 | 9 | 17 | 12 | 3 | - | - | 132 |
| Guarantees and standby letters of credit | 98 | 173 | 283 | 205 | 202 | 30 | 28 | 8 | 10 | 1,037 |
| Credit default swaps | - | - | - | - | - | - | 649 | - | - | 649 |

(1) Equity securities are classified under “No stated maturity”.
(2) Amounts repayable on demand are classified under “No stated maturity”.
(3) Deposits payable on demand or after notice are considered as having “No stated maturity”.
(4) Amounts are presented by remaining contractual maturity of the underlying security.
(5) Includes personal lines of credit, lines of credit secured by real or immovable property and credit card lines for which the amounts committed are unconditionally revocable at any time at Desjardins Group's discretion.

# ADDITIONAL INFORMATION

## CONTROLS AND PROCEDURES

During the interim period ended March 31, 2021, Desjardins Group did not make any changes to its policies, procedures and other processes with regard to internal control that had materially affected, or may materially affect, its internal control over financial reporting. The parties involved and their responsibilities regarding such internal control are described on pages 99 and 100 of Desjardins Group's 2020 annual MD&A.

## RELATED PARTY DISCLOSURES

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

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 officers and the persons related to them have been carried out as arm's length transactions and in compliance with the legislative framework for its various components. These policies and procedures have not changed significantly since December 31, 2020.

Additional information on related party transactions is provided in Note 32, "Related party disclosures", to the Annual Combined Financial Statements.

## 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, "Basis of presentation and significant accounting policies", to Desjardins Group's Annual Combined Financial Statements on pages 121 to 139 of the 2020 Annual Report, except for the amendments to IFRS 9, IAS 39 and IFRS 7, issued on January 1, 2021, as part of Phase 2 of the interest rate benchmark reform project, and described in Note 2, "Basis of presentation and significant accounting policies", to the Interim Combined Financial Statements.

Some of these policies are of particular importance in presenting Desjardins Group's financial position and operating results because they require management to make judgments as well as estimates and assumptions that 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 100 to 106 of the 2020 annual MD&A. There was no material change made to these accounting policies during the first three months of 2021. However, the COVID-19 pandemic situation continues to result in new sources of uncertainty affecting the judgments as well as the estimates and assumptions made by management in applying these accounting policies for the three-month period ended March 31, 2021. This concerns in particular the loss allowance for expected credit losses. For more information about the significant judgments made to estimate the loss allowance for expected credit losses, please refer to Note 5, "Loans and allowance for credit losses", to the Interim Combined Financial Statements.

## FUTURE ACCOUNTING CHANGES

Accounting standards issued by the IASB but not yet effective as at December 31, 2020 are described in Note 2, "Basis of presentation and significant accounting policies", to Desjardins Group's Annual Combined Financial Statements, on page 139 of the 2020 Annual Report. The IASB has not issued any new accounting standard or any new amendment to an existing standard during the three-month period ended March 31, 2021, having a significant impact on Desjardins Group's financial statements.

## ADDITIONAL INFORMATION REQUIRED PURSUANT TO THE AMF'S DECISION NO. 2021-FS-0091

In addition to the entities comprising the Desjardins Cooperative Group (as defined under "Desjardins Group profile") and the subsidiaries of such entities, Desjardins Group's Combined Financial Statements include the Caisse Desjardins Ontario Credit Union Inc. (CDO). The CDO's financial information in comparison to that of Desjardins Group is presented in the table below.

| | **As at March 31, 2021** | | | As at December 31, 2020 | | |
|---|---|---|---|---|---|---|
| (in millions of dollars and as a percentage) | **CDO** | **Desjardins Group Combined Balance Sheets** | **% of total** | CDO | Desjardins Group Combined Balance Sheets | % of total |
| Total assets | **$ 8,835** | **$ 376,981** | **2.3%** | $ 7,376 | $ 362,035 | 2.0% |
| Total liabilities | **8,119** | **345,337** | **2.4** | 6,757 | 331,772 | 2.0 |
| Total equity | **716** | **31,644** | **2.3** | 619 | 30,263 | 2.0 |

| | For the three-month periods ended | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **March 31, 2021** | | | December 31, 2020 | | | March 31, 2020 | | |
| (in millions of dollars and as a percentage) | **CDO** | **Desjardins Group Combined Statements of Income** | **% of total** | CDO | Desjardins Group Combined Statements of Income | % of total | CDO | Desjardins Group Combined Statements of Income | % of total |
| Total income | **$ 78** | **$ 3,035** | **2.6%** | $ 55 | $ 5,364 | 1.0% | $ 24 | $ 4,696 | 0.5% |
| Surplus earnings before member dividends | **41** | **798** | **5.1** | 26 | 876 | 3.0 | (3) | 285 | (1.1) |
| Net surplus earnings for the period after member dividends | **38** | **732** | **5.2** | 23 | 806 | 2.9 | (5) | 228 | (2.2) |

# COMBINED FINANCIAL STATEMENTS

## TABLE OF CONTENTS

# Combined Balance Sheets

(unaudited)

| (in millions of Canadian dollars) | Notes | As at March 31, 2021 | As at December 31, 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **Cash and deposits with financial institutions** | | **$ 19,853** | $ 12,126 |
| **Securities** | | | |
| Securities at fair value through profit or loss | | **36,542** | 34,960 |
| Securities at fair value through other comprehensive income | | **46,862** | 52,679 |
| Securities at amortized cost | | **25** | 29 |
| | | **83,429** | 87,668 |
| **Securities borrowed or purchased under reverse repurchase agreements** | | **13,634** | 9,658 |
| **Loans** | 5 | | |
| Residential mortgages | | **138,438** | 136,208 |
| Consumer, credit card and other personal loans | | **24,789** | 25,310 |
| Business and government | | **52,688** | 51,015 |
| | | **215,915** | 212,533 |
| Allowance for credit losses | 5 | **(1,064)** | (1,112) |
| | | **214,851** | 211,421 |
| **Segregated fund net assets** | | **20,662** | 19,093 |
| **Other assets** | | | |
| Clients' liability under acceptances | | **154** | 328 |
| Premiums receivable | | **2,641** | 2,803 |
| Derivative financial instruments | | **5,585** | 5,820 |
| Amounts receivable from clients, brokers and financial institutions | | **5,389** | 2,499 |
| Reinsurance assets | | **1,904** | 1,962 |
| Right-of-use assets | | **563** | 565 |
| Investment property | | **918** | 924 |
| Property, plant and equipment | | **1,514** | 1,541 |
| Goodwill | | **156** | 156 |
| Intangible assets | | **455** | 424 |
| Investments in companies accounted for using the equity method | | **1,238** | 1,189 |
| Deferred tax assets | | **833** | 1,154 |
| Other | | **3,202** | 2,704 |
| | | **24,552** | 22,069 |
| **TOTAL ASSETS** | | **$ 376,981** | $ 362,035 |
| **LIABILITIES AND EQUITY** | | | |
| **LIABILITIES** | | | |
| **Deposits** | 6 | | |
| Individuals | | **$ 129,676** | $ 127,928 |
| Business and government | | **99,638** | 96,853 |
| Deposit-taking institutions | | **1,605** | 455 |
| | | **230,919** | 225,236 |
| **Other liabilities** | | | |
| Acceptances | | **154** | 328 |
| Commitments related to securities sold short | | **11,589** | 9,353 |
| Commitments related to securities lent or sold under repurchase agreements | | **21,883** | 19,152 |
| Derivative financial instruments | | **5,236** | 4,884 |
| Amounts payable to clients, brokers and financial institutions | | **11,047** | 6,810 |
| Lease liabilities | | **631** | 633 |
| Insurance contract liabilities | | **32,822** | 34,827 |
| Segregated fund net liabilities | | **20,660** | 19,089 |
| Net defined benefit plan liabilities | | **1,877** | 3,107 |
| Deferred tax liabilities | | **334** | 372 |
| Other | | **6,712** | 6,488 |
| | | **112,945** | 105,043 |
| **Subordinated notes** | | **1,473** | 1,493 |
| **TOTAL LIABILITIES** | | **345,337** | 331,772 |
| **EQUITY** | | | |
| Capital stock | | **5,016** | 5,021 |
| Undistributed surplus earnings | | **2,369** | 1,874 |
| Accumulated other comprehensive income | 7 | **999** | 1,302 |
| Reserves | | **22,470** | 21,316 |
| **Equity – Group's share** | | **30,854** | 29,513 |
| **Non-controlling interests** | | **790** | 750 |
| **TOTAL EQUITY** | | **31,644** | 30,263 |
| **TOTAL LIABILITIES AND EQUITY** | | **$ 376,981** | $ 362,035 |

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

# Combined Statements of Income

(unaudited)

| (in millions of Canadian dollars) | Notes | For the three-month periods ended March 31 2021 | 2020 |
|---|---|---|---|
| **INTEREST INCOME** | | | |
| Loans | | **$ 1,712** | $ 1,935 |
| Securities | | **113** | 109 |
| | | **1,825** | 2,044 |
| **INTEREST EXPENSE** | | | |
| Deposits | | **405** | 645 |
| Subordinated notes | | **14** | 18 |
| Other | | **3** | 28 |
| | | **422** | 691 |
| **NET INTEREST INCOME** | 9 | **1,403** | 1,353 |
| **NET PREMIUMS** | | **2,585** | 2,522 |
| **OTHER INCOME** | | | |
| Deposit and payment service charges | | **99** | 105 |
| Lending fees and credit card service revenues | | **187** | 196 |
| Brokerage and investment fund services | | **273** | 241 |
| Management and custodial service fees | | **169** | 150 |
| Net investment loss | 9 | **(1,602)** | (458) |
| Overlay approach adjustment for insurance operations financial assets | | **(146)** | 512 |
| Foreign exchange income | | **30** | 46 |
| Other | | **37** | 29 |
| | | **(953)** | 821 |
| **TOTAL INCOME** | | **3,035** | 4,696 |
| **PROVISION FOR CREDIT LOSSES** | 5 | **4** | 324 |
| **CLAIMS, BENEFITS, ANNUITIES AND CHANGES IN INSURANCE CONTRACT LIABILITIES** | | **(206)** | 2,071 |
| **NON-INTEREST EXPENSE** | | | |
| Salaries and fringe benefits | | **1,061** | 913 |
| Premises, equipment and furniture, including depreciation | | **223** | 207 |
| Service agreements and outsourcing | | **56** | 62 |
| Communications | | **61** | 66 |
| Other | | **764** | 751 |
| | | **2,165** | 1,999 |
| **OPERATING SURPLUS EARNINGS** | | **1,072** | 302 |
| Income taxes on surplus earnings | | **274** | 17 |
| **SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS**[(1)] | | **798** | 285 |
| Member dividends | | **90** | 77 |
| Tax recovery on member dividends | | **(24)** | (20) |
| **NET SURPLUS EARNINGS FOR THE PERIOD AFTER MEMBER DIVIDENDS** | | **$ 732** | $ 228 |
| **of which:** | | | |
| Group's share | | **$ 702** | $ 215 |
| Non-controlling interests' share | | **30** | 13 |

