Desjardins

Financial Report

First quarter of 2022

Desjardins Group posts surplus earnings of $519 million for the first quarter of 2022

FINANCIAL HIGHLIGHTS

(in millions of dollars and as a percentage)	As at and for the three-month periods ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Results			
Net interest income	**$ 1,506**	$ 1,455	$ 1,403
Net premiums	**2,650**	3,201	2,585
Other operating income[1]	**894**	847	795
Operating income[1]	**5,050**	5,503	4,783
Investment income (loss)[1]	**(2,183)**	868	(1,748)
Total income	**2,867**	6,371	3,035
Provision for credit losses	**6**	16	4
Claims, benefits, annuities and changes in insurance contract liabilities	**(355)**	3,185	(206)
Non-interest expense	**2,528**	2,736	2,165
Income taxes on surplus earnings	**169**	41	274
Surplus earnings before member dividends	**$ 519**	$ 393	$ 798
Contribution to combined surplus earnings by business segment[2]			
Personal and Business Services	**$ 315**	$ 247	$ 414
Wealth Management and Life and Health Insurance	**137**	(6)	125
Property and Casualty Insurance	**147**	330	248
Other	**(80)**	(178)	11
	$ 519	$ 393	$ 798
Return to members and the community[1]			
Member dividends	**$ 102**	$ 117	$ 90
Sponsorships, donations and scholarships[3]	**16**	58	12
	$ 118	$ 175	$ 102
Indicators			
Net interest margin[4]	**2.09 %**	2.00 %	2.10 %
Return on equity[5]	**6.2**	4.3	10.3
Productivity index[4]	**78.5**	85.9	66.8
Credit loss provisioning rate[5]	**0.01**	0.03	0.01
Gross credit-impaired loans/gross loans and acceptances[5]	**0.46**	0.47	0.57
Liquidity Coverage Ratio[6]	**134**	140	155
Net Stable Funding Ratio[6]	**129**	129	134
On-balance sheet and off-balance sheet			
Assets	**$ 397,136**	$ 397,085	$ 376,981
Net loans and acceptances	**233,614**	230,779	215,005
Deposits	**242,692**	238,355	230,919
Equity	**33,184**	33,526	31,644
Assets under administration[5]	**466,512**	482,911	464,678
Assets under management[5]	**85,511**	91,258	77,169
Capital measures[7]			
Tier 1A capital ratio	**20.6 %**	21.1 %	22.1 %
Tier 1 capital ratio	**20.6**	21.1	22.1
Total capital ratio	**21.5**	22.1	22.6
Leverage ratio	**7.9**	8.5	8.7
Risk-weighted assets	**$ 135,747**	$ 134,518	$ 124,404
Other information			
Number of employees	**55,740**	53,783	50,172

(1) For more information about financial measures that are not generally accepted accounting principles (GAAP) financial measures, see “Non-GAAP and other financial measures” on pages 7 to 10.
(2) The breakdown by line item is presented in Note 10, “Segmented information”, to the Interim Combined Financial Statements.
(3) Including $6 million from the caisses’ Community Development Fund ($18 million for the fourth quarter of 2021 and $5 million for the first quarter of 2021).
(4) For more information about non-GAAP ratios, see “Non-GAAP and other financial measures” on pages 7 to 10.
(5) For further information about supplementary financial measures, see the Glossary on pages 54 to 61.
(6) In accordance with the Liquidity Adequacy Guideline issued by the *Autorité des marchés financiers* (AMF), see the “Risk management” section.
(7) In accordance with the base capital adequacy guideline applicable to financial services cooperatives (in French only) issued by the AMF, and taking into account the applicable relief measures introduced by the AMF in response to the COVID-19 pandemic, see the “Capital management” section.

MESSAGE FROM SENIOR MANAGEMENT

Lévis, May 12, 2022 – For the first quarter ended March 31, 2022, Desjardins Group, the largest financial cooperative group in North America, posted surplus earnings before member dividends of $519 million, down $279 million compared to the corresponding quarter of 2021. This decrease in surplus earnings was mainly due to larger amounts invested in strategic projects, especially in relation to the digital shift and security, and a higher loss experience in the Property and Casualty Insurance segment. The reduction in surplus earnings was partially offset by gains in net interest income and other operating income(1).