(1) The Group's share of "Surplus earnings before member dividends" is presented in Note 10, "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 March 31 2021 | 2020 |
|---|---|---|
| **Net surplus earnings for the period after member dividends** | **$ 732** | $ 228 |
| **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 | **951** | 1,250 |
| Share of associates and joint ventures accounted for using the equity method | **6** | 7 |
| Net change in gains and losses on equity securities designated as at fair value through other comprehensive income | **1** | (3) |
| Net change in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss | **-** | 5 |
| | **958** | 1,259 |
| **Items that will be reclassified subsequently to the Combined Statements of Income** | | |
| Net change in unrealized gains and losses on debt securities classified as at fair value through other comprehensive income | | |
| Net unrealized gains (losses) | **(290)** | 218 |
| Provision for credit losses recognized in profit or loss | **-** | 6 |
| Reclassification of net gains to the Combined Statements of Income | **(57)** | (76) |
| | **(347)** | 148 |
| Net change in unrealized gains and losses related to the overlay approach adjustment for insurance operations financial assets | | |
| Net unrealized gains (losses) | **147** | (432) |
| Reclassification of net (gains) losses to the Combined Statements of Income | **(36)** | 34 |
| | **111** | (398) |
| Net change in cash flow hedges | | |
| Net gains (losses) on derivative financial instruments designated as cash flow hedges | **(50)** | 490 |
| Reclassification to the Combined Statements of Income of net gains on derivative financial instruments designated as cash flow hedges | **(12)** | (1) |
| | **(62)** | 489 |
| Net unrealized exchange gains on the translation of a net investment in a foreign operation, net of hedging transactions | **-** | 2 |
| | **(298)** | 241 |
| **Total other comprehensive income, net of income taxes** | **660** | 1,500 |
| **COMPREHENSIVE INCOME FOR THE PERIOD** | **$ 1,392** | $ 1,728 |
| **of which:** | | |
| Group's share | **$ 1,346** | $ 1,721 |
| Non-controlling interests' share | **46** | 7 |

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

# Combined Statements of Comprehensive Income *(continued)*

(unaudited)

### 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 March 31 2021 | 2020 |
|---|---|---|
| **Items that will not be reclassified subsequently to the Combined Statements of Income** | | |
| Remeasurement of net defined benefit plan liabilities | **$ 341** | $ 448 |
| Net change in gains and losses on equity securities designated as at fair value through other comprehensive income | **-** | (1) |
| Net change in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss | **-** | 2 |
| | **341** | 449 |
| **Items that will be reclassified subsequently to the Combined Statements of Income** | | |
| Net change in unrealized gains and losses on debt securities classified as at fair value through other comprehensive income | | |
| Net unrealized gains (losses) | **(102)** | 74 |
| Provision for credit losses recognized in profit or loss | **-** | 2 |
| Reclassification of net gains to the Combined Statements of Income | **(20)** | (29) |
| | **(122)** | 47 |
| Net change in unrealized gains and losses related to the overlay approach adjustment for insurance operations financial assets | | |
| Net unrealized gains (losses) | **46** | (128) |
| Reclassification of net (gains) losses to the Combined Statements of Income | **(11)** | 14 |
| | **35** | (114) |
| Net change in cash flow hedges | | |
| Net gains (losses) on derivative financial instruments designated as cash flow hedges | **(19)** | 181 |
| Reclassification to the Combined Statements of Income of net gains on derivative financial instruments designated as cash flow hedges | **(4)** | - |
| | **(23)** | 181 |
| | **(110)** | 114 |
| **Total income tax expense** | **$ 231** | $ 563 |

# Combined Statements of Changes in Equity

(unaudited)

For the three-month periods ended March 31

| (in millions of Canadian dollars) | Capital stock | Undistributed surplus earnings | Accumulated other comprehensive income (Note 7) | Reserves: Stabilization reserve | Reserves: Reserve for future member dividends | Reserves: General and other reserves | Reserves: Total reserves | Equity - Group's share | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **BALANCE AS AT DECEMBER 31, 2020** | **$ 5,021** | **$ 1,874** | **$ 1,302** | **$ 795** | **$ 1,159** | **$ 19,362** | **$ 21,316** | **$ 29,513** | **$ 750** | **$ 30,263** |
| Net surplus earnings for the period after member dividends | **-** | **702** | **-** | **-** | **-** | **-** | **-** | **702** | **30** | **732** |
| Other comprehensive income for the period | **-** | **947** | **(303)** | **-** | **-** | **-** | **-** | **644** | **16** | **660** |
| Comprehensive income for the period | **-** | **1,649** | **(303)** | **-** | **-** | **-** | **-** | **1,346** | **46** | **1,392** |
| Redemption of shares of capital stock | **(5)** | **-** | **-** | **-** | **-** | **-** | **-** | **(5)** | **-** | **(5)** |
| Dividends | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(6)** | **(6)** |
| Transfer from undistributed surplus earnings (to reserves) | **-** | **(1,154)** | **-** | **-** | **(64)** | **1,218** | **1,154** | **-** | **-** | **-** |
| **BALANCE AS AT MARCH 31, 2021** | **$ 5,016** | **$ 2,369** | **$ 999** | **$ 795** | **$ 1,095** | **$ 20,580** | **$ 22,470** | **$ 30,854** | **$ 790** | **$ 31,644** |
| **BALANCE AS AT DECEMBER 31, 2019** | $ 5,134 | $ 2,352 | $ 211 | $ 796 | $ 978 | $ 17,185 | $ 18,959 | $ 26,656 | $ 773 | $ 27,429 |
| Net surplus earnings for the period after member dividends | - | 215 | - | - | - | - | - | 215 | 13 | 228 |
| Other comprehensive income for the period | - | 1,242 | 264 | - | - | - | - | 1,506 | (6) | 1,500 |
| Comprehensive income for the period | - | 1,457 | 264 | - | - | - | - | 1,721 | 7 | 1,728 |
| Redemption of shares of capital stock | (93) | - | - | - | - | - | - | (93) | - | (93) |
| Net buy-out of non-controlling interests | - | - | - | - | - | - | - | - | (93) | (93) |
| Dividends | - | - | - | - | - | - | - | - | (6) | (6) |
| Transfer from undistributed surplus earnings (to reserves) | - | (1,794) | - | - | (55) | 1,849 | 1,794 | - | - | - |
| Loss on dilution of non-controlling interest | - | (14) | - | - | - | - | - | (14) | - | (14) |
| Other | - | (1) | - | - | - | - | - | (1) | - | (1) |
| **BALANCE AS AT MARCH 31, 2020** | $ 5,041 | $ 2,000 | $ 475 | $ 796 | $ 923 | $ 19,034 | $ 20,753 | $ 28,269 | $ 681 | $ 28,950 |

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

# Combined Statements of Cash Flows

(unaudited)

| (in millions of Canadian dollars) | For the three-month periods ended March 31 2021 | 2020 |
|---|---|---|
| **CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES** | | |
| Operating surplus earnings | **$ 1,072** | $ 302 |
| Non-cash adjustments: | | |
| Depreciation of right-of-use assets, property, plant and equipment, and investment property, and amortization of intangible assets | **93** | 84 |
| Amortization of premiums and discounts | **114** | 15 |
| Net change in insurance contract liabilities | **(2,005)** | 224 |
| Provision for credit losses | **4** | 324 |
| Net realized gains on securities classified as at fair value through other comprehensive income | **(63)** | (107) |
| Net gains on disposal of property, plant and equipment, intangible assets and investment property | **-** | (101) |
| Overlay approach adjustment for insurance operations financial assets | **146** | (512) |
| Deferred income taxes | **(4)** | (63) |
| Other | **(2)** | (39) |
| Change in operating assets and liabilities: | | |
| Securities at fair value through profit or loss | **(1,582)** | (485) |
| Securities borrowed or purchased under reverse repurchase agreements | **(3,976)** | (533) |
| Loans | **(3,434)** | (3,486) |
| Derivative financial instruments, net amount | **1,386** | (2,406) |
| Net amounts receivable from and payable to clients, brokers and financial institutions | **1,347** | 2,305 |
| Deposits | **5,683** | 11,577 |
| Commitments related to securities sold short | **2,236** | (1,714) |
| Commitments related to securities lent or sold under repurchase agreements | **2,731** | 2,854 |
| Other | **397** | (68) |
| Income taxes paid on surplus earnings | **(468)** | (140) |
| | **3,675** | 8,031 |
| **CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES** | | |
| Purchase of debt securities and subordinated notes from third parties on the market | **(20)** | - |
| Repayment of lease liabilities | **(23)** | (13) |
| Redemption of shares of capital stock | **(5)** | (93) |
| Remuneration on capital stock | **(208)** | (210) |
| Net buy-out of non-controlling interests | **-** | (106) |
| Dividends paid | **(6)** | (6) |
| | **(262)** | (428) |
| **CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES** | | |
| Purchase of securities at fair value through other comprehensive income and at amortized cost | **(6,489)** | (14,300) |
| Proceeds from disposals of securities at fair value through other comprehensive income and at amortized cost | **9,039** | 5,529 |
| Proceeds from maturities of securities at fair value through other comprehensive income and at amortized cost | **1,874** | 7,077 |
| Acquisitions of property, plant and equipment, intangible assets and investment property | **(78)** | (56) |
| Proceeds from disposal of property, plant and equipment, intangible assets and investment property | **-** | 131 |
| Acquisitions of joint ventures and associates accounted for using the equity method | **(32)** | (79) |
| | **4,314** | (1,698) |
| **Net increase in cash and cash equivalents** | **7,727** | 5,905 |
| Cash and cash equivalents at beginning of period | **12,126** | 3,709 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **$ 19,853** | $ 9,614 |
| **Supplemental information on cash flows from (used in) operating activities** | | |
| Interest paid | **$ 718** | $ 866 |
| Interest received | **2,011** | 2,114 |
| Dividends received | **59** | 55 |

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 Québec, the *Fédération des caisses Desjardins du Québec* (the Federation) and its subsidiaries, Caisse Desjardins Ontario Credit Union Inc. (CDO) 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, Québec, 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 Québec, the Federation, CDO 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 CDO.