This result reflects the contribution of $315 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 $137 million and $147 million, respectively, to surplus earnings.

The total amount returned to members and the community(1) was $118 million in the first quarter of 2022, including a $102 million provision for member dividends and $16 million in the form of sponsorships, donations and scholarships, $6 million of which was from the caisses' Community Development Fund, compared to a total amount returned to members and the community(1) of $102 million for the corresponding period of 2021. In addition to this, commitments of $2 million were made for the first quarter of 2022 in connection with the GoodSpark Fund, which seeks in particular to provide social and economic support to the regions. Since 2017, Desjardins Group has made commitments totalling $149 million to the GoodSpark Fund.

Desjardins Group complies with Basel III rules and maintains very good capitalization. As at March 31, 2022, Desjardins Group's Tier 1A and total capital ratios were 20.6% and 21.5%, respectively, compared to 21.1% and 22.1%, respectively, as at December 31, 2021.

"These results and Desjardins Group's financial strength allow us to invest more in real solutions for our members and clients, particularly in technology and sustainable development. In fact, MediaCorp has recognized Desjardins as one of Canada's Greenest Employers. And we continue to innovate by adding electric charging stations and bike repair stations in our caisse network and by implementing incentives to make it easier for our employees to use fuel-efficient cars" said Desjardins President and CEO Guy Cormier.

(1) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 7 to 10.

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 2021 Annual Report, the interim financial report for the first quarter of 2022 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):

				First quarter of 2022		
Type of risk	**Recommen-dation**	**Disclosure**	**2021 Annual Report**	**Interim Financial Report**	**Supplemental Financial Information**	**Pillar 3 Report**
General	1	Summary of risk information	XXXV	Current page		
	2	Risk terminology, risk measures and key parameters	65-71, 117-124	54-61	11	71-73
	3	Principal and emerging risks	54, 55, 62-64, 71-97	12, 13		
	4	New regulatory ratios	54-57, 90, 93, 94, 209, 210	27-29, 40, 41, 43-45		
Risk governance, risk management and business models	5	Organizational risk management structure	65-71			
	6	Risk management culture	67-71			
	7	Risks from business model and risk appetite	14, 32, 36, 40, 44, 54, 58-59, 65-72			
	8	Stress testing	54, 66, 71, 86-88			
Capital adequacy and risk-weighted assets	9	Minimum regulatory capital requirements	54, 55	27		10-12, 65, 66
	10	Reconciliation of the accounting balance sheet and the regulatory balance sheet	56-58, 209, 210	28		14, 15, 23, 65
	11	Movements in regulatory capital	56-58	29		
	12	Capital management and planning	53-60	26-31		
	13	Risk-weighted assets by business segments	59, 72			5-8
	14	Breakdown of capital requirements by type of risk and by calculation method	58-60, 73, 74, 77, 78, 86-88	29, 30		5-7, 9
	15	Credit risk	58-60	29, 30		44-46, 49
	16	Movements in risk-weighted assets by type of risk	59, 60	30		5-9, 44
	17	Back testing and validation of credit models	77			49
Liquidity	18	Management of liquidity needs and reserve	90-94	40-45		67
Funding	19	Encumbered and unencumbered assets	91-93, 95-97, 214-216	42-44		
	20	Residual contractual maturities of assets, liabilities and off-balance sheet commitments	94, 95, 216-220	46, 48-51		
	21	Funding sources and strategies	53, 90, 95, 96	40, 41, 46, 47		
Market risk	22	Reconciliation of market risk measures and balance sheet	85, 86	36, 37		
	23	Market risk factors	85-89, 192-196	35-40		
	24	Assumptions, limitations and validation procedures for market risk models	86-88	37-39		
	25	Extreme loss measures	54, 66, 86-88	37-39		
Credit risk	26	Credit risk profile	52, 64, 66, 77, 78, 80-84	25, 32-35	6-10	25-49
	27	Policy for identifying gross credit-impaired loans	79, 136-155			
	28	Reconciliation of gross credit-impaired loans and allowance for credit losses	52, 79-84, 136-155, 168-175	25, 32, 33, 79-85		34-43
	29	Counterparty risk related to derivatives	84, 198-207			50-58
	30	Credit risk mitigation techniques	78, 84, 198-207			27-31
Other risks	31	Management of other risks	58-60, 62-64, 69-72, 98-103	30, 32		
	32	Publicly known risk events	98, 99, 214-216			