## NOTE 2 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PRESENTATION

**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 Québec, which do not differ from IFRS. Certain comparative figures have been reclassified to conform with the presentation of the Interim Combined Financial Statements for the current period. These reclassifications had no impact on Desjardins Group's profit or loss or total assets and liabilities.

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, 2020, and the shaded areas of section 4.0, "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, "Basis of presentation and significant accounting policies", to the Annual Combined Financial Statements, except for the changes described in the "Changes in accounting policies" section of this note.

The COVID-19 pandemic continues to have an impact on judgments as well as significant estimates and assumptions made by management in preparing the Interim Combined Financial Statements. Desjardins Group closely monitors the development of the pandemic and its impact on significant judgments, estimates and assumptions, which are described in Note 2, "Basis of presentation and significant accounting policies", to the Annual Combined Financial Statements. For more information on significant judgments made to estimate the loss allowance for expected credit losses, see Note 5, "Loans and allowance for credit losses", to the Interim 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 May 13, 2021.

**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.

# NOTE 2 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

## CHANGES IN ACCOUNTING POLICIES

**Interest rate benchmark reform**

On January 1, 2021, Desjardins Group adopted amendments to IFRS 9, IAS 39 and IFRS 7 in connection with Phase 2 of the interest rate benchmark reform project. These amendments supplement the amendments adopted on January 1, 2020 arising from Phase 1 and focus on the impact on the financial statements of the replacement of the interest rate benchmark.

The International Accounting Standards Board (IASB) amended IFRS 9 to add a practical expedient allowing an entity to account prospectively for a change in contractual cash flows that is required by interest rate benchmark reform by revising the effective interest rate. The practical expedient applies only if certain conditions are met.

The IASB also amended IFRS 9 and IAS 39 to add a temporary exception for hedge accounting. The IASB therefore provides relief from applying the current hedge accounting documentation requirements with respect to changes to hedged items, hedging instruments or hedged risk resulting directly from interest rate benchmark reform. The amendments allow continuing hedge accounting when changes to the hedged item and the hedging instrument occur as a result of changes that are required by the reform.

IFRS 7 was also amended to include the requirement to disclose the nature and extent of risks related to the reform and how the entity manages those risks as well as the entity's progress in completing the transition to alternative benchmark rates and how the entity is managing the transition. Amendments to these standards had no material impact on Desjardins Group's profit or loss or financial position.

Progress and risks arising from the interest rate benchmark reform

Interest rate benchmark reform is a global initiative that includes Canada and is being led by the central banks and regulatory authorities. The objective is to improve benchmark indices by making sure they comply with robust international standards.

Desjardins Group is exposed to several risks, including interest, market, reputation and operational risks, which result from transactions on over-the-counter derivative financial instruments, securities, loans and other variable-rate instruments.

To ensure a smooth transition from interest rate benchmarks to risk-free rates, Desjardins Group has set up a working group comprising members having diverse fields of expertise and coming from various sectors affected by the reform. The mandate of this working group is to analyze all aspects of this reform, identify and mitigate the risks it poses, as well as coordinate and execute a transition plan.

The plan of the working group is intended to ensure that the recommendations from the various relevant authorities with respect to the deployment schedule for the key transitional measures are implemented, including the integration of contractual clauses required in connection with the reform. In addition, a significant measure to mitigate risks related to derivative exposures is the adherence, by the parties to such transactions, to the International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol. This protocol amends transactions entered into by its adherents before January 25, 2021 so that they would be subject to safe and efficient mechanisms. The Federation has adhered to the ISDA Protocol, which became effective on January 25, 2021, at the same time as a supplement to the 2006 ISDA Definitions. The other concerned components of the Desjardins Group will adhere to the ISDA Protocol in the near future.

The working group also monitors closely the evolution of the expected timeframe for the retirement of certain interest rate benchmarks, which will start on May 17, 2021 with the cessation of the 6-month and 12-month CDOR. In addition, regulatory authorities recently announced that the publication of LIBOR will officially cease after December 31, 2021 for all currencies except for some USD LIBOR, for which the publication will cease after June 30, 2023. The work of the working group continues to progress and meets the timeline set out in the Desjardins Group's transition plan.

The following table presents quantitative information about exposures for financial instruments and commitments subject to the reform that have yet to transition to alternative benchmark rates and mature after December 31, 2021 or June 30, 2023 (depending on the expected cessation date of the applicable benchmark rate)[(1)].

| As at March 31, 2021 | USD LIBOR<br>Maturing after<br>June 30, 2023 | GBP LIBOR<br>Maturing after<br>December 31, 2021 | OTHER[(2)]<br>Maturing after<br>December 31, 2021 |
|---|---|---|---|
| Non-derivative financial assets[(3)] | $ 939 | $ 76 | $ 1 |
| Derivative financial instruments[(4)] | 8,066 | - | - |
| Loan commitments[(5)] | 1,825 | 37 | 13 |

(1) This table excludes exposures to interest rate benchmark for which no cessation plans have been announced, including CDOR (Canadian Dollar Offered Rate) for all maturities except the 6-month and 12-month CDOR, Euribor (Euro Interbank Offered Rate) and BBSW (Australian Bank Bill Swap Rate).
(2) Include the following rates: Euro LIBOR, EONIA (Euro Overnight Index Average), CHF LIBOR, and 6- and 12-month CDOR.
(3) Non-derivative financial assets include the gross carrying amount of loans and the carrying amount of securities.
(4) Derivative financial instruments include the notional amount of interest rate contracts and foreign exchange contracts.
(5) Include loan commitments for which it is possible to draw amounts in several currencies.

## FUTURE ACCOUNTING CHANGES

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

# NOTE 3 – CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

## CLASSIFICATION AND CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

The following tables present the carrying amount of financial assets and liabilities according to their classification in the classes defined in the financial instrument standards.

| | At fair value through profit or loss | | At fair value through other comprehensive income | | | |
|---|---|---|---|---|---|---|
| As at March 31, 2021 | Classified as at fair value through profit or loss[1] | Designated as at fair value through profit or loss | Classified as at fair value through other comprehensive income[2] | Designated as at fair value through other comprehensive income | Amortized cost[2] | Total |
| **Financial assets** | | | | | | |
| Cash and deposits with financial institutions | $ - | $ 109 | $ 618 | $ - | $ 19,126 | $ 19,853 |
| Securities | 17,082 | 19,460 | 46,795 | 67 | 25 | 83,429 |
| Securities borrowed or purchased under reverse repurchase agreements | - | - | - | - | 13,634 | 13,634 |
| Loans | - | - | - | - | 214,851 | 214,851 |
| Other financial assets | | | | | | |
| Clients' liability under acceptances | - | - | - | - | 154 | 154 |
| Derivative financial instruments[3] | 5,585 | - | - | - | - | 5,585 |
| Amounts receivable from clients, brokers and financial institutions | - | - | - | - | 5,389 | 5,389 |
| Other | 2 | - | - | - | 2,101 | 2,103 |
| **Total financial assets** | $ 22,669 | $ 19,569 | $ 47,413 | $ 67 | $ 255,280 | $ 344,998 |
| **Financial liabilities** | | | | | | |
| Deposits[4][5][6] | $ - | $ 201 | $ - | $ - | $ 230,718 | $ 230,919 |
| Other financial liabilities | | | | | | |
| Acceptances | - | - | - | - | 154 | 154 |
| Commitments related to securities sold short | 11,589 | - | - | - | - | 11,589 |
| Commitments related to securities lent or sold under repurchase agreements | - | - | - | - | 21,883 | 21,883 |
| Derivative financial instruments[3] | 5,236 | - | - | - | - | 5,236 |
| Amounts payable to clients, brokers and financial institutions | - | - | - | - | 11,047 | 11,047 |
| Other | 183 | - | - | - | 3,138 | 3,321 |
| Subordinated notes | - | - | - | - | 1,473 | 1,473 |
| **Total financial liabilities** | $ 17,008 | $ 201 | $ - | $ - | $ 268,413 | $ 285,622 |

(1) An amount of $3,413 million corresponds to financial assets designated for the overlay approach.

(2) As at March 31, 2021, the allowance for credit losses on securities at "Amortized cost" totalled was insignificant, and the allowance for credit losses on securities "Classified as at fair value through other comprehensive income" totalled $4 million. Detailed information on the allowance for credit losses on loans is presented in Note 5, "Loans and allowance for credit losses".

(3) Include derivative financial instruments designated as hedging instruments amounting to $375 million in assets and $391 million in liabilities.

(4) The maturity amount that Desjardins Group will be contractually required to pay to holders of deposits designated as at fair value through profit or loss fluctuates and could differ from the fair value of such deposits as at the reporting date.

(5) As at March 31, 2021, the cumulative amount of change in fair value attributable to changes in the credit risk of liabilities designated as at fair value through profit or loss was $5 million.

(6) The amount recognized in other comprehensive income attributable to changes in the credit risk of liabilities designated as at fair value through profit or loss that was realized at derecognition during the period was insignificant.

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

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

| | At fair value through profit or loss | | At fair value through other comprehensive income | | | |
|---|---|---|---|---|---|---|
| As at December 31, 2020 | Classified as at fair value through profit or loss[1] | Designated as at fair value through profit or loss | Classified as at fair value through other comprehensive income[2] | Designated as at fair value through other comprehensive income | Amortized cost[2] | Total |
| **Financial assets** | | | | | | |
| Cash and deposits with financial institutions | $ 1 | $ 174 | $ 719 | $ - | $ 11,232 | $ 12,126 |
| Securities | 13,721 | 21,239 | 52,613 | 66 | 29 | 87,668 |
| Securities borrowed or purchased under reverse repurchase agreements | - | - | - | - | 9,658 | 9,658 |
| Loans | - | - | - | - | 211,421 | 211,421 |
| Other financial assets | | | | | | |
| Clients' liability under acceptances | - | - | - | - | 328 | 328 |
| Derivative financial instruments[3] | 5,820 | - | - | - | - | 5,820 |
| Amounts receivable from clients, brokers and financial institutions | - | - | - | - | 2,499 | 2,499 |
| Other | 2 | - | - | - | 1,638 | 1,640 |
| **Total financial assets** | $ 19,544 | $ 21,413 | $ 53,332 | $ 66 | $ 236,805 | $ 331,160 |
| **Financial liabilities** | | | | | | |
| Deposits[4][5][6] | $ - | $ 206 | $ - | $ - | $ 225,030 | $ 225,236 |
| Other financial liabilities | | | | | | |
| Acceptances | - | - | - | - | 328 | 328 |
| Commitments related to securities sold short | 9,353 | - | - | - | - | 9,353 |
| Commitments related to securities lent or sold under repurchase agreements | - | - | - | - | 19,152 | 19,152 |
| Derivative financial instruments[3] | 4,884 | - | - | - | - | 4,884 |
| Amounts payable to clients, brokers and financial institutions | - | - | - | - | 6,810 | 6,810 |
| Other | 155 | - | - | - | 2,930 | 3,085 |
| Subordinated notes | - | - | - | - | 1,493 | 1,493 |
| **Total financial liabilities** | $ 14,392 | $ 206 | $ - | $ - | $ 255,743 | $ 270,341 |

(1) An amount of $3,082 million corresponds to financial assets designated for the overlay approach.
(2) As at December 31, 2020, the allowance for credit losses on securities at "Amortized cost" was insignificant, and the allowance for credit losses on securities "Classified as at fair value through other comprehensive income" totalled $4 million. Detailed information on the allowance for credit losses on loans is presented in Note 5, "Loans and allowance for credit losses".
(3) Include derivative financial instruments designated as hedging instruments amounting to $742 million in assets and $288 million in liabilities.
(4) The maturity amount that Desjardins Group will be contractually required to pay to holders of deposits designated as at fair value through profit or loss fluctuates and could differ from the fair value of such deposits as at the reporting date.
(5) As at December 31, 2020, the cumulative amount of change in fair value attributable to changes in the credit risk of liabilities designated as at fair value through profit or loss was $5 million.
(6) The amount recognized in other comprehensive income attributable to changes in the credit risk of liabilities designated as at fair value through profit or loss that was realized at derecognition during the year was insignificant.

During the three-month period ended March 31, 2021 and the year ended December 31, 2020, there were no material reclassifications of financial instruments.

# NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

### DETERMINATION OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

For a description of the valuation techniques and data used to determine the fair value of the main financial instruments, refer to Note 2, "Basis of presentation and significant accounting policies", to the Annual Combined Financial Statements. No significant changes were made to our fair value valuation techniques during the quarter. Desjardins Group has implemented controls and procedures to ensure that financial instruments are appropriately and reliably measured.

### FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of certain financial instruments measured at amortized cost does not reasonably approximate fair value. These financial instruments are presented in the following table.

| | As at March 31, 2021 | | As at December 31, 2020 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **Financial assets** | | | | |
| Securities | $ 25 | $ 26 | $ 29 | $ 29 |
| Loans | 214,851 | 216,042 | 211,421 | 213,920 |
| **Financial liabilities** | | | | |
| Deposits | 230,718 | 231,882 | 225,030 | 226,762 |
| Subordinated notes | 1,473 | 1,544 | 1,493 | 1,592 |

### FAIR VALUE HIERARCHY

Fair value measurement is determined using a three-level fair value hierarchy. Refer to Note 4, "Fair value of financial instruments", to the Annual Combined Financial Statements, which contains a description of these three levels.

## 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 March 31, 2021** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| **Financial assets at fair value through profit or loss** | | | | |
| Cash and deposits with financial institutions | $ 27 | $ 82 | $ - | $ 109 |
| Securities | | | | |
| Debt securities issued or guaranteed by | | | | |
| Canadian governmental entities | 7,776 | - | - | 7,776 |
| Provincial governmental entities and municipal corporations in Canada | 15,918 | 801 | - | 16,719 |
| School or public corporations in Canada | 14 | 88 | - | 102 |
| Foreign public administrations | 443 | - | - | 443 |
| Other securities | | | | |
| Financial institutions | - | 1,321 | 10 | 1,331 |
| Other issuers | 41 | 3,981 | 714 | 4,736 |
| Equity securities | 4,256 | 62 | 1,117 | 5,435 |
| | 28,448 | 6,253 | 1,841 | 36,542 |
| Derivative financial instruments | | | | |
| Interest rate contracts | - | 1,842 | - | 1,842 |
| Foreign exchange contracts | - | 187 | - | 187 |
| Other contracts | - | 3,556 | - | 3,556 |
| | - | 5,585 | - | 5,585 |
| Other assets | - | 2 | - | 2 |
| **Total financial assets at fair value through profit or loss** | 28,475 | 11,922 | 1,841 | 42,238 |
| **Financial assets at fair value through other comprehensive income** | | | | |
| Cash and deposits with financial institutions | 66 | 552 | - | 618 |
| Securities | | | | |
| Debt securities issued or guaranteed by | | | | |
| Canadian governmental entities | 7,215 | 5,368 | - | 12,583 |
| Provincial governmental entities and municipal corporations in Canada | 26,470 | 2,758 | - | 29,228 |
| Foreign public administrations | 12 | - | - | 12 |
| Other securities | | | | |
| Financial institutions | 38 | 4,036 | - | 4,074 |
| Other issuers | - | 831 | 67 | 898 |
| Equity securities | - | 2 | 65 | 67 |
| | 33,735 | 12,995 | 132 | 46,862 |
| **Total financial assets at fair value through other comprehensive income** | 33,801 | 13,547 | 132 | 47,480 |
| Financial instruments of segregated funds | 7,334 | 13,095 | 286 | 20,715 |
| **Total financial assets** | $ 69,610 | $ 38,564 | $ 2,259 | $ 110,433 |
| **Financial liabilities** | | | | |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Deposits | $ - | $ 201 | $ - | $ 201 |
| Other liabilities | | | | |
| Commitments related to securities sold short | 11,032 | 557 | - | 11,589 |
| Other | - | - | 183 | 183 |
| | 11,032 | 758 | 183 | 11,973 |
| Derivative financial instruments | | | | |
| Interest rate contracts | - | 1,229 | - | 1,229 |
| Foreign exchange contracts | - | 647 | - | 647 |
| Other contracts | - | 3,360 | - | 3,360 |
| | - | 5,236 | - | 5,236 |
| **Total financial liabilities** | $ 11,032 | $ 5,994 | $ 183 | $ 17,209 |

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

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

| As at December 31, 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| **Financial assets at fair value through profit or loss** | | | | |
| Cash and deposits with financial institutions | $ 11 | $ 164 | $ - | $ 175 |
| Securities | | | | |
| Debt securities issued or guaranteed by | | | | |
| Canadian governmental entities | 5,698 | - | - | 5,698 |
| Provincial governmental entities and municipal corporations in Canada | 16,785 | 771 | - | 17,556 |
| School or public corporations in Canada | 16 | 95 | - | 111 |
| Foreign public administrations | 248 | - | - | 248 |
| Other securities | | | | |
| Financial institutions | - | 1,278 | 10 | 1,288 |
| Other issuers | 61 | 4,327 | 735 | 5,123 |
| Equity securities | 3,901 | 71 | 964 | 4,936 |
| | 26,709 | 6,542 | 1,709 | 34,960 |
| Derivative financial instruments | | | | |
| Interest rate contracts | - | 2,556 | - | 2,556 |
| Foreign exchange contracts | - | 464 | - | 464 |
| Other contracts | - | 2,800 | - | 2,800 |
| | - | 5,820 | - | 5,820 |
| Other assets | - | 2 | - | 2 |
| **Total financial assets at fair value through profit or loss** | 26,720 | 12,528 | 1,709 | 40,957 |
| **Financial assets at fair value through other comprehensive income** | | | | |
| Cash and deposits with financial institutions | 1 | 718 | - | 719 |
| Securities | | | | |
| Debt securities issued or guaranteed by | | | | |
| Canadian governmental entities | 8,035 | 5,380 | - | 13,415 |
| Provincial governmental entities and municipal corporations in Canada | 30,548 | 3,031 | - | 33,579 |
| School or public corporations in Canada | - | 17 | - | 17 |
| Foreign public administrations | 11 | - | - | 11 |
| Other securities | | | | |
| Financial institutions | 28 | 4,678 | - | 4,706 |
| Other issuers | 3 | 813 | 69 | 885 |
| Equity securities | - | 2 | 64 | 66 |
| | 38,625 | 13,921 | 133 | 52,679 |
| **Total financial assets at fair value through other comprehensive income** | 38,626 | 14,639 | 133 | 53,398 |
| Financial instruments of segregated funds | 7,113 | 11,861 | 127 | 19,101 |
| **Total financial assets** | $ 72,459 | $ 39,028 | $ 1,969 | $ 113,456 |
| **Financial liabilities** | | | | |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Deposits | $ - | $ 206 | $ - | $ 206 |
| Other liabilities | | | | |
| Commitments related to securities sold short | 8,671 | 682 | - | 9,353 |
| Other | - | - | 155 | 155 |
| | 8,671 | 888 | 155 | 9,714 |
| Derivative financial instruments | | | | |
| Interest rate contracts | - | 1,507 | - | 1,507 |
| Foreign exchange contracts | - | 712 | - | 712 |
| Other contracts | - | 2,665 | - | 2,665 |
| | - | 4,884 | - | 4,884 |
| **Total financial liabilities** | $ 8,671 | $ 5,772 | $ 155 | $ 14,598 |

During the three-month period ended March 31, 2021 and the year ended December 31, 2020, no material transfers attributable to changes in the observability of market data were made between Levels 1 and 2 of the hierarchy for instruments measured at fair value. Transfers of financial instruments into or out of Level 3 reflect changes in the availability of observable inputs as a result of changes in market conditions.