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 12, 2022, presents the analysis of the results of and main changes to Desjardins Group's balance sheet for the period ended March 31, 2022, 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 regulation. 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* 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. 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, 2022, and Desjardins Group's 2021 Annual Report (the 2021 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 for the years ended prior to December 31, 2021, 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, "Significant accounting policies", to the Annual 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.

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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, and the 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 "target", "objective", "believe", "expect", "count on", "anticipate", "intend", "estimate", "plan", "forecast", "aim", "propose", "should" and "may", words and expressions of similar import, and future and conditional verbs.

By their very nature, such statements involve assumptions, uncertainties and inherent risks, both general and specific. Desjardins Group cautions readers against placing undue reliance on forward-looking statements because a number of factors, many of which are beyond Desjardins Group's control and the effects of which can be difficult to predict, could influence, individually or collectively, the accuracy of the assumptions, predictions, forecasts or other forward-looking statements in this MD&A. It is also possible that these assumptions, predictions, forecasts or other forward-looking statements as well as Desjardins Group's objectives and priorities may not materialize or may prove to be inaccurate and that actual results differ. Furthermore, the uncertainty created by the COVID-19 pandemic has greatly increased this risk by adding to the difficulty of making assumptions, predictions, forecasts or other forward-looking statements compared to previous periods.

The factors that may affect the accuracy of the forward-looking statements in this MD&A include those discussed in the "Risk management" section of Desjardins Group's 2021 annual MD&A and this MD&A for the first quarter of 2022, as well as under "COVID-19 pandemic" in Section 1.3, "Significant events" of Desjardins Group's 2021 annual MD&A and, in particular, credit, market, liquidity, operational, insurance, strategic and reputational risk, the risk related to pension plans, environmental or social risk, and legal and regulatory risk.

Such factors also include those related to the COVID-19 pandemic, the war in Ukraine, security breaches, government, corporate and household indebtedness, technological advancement and regulatory developments, interest rate fluctuations, climate change, and geopolitical uncertainty. Furthermore, there are factors related to general economic and business conditions in regions in which Desjardins Group operates; 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; credit ratings and reliance on third parties. Other factors include interest rate benchmark reform, changes in 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 of international conflicts on operations, public health crises, such as pandemics and epidemics, or any other similar disease affecting the local, national or global economy, as well as Desjardins Group's ability to anticipate and properly manage the risks associated with these factors despite a disciplined risk management environment. Additional information about these factors is found in the "Risk management" section of Desjardins Group's 2021 annual MD&A and of this MD&A for the first quarter of 2022, and under "COVID-19 pandemic" in Section 1.3, "Significant events", of Desjardins Group's 2021 annual MD&A.

It is important to note that the above list of factors that could influence future results is not exhaustive. Other factors could have an adverse effect on Desjardins Group's results. Additional information about these and other factors is found in the "Risk management" section of Desjardins Group's 2021 annual MD&A and of this MD&A for the first quarter of 2022.

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 under "Economic environment and outlook" of Desjardins Group's 2021 annual MD&A and of this MD&A for the first quarter of 2022. Readers are cautioned to consider the foregoing factors when reading this section. When relying on forward-looking statements to make decisions about Desjardins Group, they should carefully consider these factors, as well as other uncertainties and contingencies. To develop our economic growth forecasts in general, and for the financial services sector in particular, 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 and the war in Ukraine have developed and their impact on the global economy and financial market conditions, as well as on Desjardins Group's business operations, financial results and financial position, there is greater uncertainty associated with our economic assumptions compared with periods prior to the onset of these events, as these assumptions are based on uncertain future developments and it is difficult to predict the extent of the long-term effects of these events.

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

SIGNIFICANT EVENTS

Two new Executive Divisions

On February 24, 2022, the new Operations Executive Division was launched, with Di-Thai Hua, formerly Vice-President, Accès Desjardins, as the Executive Vice-President, Operations. This Executive Division is responsible for overseeing mainly Desjardins Group's operations, whether banking, administrative, procurement or real estate services, as well as the Federation's accounting operations.