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

## FAIR VALUE OF 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 appropriately and reliably measured. During the three-month period ended March 31, 2021, no significant changes were made to the key controls and procedures as well as the valuation techniques. Some changes were made to input value ranges used to determine fair value, but they did not result in material changes to the fair value of financial instruments categorized within Level 3. For a description of the valuation process for financial instruments categorized within Level 3, refer to Note 4, “Fair value of financial instruments”, to the Annual Combined Financial Statements.

### 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 three-month period ended March 31, 2021 | Balance at beginning of period | Unrealized gains / losses recognized in profit or loss[1] | Unrealized gains / losses recognized in other comprehensive income[2] | Transfers of instruments into (out of) Level 3 | Purchases / Issuances / Other | Sales / Settlements / Other | Balance at end of period |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| **Financial assets at fair value through profit or loss** | | | | | | | |
| Securities | | | | | | | |
| Other securities | | | | | | | |
| Financial institutions | | | | | | | |
| Mortgage bonds | $ 10 | $ - | $ - | $ - | $ - | $ - | $ 10 |
| Other issuers | | | | | | | |
| Hedge funds | 3 | - | - | - | - | - | 3 |
| Asset-backed term notes | 3 | - | - | - | - | - | 3 |
| Mortgage bonds | 668 | (13) | - | - | - | (8) | 647 |
| Other debt securities | 61 | - | - | - | - | - | 61 |
| Equity securities | 964 | 38 | - | - | 120 | (5) | 1,117 |
| **Total financial assets at fair value through profit or loss** | 1,709 | 25 | - | - | 120 | (13) | 1,841 |
| **Financial assets at fair value through other comprehensive income** | | | | | | | |
| Securities | | | | | | | |
| Other securities | | | | | | | |
| Other issuers | | | | | | | |
| Mortgage bonds | 69 | - | (1) | - | - | (1) | 67 |
| Equity securities | 64 | - | 1 | - | - | - | 65 |
| **Total financial assets at fair value through other comprehensive income** | 133 | - | - | - | - | (1) | 132 |
| Financial instruments of segregated funds | 127 | 1 | - | 145 | 20 | (7) | 286 |
| **Total financial assets** | $ 1,969 | $ 26 | $ - | $ 145 | $ 140 | $ (21) | $ 2,259 |
| **Financial liabilities** | | | | | | | |
| **Financial liabilities at fair value through profit or loss** | | | | | | | |
| Other liabilities – Other | | | | | | | |
| Financial liability related to the contingent consideration | $ 155 | $ 28 | $ - | $ - | $ - | $ - | $ 183 |
| **Total financial liabilities** | $ 155 | $ 28 | $ - | $ - | $ - | $ - | $ 183 |

[1] Unrealized gains or losses on financial assets classified or designated as at fair value through profit or loss are presented under "Net investment loss".
[2] Unrealized gains or losses on financial assets "Classified as at fair value through other comprehensive income" are recognized under "Net unrealized gains (losses)" on debt securities at fair value through other comprehensive income, while unrealized gains or losses on financial assets "Designated as at fair value through other comprehensive income" are recognized under "Net change in gains and losses on equity securities designated as at fair value through other comprehensive income" 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 three-month period ended March 31, 2020 | 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] | Purchases / Issuances / Other | Sales / Settlements / Other | Balance at end of period |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| **Financial assets at fair value through profit or loss** | | | | | | | |
| Securities | | | | | | | |
| Other securities | | | | | | | |
| Financial institutions | | | | | | | |
| Mortgage bonds | $ 55 | $ - | $ - | $ - | $ - | $ - | $ 55 |
| Other issuers | | | | | | | |
| Hedge funds | 2 | 2 | (1) | - | - | - | 3 |
| Asset-backed term notes | 4 | - | 1 | - | - | - | 5 |
| Mortgage bonds | 710 | - | (10) | - | - | (9) | 691 |
| Other debt securities | 55 | - | (2) | - | 6 | - | 59 |
| Equity securities | 794 | (2) | (10) | - | 58 | (1) | 839 |
| **Total financial assets at fair value through profit or loss** | 1,620 | - | (22) | - | 64 | (10) | 1,652 |
| **Financial assets at fair value through other comprehensive income** | | | | | | | |
| Securities | | | | | | | |
| Other securities | | | | | | | |
| Other issuers | | | | | | | |
| Mortgage bonds | 70 | - | - | (1) | - | (1) | 68 |
| Equity securities | 57 | - | - | (4) | - | - | 53 |
| **Total financial assets at fair value through other comprehensive income** | 127 | - | - | (5) | - | (1) | 121 |
| Financial instruments of segregated funds | 81 | - | (7) | - | 5 | (5) | 74 |
| **Total financial assets** | $ 1,828 | $ - | $ (29) | $ (5) | $ 69 | $ (16) | $ 1,847 |
| **Financial liabilities** | | | | | | | |
| **Financial liabilities at fair value through profit or loss** | | | | | | | |
| Other liabilities – Other | | | | | | | |
| Financial liability related to the contingent consideration | $ 268 | $ - | $ 30 | $ - | $ - | $ - | $ 298 |
| **Total financial liabilities** | $ 268 | $ - | $ 30 | $ - | $ - | $ - | $ 298 |

[1] Realized gains or losses on financial assets classified or designated as at fair value through profit or loss are presented under "Net investment loss".

[2] Unrealized gains or losses on financial assets classified or designated as at fair value through profit or loss are presented under "Net investment loss".

[3] Unrealized gains or losses on financial assets "Classified as at fair value through other comprehensive income" are recognized under "Net unrealized gains (losses)" on debt securities at fair value through other comprehensive income, while unrealized gains or losses on financial assets "Designated as at fair value through other comprehensive income" are recognized under "Net change in gains and losses on equity securities designated as at fair value through other comprehensive income" in the Combined Statements of Comprehensive Income.

# NOTE 5 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

## EXPOSURE TO CREDIT RISK OF LOANS AND OFF-BALANCE SHEET ITEMS

The following tables present the gross carrying amount of loans and the exposure amount for off-balance sheet items for which Desjardins Group estimates a loss allowance for expected credit losses, according to credit quality and the impairment model stage in which they are classified. Loans and off-balance sheet items are classified based on their credit quality using their 12-month probability of default (PD) adjusted to take into consideration relevant forward-looking information over their lifetime. This is the PD used to determine whether credit risk has significantly increased since initial recognition or identify financial instruments in regulatory default. For more information on the classification of loans and off-balance sheet items based on credit quality, see the table presenting PD tranches in relation with risk levels for loans and off-balance sheet items in Note 7, "Loans and allowance for credit losses", to the Annual Combined Financial Statements.

### Loans

| | Non-credit impaired | | Credit-impaired | |
|---|---|---|---|---|
| **As at March 31, 2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Residential mortgages** | | | | |
| Excellent | $ 698 | $ - | $ - | $ 698 |
| Very low | 48,209 | - | - | 48,209 |
| Low | 53,335 | 4,894 | - | 58,229 |
| Moderate | 14,053 | 12,346 | - | 26,399 |
| High | 1,051 | 3,359 | - | 4,410 |
| Default | - | 170 | 323 | 493 |
| **Total gross residential mortgages** | $ 117,346 | $ 20,769 | $ 323 | $ 138,438 |
| Allowance for credit losses | (65) | (91) | (26) | (182) |
| **Total net residential mortgages** | $ 117,281 | $ 20,678 | $ 297 | $ 138,256 |
| **Consumer, credit card and other personal loans** | | | | |
| Excellent | $ 3,050 | $ - | $ - | $ 3,050 |
| Very low | 3,487 | - | - | 3,487 |
| Low | 9,541 | 293 | - | 9,834 |
| Moderate | 4,383 | 1,672 | - | 6,055 |
| High | 416 | 1,700 | - | 2,116 |
| Default | - | 61 | 186 | 247 |
| **Total gross consumer, credit card and other personal loans** | $ 20,877 | $ 3,726 | $ 186 | $ 24,789 |
| Allowance for credit losses | (119) | (270) | (109) | (498) |
| **Total net consumer, credit card and other personal loans** | $ 20,758 | $ 3,456 | $ 77 | $ 24,291 |
| **Business and government loans**[1] | | | | |
| Acceptable risk: | | | | |
| Investment grade | $ 9,951 | $ 33 | $ - | $ 9,984 |
| Other than investment grade | 25,519 | 4,883 | - | 30,402 |
| Under watch | 5,557 | 6,052 | - | 11,609 |
| Default | - | 120 | 727 | 847 |
| **Total gross business and government loans** | $ 41,027 | $ 11,088 | $ 727 | $ 52,842 |
| Allowance for credit losses | (79) | (127) | (178) | (384) |
| **Total net business and government loans** | $ 40,948 | $ 10,961 | $ 549 | $ 52,458 |

[1] Include clients' liability under acceptances.

# NOTE 5 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

## EXPOSURE TO CREDIT RISK OF LOANS AND OFF-BALANCE SHEET ITEMS *(continued)*

### Loans *(continued)*

| | Non-credit impaired | | Credit-impaired | |
|---|---|---|---|---|
| As at December 31, 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
| **Residential mortgages** | | | | |
| Excellent | $ 709 | $ - | $ - | $ 709 |
| Very low | 47,146 | - | - | 47,146 |
| Low | 52,003 | 5,329 | - | 57,332 |
| Moderate | 12,891 | 12,937 | - | 25,828 |
| High | 1,077 | 3,546 | - | 4,623 |
| Default | - | 196 | 374 | 570 |
| **Total gross residential mortgages** | $ 113,826 | $ 22,008 | $ 374 | $ 136,208 |
| Allowance for credit losses | (64) | (98) | (29) | (191) |
| **Total net residential mortgages** | $ 113,762 | $ 21,910 | $ 345 | $ 136,017 |
| **Consumer, credit card and other personal loans** | | | | |
| Excellent | $ 2,194 | $ - | $ - | $ 2,194 |
| Very low | 4,308 | - | - | 4,308 |
| Low | 9,735 | 299 | - | 10,034 |
| Moderate | 4,499 | 1,707 | - | 6,206 |
| High | 393 | 1,904 | - | 2,297 |
| Default | - | 59 | 212 | 271 |
| **Total gross consumer, credit card and other personal loans** | $ 21,129 | $ 3,969 | $ 212 | $ 25,310 |
| Allowance for credit losses | (126) | (293) | (126) | (545) |
| **Total net consumer, credit card and other personal loans** | $ 21,003 | $ 3,676 | $ 86 | $ 24,765 |
| **Business and government loans**[(1)] | | | | |
| Acceptable risk: | | | | |
| Investment grade | $ 9,700 | $ 30 | $ - | $ 9,730 |
| Other than investment grade | 23,691 | 5,684 | - | 29,375 |
| Under watch | 4,752 | 6,623 | - | 11,375 |
| Default | - | 126 | 737 | 863 |
| **Total gross business and government loans** | $ 38,143 | $ 12,463 | $ 737 | $ 51,343 |
| Allowance for credit losses | (70) | (125) | (181) | (376) |
| **Total net business and government loans** | $ 38,073 | $ 12,338 | $ 556 | $ 50,967 |

[(1)] Include clients' liability under acceptances.

# NOTE 5 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

## EXPOSURE TO CREDIT RISK OF LOANS AND OFF-BALANCE SHEET ITEMS *(continued)*

### Off-balance sheet items[1]

| | Non-credit impaired | | Credit-impaired | |
|---|---|---|---|---|
| **As at March 31, 2021** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Residential mortgages, consumer, credit card and other personal loans** | | | | |
| Excellent | $ 18,625 | $ - | $ - | $ 18,625 |
| Very low | 21,197 | - | - | 21,197 |
| Low | 33,273 | 94 | - | 33,367 |
| Moderate | 3,688 | 2,736 | - | 6,424 |
| High | 348 | 1,119 | - | 1,467 |
| Default | - | 1 | 63 | 64 |
| **Total gross off-balance sheet items** | $ 77,131 | $ 3,950 | $ 63 | $ 81,144 |
| Allowance for credit losses | (49) | (16) | - | (65) |
| **Total net off-balance sheet items** | $ 77,082 | $ 3,934 | $ 63 | $ 81,079 |
| **Business and government** | | | | |
| Acceptable risk: | | | | |
| Investment grade | $ 23,228 | $ 10 | $ - | $ 23,238 |
| Other than investment grade | 14,137 | 2,004 | - | 16,141 |
| Under watch | 1,033 | 2,135 | - | 3,168 |
| Default | - | 10 | 191 | 201 |
| **Total gross off-balance sheet items** | $ 38,398 | $ 4,159 | $ 191 | $ 42,748 |
| Allowance for credit losses | (6) | (3) | - | (9) |
| **Total net off-balance sheet items** | $ 38,392 | $ 4,156 | $ 191 | $ 42,739 |

[1] Loan commitments for which Desjardins Group estimates a loss allowance for expected credit losses comprise credit commitments and documentary letters of credit, while financial guarantees for which it estimates a loss allowance for expected credit losses comprise guarantees and standby letters of credit.

| | Non-credit impaired | | Credit-impaired | |
|---|---|---|---|---|
| As at December 31, 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
| **Residential mortgages, consumer, credit card and other personal loans** | | | | |
| Excellent | $ 18,439 | $ - | $ - | $ 18,439 |
| Very low | 20,966 | - | - | 20,966 |
| Low | 34,871 | 103 | - | 34,974 |
| Moderate | 3,658 | 2,879 | - | 6,537 |
| High | 358 | 1,264 | - | 1,622 |
| Default | - | - | 77 | 77 |
| **Total gross off-balance sheet items** | $ 78,292 | $ 4,246 | $ 77 | $ 82,615 |
| Allowance for credit losses | (52) | (17) | - | (69) |
| **Total net off-balance sheet items** | $ 78,240 | $ 4,229 | $ 77 | $ 82,546 |
| **Business and government** | | | | |
| Acceptable risk: | | | | |
| Investment grade | $ 21,758 | $ 13 | $ - | $ 21,771 |
| Other than investment grade | 13,432 | 2,190 | - | 15,622 |
| Under watch | 954 | 2,338 | - | 3,292 |
| Default | - | 10 | 171 | 181 |
| **Total gross off-balance sheet items** | $ 36,144 | $ 4,551 | $ 171 | $ 40,866 |
| Allowance for credit losses | (6) | (3) | - | (9) |
| **Total net off-balance sheet items** | $ 36,138 | $ 4,548 | $ 171 | $ 40,857 |

[1] Loan commitments for which Desjardins Group estimates a loss allowance for expected credit losses comprise credit commitments and documentary letters of credit, while financial guarantees for which it estimates a loss allowance for expected credit losses comprise guarantees and standby letters of credit.

# NOTE 5 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

## ALLOWANCE FOR CREDIT LOSSES

The following tables present the changes in the balance of the loss allowance for expected credit losses on loans and off-balance sheet items.

| | Non-credit impaired | | Credit-impaired | Allowance for |
|---|---|---|---|---|
| **For the three-month period ended March 31, 2021** | **Stage 1** | **Stage 2** | **Stage 3** | **credit losses** |
| **Residential mortgages** | | | | |
| **Balance at beginning of period** | $ 64 | $ 98 | $ 29 | $ 191 |
| *Provision for credit losses* | | | | |
| Transfers to(1): | | | | |
| Stage 1 | 17 | (15) | (2) | - |
| Stage 2 | (3) | 7 | (4) | - |
| Stage 3 | - | (1) | 1 | - |
| Net remeasurement due to transfers(2) | (4) | 7 | 5 | 8 |
| Changes in model inputs(3) | (18) | (2) | - | (20) |
| New originations or acquisitions(4) | 12 | 5 | - | 17 |
| Derecognition and maturities(5) | (3) | (6) | (3) | (12) |
| Net drawdowns (repayments)(6) | - | (2) | - | (2) |
| | 1 | (7) | (3) | (9) |
| Write-offs and recoveries | - | - | - | - |
| **Balance at end of period** | $ 65 | $ 91 | $ 26 | $ 182 |
| **Consumer, credit card and other personal loans(7)** | | | | |
| **Balance at beginning of period** | $ 184 | $ 313 | $ 126 | $ 623 |
| *Provision for credit losses* | | | | |
| Transfers to(1): | | | | |
| Stage 1 | 75 | (70) | (5) | - |
| Stage 2 | (19) | 42 | (23) | - |
| Stage 3 | - | (10) | 10 | - |
| Net remeasurement due to transfers(2) | (11) | 16 | 44 | 49 |
| Changes in model inputs(3) | (57) | 12 | 23 | (22) |
| New originations or acquisitions(4) | 17 | 11 | - | 28 |
| Derecognition and maturities(5) | (9) | (16) | (15) | (40) |
| Net drawdowns (repayments)(6) | (6) | (9) | (3) | (18) |
| | (10) | (24) | 31 | (3) |
| Write-offs and recoveries | - | - | (48) | (48) |
| **Balance at end of period** | $ 174 | $ 289 | $ 109 | $ 572 |
| **Business and government** | | | | |
| **Balance at beginning of period** | $ 70 | $ 125 | $ 181 | $ 376 |
| *Provision for credit losses* | | | | |
| Transfers to(1): | | | | |
| Stage 1 | 9 | (9) | - | - |
| Stage 2 | (5) | 7 | (2) | - |
| Stage 3 | - | (2) | 2 | - |
| Net remeasurement due to transfers(2) | (1) | 1 | 7 | 7 |
| Changes in model inputs(3) | (16) | (1) | 3 | (14) |
| New originations or acquisitions(4) | 23 | 11 | - | 34 |
| Derecognition and maturities(5) | (4) | (7) | (11) | (22) |
| Net drawdowns (repayments)(6) | 3 | 2 | 6 | 11 |
| | 9 | 2 | 5 | 16 |
| Write-offs and recoveries | - | - | (8) | (8) |
| **Balance at end of period** | $ 79 | $ 127 | $ 178 | $ 384 |
| **Total balances at end of period** | $ 318 | $ 507 | $ 313 | $ 1,138 |
| **Composed of:** | | | | |
| Loans | $ 263 | $ 488 | $ 313 | $ 1,064 |
| Off-balance sheet items(8) | 55 | 19 | - | 74 |

(1) Represent transfers between stages before the remeasurement of expected credit losses.
(2) Represents the remeasurement of the loss allowance for expected credit losses resulting from transfers between stages.
(3) Represent the change in the allowance resulting from changes in credit risk parameters and other model inputs.
(4) Represent the increase in the allowance for new originations or acquisitions during the period, including loans that were derecognized and for which a new asset was recognized following a modification of terms.
(5) Represent mainly the decrease in the allowance for fully repaid loans, including loans that were derecognized and for which a new asset was recognized following a modification of terms.
(6) Represent changes in the allowance attributable to drawdowns and repayments on outstanding loans.
(7) For purposes of this table, the entire allowance for credit losses on off-balance sheet items is presented in the "Consumer, credit card and other personal loans" section as the allowance amounts and changes therein attributable to other off-balance sheet items categories are not material.
(8) The allowance for credit losses on off-balance sheet items is presented under "Other liabilities – Other" in the Combined Balance Sheets.