On April 4, 2022, the new Cooperation, Director Support and President's Office Executive Division was inaugurated, headed by Isabelle Garon, formerly Vice-President, President's Office, Cooperation and Director Support. This Executive Division is responsible for cooperation and director support, as well as for the teams at *Fondation Desjardins* and the Corporate History and Identity Department. The creation of this new Executive Division shows the extent to which cooperation and cultural development are important to Desjardins Group.

NON-GAAP AND OTHER FINANCIAL MEASURES

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

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

Non-GAAP financial measures

Non-GAAP financial measures used by Desjardins Group, and which do not have a standardized definition, are not directly comparable to similar measures used by other companies, and may not be directly comparable to any GAAP measures. Investors, among others, may find these non-GAAP financial measures useful in analyzing Desjardins Group's overall performance or financial position. They are defined as follows:

Return to members and the community

By its very nature as a cooperative financial group, Desjardins Group's goal is to improve the economic and social well-being of people and communities. The amounts returned to members and the community are in the form of member dividends, sponsorships, donations and scholarships.

More detailed information about the amounts returned to members and the community may be found in the "Financial results and indicators" table on page 14 of this MD&A.

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 (P&C) Insurance 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.

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, 2022	December 31, 2021	March 31, 2021
Presentation of income in the Combined Financial Statements			
Net interest income	**$ 1,506**	$ 1,455	$ 1,403
Net premiums	**2,650**	3,201	2,585
Other income			
Deposit and payment service charges	**104**	111	99
Lending fees and credit card service revenues	**227**	168	187
Brokerage and investment fund services	**268**	267	273
Management and custodial service fees	**193**	201	169
Net investment income (loss)[1]	**(2,336)**	956	(1,602)
Overlay approach adjustment for insurance operations financial assets	**153**	(88)	(146)
Foreign exchange income	**31**	29	30
Other	**71**	71	37
Total income[2]	**$ 2,867**	$ 6,371	$ 3,035
Presentation of income in the MD&A			
Net interest income	**$ 1,506**	$ 1,455	$ 1,403
Net premiums	**2,650**	3,201	2,585
Other operating income			
Deposit and payment service charges	**104**	111	99
Lending fees and credit card service revenues	**227**	168	187
Brokerage and investment fund services	**268**	267	273
Management and custodial service fees	**193**	201	169
Foreign exchange income	**31**	29	30
Other	**71**	71	37
Operating income	**5,050**	5,503	4,783
Investment income (loss)			
Net investment income (loss)[1]	**(2,336)**	956	(1,602)
Overlay approach adjustment for insurance operations financial assets	**153**	(88)	(146)
Investment income (loss)	**(2,183)**	868	(1,748)
Total income[2]	**$ 2,867**	$ 6,371	$ 3,035

(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.
(2) To take into account the matching activities of the life and health insurance and property and casualty insurance subsidiaries, the change in this item must be analyzed together with the item “Claims, benefits, annuities and changes in insurance contract liabilities” in the Combined Statements of Income.

Non-GAAP ratios

Non-GAAP ratios that are used by Desjardins Group and do not have a standardized definition, are not directly comparable to similar measures used by other companies, and may not be directly comparable to any GAAP measures. Regulation 52-112 states, among other things, that any ratio that has at least one non-GAAP financial measure meets the definition of a non-GAAP ratio. Non-GAAP financial measures can be useful to investors in analyzing Desjardins Group’s financial position or performance, and they are defined as follows:

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. The lower the ratio, the higher the productivity. Total income excluding claims is a non-GAAP financial measure. It is used to exclude volatility from the investment results of life and health insurance and P&C insurance operations where a very large proportion of the investments is recognized at fair value through profit or loss and is reflected by a similar change in actuarial liabilities included in “Claims, benefits, annuities and changes in insurance contract liabilities” in the Combined Statements of Income.