## NOTE 5 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

### ALLOWANCE FOR CREDIT LOSSES *(continued)*

| | Non-credit impaired | | Credit-impaired | Allowance for |
|---|---|---|---|---|
| For the three-month period ended March 31, 2020 | Stage 1 | Stage 2 | Stage 3 | credit losses |
| **Residential mortgages** | | | | |
| **Balance at beginning of period** | $ 27 | $ 26 | $ 24 | $ 77 |
| *Provision for credit losses* | | | | |
| Transfers to(1): | | | | |
| Stage 1 | 7 | (6) | (1) | - |
| Stage 2 | (7) | 10 | (3) | - |
| Stage 3 | - | (1) | 1 | - |
| Net remeasurement due to transfers(2) | (3) | 9 | 6 | 12 |
| Changes in model inputs(3) | 11 | 22 | (5) | 28 |
| New originations or acquisitions(4) | 7 | 3 | - | 10 |
| Derecognition and maturities(5) | (1) | (2) | (3) | (6) |
| Net drawdowns (repayments)(6) | - | (2) | - | (2) |
| | 14 | 33 | (5) | 42 |
| Write-offs and recoveries | - | - | 4 | 4 |
| **Balance at end of period** | $ 41 | $ 59 | $ 23 | $ 123 |
| **Consumer, credit card and other personal loans(7)** | | | | |
| **Balance at beginning of period** | $ 145 | $ 203 | $ 143 | $ 491 |
| *Provision for credit losses* | | | | |
| Transfers to(1): | | | | |
| Stage 1 | 83 | (77) | (6) | - |
| Stage 2 | (31) | 56 | (25) | - |
| Stage 3 | (1) | (14) | 15 | - |
| Net remeasurement due to transfers(2) | (5) | 11 | 95 | 101 |
| Changes in model inputs(3) | (41) | 88 | 69 | 116 |
| New originations or acquisitions(4) | 18 | 14 | - | 32 |
| Derecognition and maturities(5) | (6) | (12) | (42) | (60) |
| Net drawdowns (repayments)(6) | (3) | (5) | (1) | (9) |
| | 14 | 61 | 105 | 180 |
| Write-offs and recoveries | - | - | (101) | (101) |
| **Balance at end of period** | $ 159 | $ 264 | $ 147 | $ 570 |
| **Business and government** | | | | |
| **Balance at beginning of period** | $ 31 | $ 20 | $ 104 | $ 155 |
| *Provision for credit losses* | | | | |
| Transfers to(1): | | | | |
| Stage 1 | 3 | (3) | - | - |
| Stage 2 | (15) | 18 | (3) | - |
| Stage 3 | - | (1) | 1 | - |
| Net remeasurement due to transfers(2) | (1) | 10 | 11 | 20 |
| Changes in model inputs(3) | 12 | 33 | 18 | 63 |
| New originations or acquisitions(4) | 11 | 5 | - | 16 |
| Derecognition and maturities(5) | (2) | (3) | (10) | (15) |
| Net drawdowns (repayments)(6) | 3 | 3 | 4 | 10 |
| Other | - | - | (2) | (2) |
| | 11 | 62 | 19 | 92 |
| Write-offs and recoveries | - | - | (8) | (8) |
| **Balance at end of period** | $ 42 | $ 82 | $ 115 | $ 239 |
| **Total balances at end of period** | $ 242 | $ 405 | $ 285 | $ 932 |
| **Composed of:** | | | | |
| Loans | $ 198 | $ 395 | $ 285 | $ 878 |
| Off-balance sheet items(8) | 44 | 10 | - | 54 |

(1) Represent transfers between stages before the remeasurement of expected credit losses.
(2) Represents the remeasurement of the loss allowance for expected credit losses resulting from transfers between stages.
(3) Represent the change in the allowance resulting from changes in credit risk parameters and other model inputs.
(4) Represent the increase in the allowance for new originations or acquisitions during the period, including loans that were derecognized and for which a new asset was recognized following a modification of terms.
(5) Represent mainly the decrease in the allowance for fully repaid loans, including loans that were derecognized and for which a new asset was recognized following a modification of terms.
(6) Represent changes in the allowance attributable to drawdowns and repayments on outstanding loans.
(7) For purposes of this table, the entire allowance for credit losses on off-balance sheet items is presented in the "Consumer, credit card and other personal loans" section as the allowance amounts and changes therein attributable to other off-balance sheet items categories are not material.
(8) The allowance for credit losses on off-balance sheet items is presented under "Other liabilities – Other" in the Combined Balance Sheets.

## NOTE 5 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

### KEY DATA AND ASSUMPTIONS

The following information is an update, compared to the most recent annual financial statements, of key data and assumptions underlying the measurement of the loss allowance for expected credit losses. For more information, see Notes 2, “Basis of presentation and significant accounting policies”, and 7, “Loans and allowance for credit losses”, to the Annual Combined Financial Statements.

The development of the COVID-19 pandemic and its future resolution continue to give rise to uncertainty. Management therefore has to make particularly complex judgments to estimate the loss allowance for expected credit losses in the current situation.

The macroeconomic scenarios prepared for calculating the loss allowance for expected credit losses include the following value ranges over the projection horizon for the most significant variables for credit risk parameters:

| | Base scenario | | Upside scenario | | Downside scenario | |
|---|---|---|---|---|---|---|
| **As at March 31, 2021** | **Next 12 months** | **Remaining forecast period** | **Next 12 months** | **Remaining forecast period** | **Next 12 months** | **Remaining forecast period** |
| **Macroeconomic variables[1]** | | | | | | |
| Gross domestic product (annualized change) | **4.9%** | **1.4%** | **7.2%** | **2.0%** | **2.2%** | **1.0%** |
| Unemployment rate (average) | **6.5%** | **5.4%** | **5.3%** | **4.2%** | **8.3%** | **6.9%** |
| Consumer Price Index (annualized change) | **1.0%** | **2.0%** | **3.9%** | **2.1%** | **1.0%** | **1.0%** |
| Housing prices (annualized change) | **7.2%** | **1.4%** | **16.0%** | **1.5%** | **(10.2)%** | **(1.2)%** |
| Corporate credit spread[2] (average) | **122 bp** | **119 bp** | **95 bp** | **86 bp** | **151 bp** | **139 bp** |
| S&P/TSX stock index[2] (annualized change) | **6.4%** | **6.6%** | **14.3%** | **7.3%** | **(4.7)%** | **5.0%** |

[1] All macroeconomic variables relate to the Québec economy, unless otherwise noted.
[2] Macroeconomic variables related to the Canadian economy.

| | Base scenario | | Upside scenario | | Downside scenario | |
|---|---|---|---|---|---|---|
| As at December 31, 2020 | Next 12 months | Remaining forecast period | Next 12 months | Remaining forecast period | Next 12 months | Remaining forecast period |
| **Macroeconomic variables[1]** | | | | | | |
| Gross domestic product (annualized change) | 3.2% | 1.6% | 5.0% | 1.7% | 0.5% | 1.5% |
| Unemployment rate (average) | 6.7% | 5.8% | 6.1% | 4.8% | 8.7% | 6.7% |
| Consumer Price Index (annualized change) | 1.5% | 1.9% | 3.7% | 2.3% | 0.6% | 1.5% |
| Housing prices (annualized change) | 0.3% | 2.0% | 7.0% | 2.5% | (8.0)% | 1.7% |
| Corporate credit spread[2] (average) | 124 bp | 120 bp | 98 bp | 86 bp | 154 bp | 140 bp |
| S&P/TSX stock index[2] (annualized change) | 9.9% | 6.7% | 16.4% | 7.6% | (0.6)% | 5.4% |

[1] All macroeconomic variables relate to the Québec economy, unless otherwise noted.
[2] Macroeconomic variables related to the Canadian economy.

The economic activity has suffered the effects of the COVID-19 second wave at the end of 2020 and in early 2021, but the impact was sharply less than during the first wave, in spring 2020. Although the uncertainty surrounding vaccine distribution in Canada decreased over the last few months, it remains high as a result of the emergence and progression of new variants. Overall, the economic forecasts prepared for calculating the loss allowance for expected credit losses as at March 31, 2021 are more optimistic than those prepared for calculated the allowance as at December 31, 2020.

The base scenario forecasts that the economic activity will be strong in the second and third quarters of 2021. These forecasts are based on a gradual reopening of the economy, helped by the expected acceleration of the vaccination campaign. While the December 31, 2020 forecasts anticipated that real GDP level would return to its pre-pandemic high in early 2022, the base scenario now forecasts a return by the end of 2021. Under this scenario, the unemployment rate should continue to decrease over the coming quarters to then slowly converge toward its pre-pandemic level. The base scenario also forecasts that the housing market will remain very strong until summer 2021 and, afterwards, the increase in residential property prices should slow down, but without any major corrections.

# NOTE 5 – LOANS AND ALLOWANCE FOR CREDIT LOSSES *(continued)*

## KEY DATA AND ASSUMPTIONS *(continued)*

In the downside scenario, the rebound in economic activity forecast for spring and summer 2021 would be more modest, but there would not be any negative growth in real GDP in any of the quarters. In the longer term, this scenario assumes that real GDP would converge toward a lower level than in the base scenario and that we would have to wait until early 2024 to see it exceed its pre-pandemic level. The unemployment rate would temporarily increase to over 8% in the short term and would afterward trend down again to converge toward a higher level than in the base scenario. With respect to the housing market, the downside scenario expects a decrease in house prices of over 15% by the end of 2022.

The upside scenario essentially assumes that the economic recovery will be faster than in the base scenario. This recovery would be supported by a faster withdrawal of health restrictions as well as the acceleration and great effectiveness of the vaccination campaign. The unemployment rate would continue to decrease quite rapidly to 5% by the end of 2021. The increase in house prices would remain quite strong in 2021 and 2022, but the faster increase in interest rates under this scenario would eventually temper the housing market in future years.

The development of the economic outlook after March 31, 2021 will be considered in estimating the loss allowance for expected credit losses in future periods. Considering the atypical nature of the current economic crisis, management continues to apply expert credit judgment as to the degree of correlation between input data related to forward-looking indicators and expected credit losses. Expert credit judgment also continued to be applied to consider the impact of government support measures, which are at an unprecedented level and have been continuously evolving since the outset of the pandemic.

## SENSITIVITY ANALYSIS OF THE ALLOWANCE FOR CREDIT LOSSES ON NON-CREDIT IMPAIRED LOANS

### Scenarios

The amount of the loss allowance for expected credit losses depends on the probability of occurrence associated with each scenario. The following table compares the allowance for credit losses on non-credit impaired loans and off-balance sheet items at the reporting dates, which takes into account the probability weighting for the three scenarios, with the allowance for credit losses that would have been obtained if a weighting of 100% had been assigned to each scenario individually.

| | Allowance for credit losses on non-credit impaired loans and off-balance sheet items | |
|---|---|---|
| | **As at March 31, 2021** | As at December 31, 2020 |
| Under IFRS 9 | **$ 825** | $ 854 |
| **Weighting of 100% assigned to the scenario:** | | |
| Base | **$ 713** | $ 740 |
| Upside | **670** | 699 |
| Downside | **1,207** | 1,233 |

### Transfers between stages

The following table compares the allowance for credit losses on non-credit impaired loans and off-balance sheet items at the reporting dates with the allowance for credit losses that would have been obtained if all non-credit impaired loans had been included in Stage 1 of the impairment model.

| | Allowance for credit losses on non-credit impaired loans and off-balance sheet items | |
|---|---|---|
| | **As at March 31, 2021** | As at December 31, 2020 |
| Under IFRS 9 | **$ 825** | $ 854 |
| If all non-credit impaired loans and off-balance sheet items had been included in Stage 1 | **$ 742** | $ 765 |

## NOTE 6 – 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 March 31, 2021 | | | | As at December 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | **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 | **$ 65,437** | **$ 5,280** | **$ 58,959** | **$ 129,676** | $ 64,544 | $ 4,985 | $ 58,399 | $ 127,928 |
| Business and government | **48,608** | **694** | **50,336** | **99,638** | 43,871 | 473 | 52,509 | 96,853 |
| Deposit-taking institutions | **1,039** | **-** | **566** | **1,605** | 387 | - | 68 | 455 |
| | **$ 115,084** | **$ 5,974** | **$ 109,861** | **$ 230,919** | $ 108,802 | $ 5,458 | $ 110,976 | $ 225,236 |

## NOTE 7 – ACCUMULATED OTHER COMPREHENSIVE INCOME

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

| | As at March 31, 2021 | | As at December 31, 2020 | |
|---|---|---|---|---|
| | **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 debt securities classified as at fair value through other comprehensive income[(1)] | **$ 327** | **$ 2** | $ 669 | $ 7 |
| Net unrealized gains related to the overlay approach adjustment for insurance operations financial assets | **267** | **17** | 166 | 7 |
| Net gains on derivative financial instruments designated as cash flow hedges | **404** | **-** | 466 | - |
| Net unrealized exchange gains on the translation of a net investment in a foreign operation, net of hedging transactions | **1** | **-** | 1 | - |
| **Accumulated other comprehensive income** | **$ 999** | **$ 19** | $ 1,302 | $ 14 |

(1) Take into account an allowance for credit losses of $4 million as at March 31, 2021 ($4 million as at December 31, 2020) on securities classified as at fair value through other comprehensive income.

# NOTE 8 – CAPITAL MANAGEMENT

The goal of capital management at Desjardins Group is to ensure that the capital level is consistent with its risk profile, distinctive nature and cooperative objectives. Capital management must also ensure that the capital structure is adequate in terms of protection for members and clients, and regulators' expectations and requirements.

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 the applicable relief measures implemented by the AMF in response to the COVID-19 pandemic.

As it was designated by the AMF as a domestic systemically important financial institution, Desjardins Group is subject to an additional capital surcharge of 1.0% and must maintain a minimum Tier 1A capital ratio of 8.0%. In addition, its Tier 1 capital ratio and total capital ratio must be above 9.5% and 11.5%, respectively. In addition, Desjardins Group is required by the AMF to meet a minimum leverage ratio of 3.5%.

As at March 31, 2021, Desjardins Group was in compliance with the AMF's capital ratio and leverage ratio regulatory requirements.

The following table presents Desjardins Group's regulatory capital balances, risk-weighted assets and capital ratios.

| (in millions of dollars and as a percentage) | **As at March 31, 2021** | As at December 31, 2020 |
|---|---|---|
| **Capital** | | |
| Tier 1A capital | **$ 27,503** | $ 26,317 |
| Tier 1 capital | **27,503** | 26,317 |
| Total capital | **28,118** | 27,114 |
| **Risk-weighted assets** | | |
| Credit risk | **106,309** | 103,658 |
| Market risk | **2,861** | 2,561 |
| Operational risk | **13,822** | 13,705 |
| **Total risk-weighted assets before RWA floor** | **122,992** | 119,924 |
| RWA floor | **1,412** | 177 |
| **Total risk-weighted assets** | **$ 124,404** | $ 120,101 |
| **Ratios and leverage ratio exposure** | | |
| Tier 1A capital | **22.1%** | 21.9% |
| Tier 1 capital | **22.1** | 21.9 |
| Total capital | **22.6** | 22.6 |
| Leverage | **8.7** | 8.5 |
| Leverage ratio exposure | **$ 314,328** | $ 307,925 |

# NOTE 9 – NET INTEREST INCOME AND NET INVESTMENT INCOME (LOSS)

## NET INTEREST INCOME

The following table presents the breakdown of net interest income according to the classification of financial assets and liabilities.

| | For the three-month periods ended March 31 | |
|---|---|---|
| | **2021** | 2020 |
| **Interest income on financial assets** | | |
| At amortized cost | **$ 1,721** | $ 1,943 |
| At fair value through other comprehensive income | **100** | 100 |
| At fair value through profit or loss | **4** | 1 |
| | **1,825** | 2,044 |
| **Interest expense on financial liabilities** | | |
| At amortized cost | **422** | 691 |
| | **$ 1,403** | $ 1,353 |

## NET INVESTMENT INCOME (LOSS)

The following table presents the breakdown of investment income and loss according to the classification of financial assets and liabilities.

| **For the three-month periods ended March 31** | **2021** | | | 2020 | | |
|---|---|---|---|---|---|---|
| | **Interest income and expense** | **Change in fair value and other** | **Total** | Interest income and expense | Change in fair value and other | Total |
| **Net investment income (loss) on financial assets and liabilities** | | | | | | |
| Classified as at fair value through profit or loss | **$ 54** | **$ 41** | **$ 95** | $ 56 | $ (744) | $ (688) |
| Designated as at fair value through profit or loss | **126** | **(1,939)** | **(1,813)** | 139 | (200) | (61) |
| Classified as at fair value through other comprehensive income | **25** | **63** | **88** | 35 | 107 | 142 |
| At amortized cost and other | **30** | **(2)** | **28** | 32 | 117 | 149 |
| | **$ 235** | **$ (1,837)** | **$ (1,602)** | $ 262 | $ (720) | $ (458) |

# NOTE 10 – SEGMENTED INFORMATION

## RESULTS BY BUSINESS SEGMENT

The following table provides a summary of Desjardins Group’s financial results by business segment.

| | Personal and Business Services | | Wealth Management and Life and Health Insurance | | Property and Casualty Insurance | | Other | | Combined | |
|---|---|---|---|---|---|---|---|---|---|---|
| **For the three-month periods ended March 31** | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| Net interest income | **$ 1,215** | $ 1,244 | **$ -** | $ 3 | **$ -** | $ - | **$ 188** | $ 106 | **$ 1,403** | $ 1,353 |
| Net premiums | **-** | - | **1,229** | 1,217 | **1,427** | 1,377 | **(71)** | (72) | **2,585** | 2,522 |
| Other income | **760** | 617 | **(1,383)** | 278 | **(90)** | 84 | **(240)** | (158) | **(953)** | 821 |
| **Total income** | **1,975** | 1,861 | **(154)** | 1,498 | **1,337** | 1,461 | **(123)** | (124) | **3,035** | 4,696 |
| Provision for credit losses | **6** | 319 | **-** | 2 | **-** | - | **(2)** | 3 | **4** | 324 |
| Claims, benefits, annuities and changes in insurance contract liabilities | **-** | - | **(884)** | 1,041 | **685** | 1,042 | **(7)** | (12) | **(206)** | 2,071 |
| Non-interest expense | **1,411** | 1,290 | **576** | 524 | **327** | 329 | **(149)** | (144) | **2,165** | 1,999 |
| **Operating surplus earnings** | **558** | 252 | **154** | (69) | **325** | 90 | **35** | 29 | **1,072** | 302 |
| Income taxes on surplus earnings | **144** | 62 | **29** | (28) | **77** | 17 | **24** | (34) | **274** | 17 |
| **Surplus earnings before member dividends[(1)]** | **414** | 190 | **125** | (41) | **248** | 73 | **11** | 63 | **798** | 285 |
| Member dividends, net of income tax recovery | **66** | 57 | **-** | - | **-** | - | **-** | - | **66** | 57 |
| **Net surplus earnings for the period after member dividends** | **$ 348** | $ 133 | **$ 125** | $ (41) | **$ 248** | $ 73 | **$ 11** | $ 63 | **$ 732** | $ 228 |
| **of which:** | | | | | | | | | | |
| Group's share | **$ 348** | $ 133 | **$ 125** | $ (41) | **$ 218** | $ 60 | **$ 11** | $ 63 | **$ 702** | $ 215 |
| Non-controlling interests' share | **-** | - | **-** | - | **30** | 13 | **-** | - | **30** | 13 |

(1) For the three-month periods ended March 31, 2021 and 2020, the Group’s share of “Surplus earnings before member dividends” was respectively $414 million and $190 million for the Personal and Business Services segment, $125 million and $(41) million for the Wealth Management and Life and Health Insurance segment, $218 million and $60 million for the Property and Casualty Insurance segment and $11 million and $63 million for the Other category.

## SEGMENT ASSETS

| | Personal and Business Services | Wealth Management and Life and Health Insurance | Property and Casualty Insurance | Other | Combined |
|---|---|---|---|---|---|
| **As at March 31, 2021** | **$ 289,204** | **$ 50,895** | **$ 15,438** | **$ 21,444** | **$ 376,981** |
| As at December 31, 2020 | $ 275,766 | $ 51,019 | $ 15,457 | $ 19,793 | $ 362,035 |

## GENERAL INFORMATION

# Desjardins Group

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

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