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

Productivity index

(in millions of dollars and as a percentage)	For the three-month periods ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Non-interest expense	**$ 2,528**	$ 2,736	$ 2,165
Total income	**2,867**	6,371	3,035
Claims, benefits, annuities and changes in insurance contract liabilities	**355**	(3,185)	206
Total income excluding claims	**$ 3,222**	$ 3,186	$ 3,241
Productivity index	**78.5 %**	85.9 %	66.8 %

Net interest margin

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

Average interest-bearing assets and average interest-bearing liabilities are non-GAAP financial measures that reflect Desjardins Group's financial position and are equal to the average of month-end balances for the period. Average interest-bearing assets include securities, cash and deposits with financial institutions, as well as loans. Average interest-bearing liabilities include deposits, subordinated notes and other interest-bearing liabilities. Average interest-bearing assets and liabilities exclude insurance assets and liabilities as well as all other assets and liabilities not generating net interest income.

The "Net interest income on average assets and liabilities" table on page 16 of this MD&A provides more detailed information on net interest margin, average interest-bearing assets and average interest-bearing liabilities.

Loss ratio – Expense ratio – Combined ratio

These ratios are used to measure the performance of the Property and Casualty Insurance segment and more specifically:
- Loss ratio: Used as a measure of business quality.
- Expense ratio: Used as a measure of the effectiveness of non-interest expense management.
- Combined ratio: Used as a measure of business profitability excluding the impact of investment income.

The loss ratio is equal to incurred claims, net of 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. Claims expenses, net of reinsurance and excluding the market yield adjustment, are a non-GAAP financial measure. This measure is used to eliminate volatility due to economic conditions related to the impact of fluctuations in discount rates on provisions for claims and adjustment expenses, which are partially offset by an investment matching strategy.

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 non-interest expense excluding certain items, expressed as a percentage of net premiums. Non-interest expense excluding certain items is a non-GAAP financial measure, and is used to eliminate expenses related to the income excluded from the calculation of the ratio.

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 for the Property and Casualty Insurance segment.

Loss ratio - Expense ratio - Combined ratio

(in millions of dollars and as a percentage)	For the three-month periods ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Net premiums	**$ 1,471**	$ 1,513	$ 1,427
Claims, benefits, annuities, and changes in insurance contract liabilities	**$ 833**	$ 661	$ 685
Market yield adjustment (MYA)	**223**	45	117
Claims, benefits, annuities and changes in insurance contract liabilities excluding the MYA	**$ 1,056**	$ 706	$ 802
Loss ratio	**71.8 %**	46.7 %	56.2 %
Non-interest expense	**$ 373**	$ 404	$ 327
Other expenses excluded from the expense ratio[1]	**(4)**	(11)	(2)
Non-interest expense excluding certain items	**$ 369**	$ 393	$ 325
Expense ratio	**25.1 %**	26.0 %	22.8 %
Combined ratio	**96.9**	72.7	79.0

(1) Due mainly to investment management expenses.

Supplementary financial measures

In accordance with Regulation 52-112, supplementary financial measures are used to show historical or expected future financial performance, financial position or cash flow. In addition, these measures are not disclosed in the financial statements. Desjardins Group uses certain supplementary financial measures, and their composition is presented in the Glossary on pages 54 to 61.

DESJARDINS GROUP PROFILE

Desjardins Group is the largest financial cooperative group in North America, with assets of $397.1 billion. As at March 31, 2022, the organization included 212 caisses in Québec, 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, and Desjardins Florida Branch.

Through its Personal and Business Services, Wealth Management and Life and Health Insurance, and Property and Casualty Insurance business segments, Desjardins Group offers a full range of financial services to members and clients designed to meet their needs. As one of the largest employers in the country, Desjardins Group capitalizes on the skills of over 55,700 employees and the commitment of close to 2,500 directors in the caisse network.

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

The AFSC provides that the entities comprising the 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 Desjardins Group’s 2021 annual MD&A, and the “Capital management” section of this MD&A for the first quarter of 2022 presents further information on regulatory developments relating to capital. Since the release of Desjardins Group’s 2021 annual MD&A, the changes in the regulatory environment described below must also be considered:

Protection of data confidentiality and security

Because of rapid changes in information technology, the protection of data confidentiality and data security are highly topical areas. Bill 64, *An Act to modernize legislative provisions as regards the protection of personal information,* received Royal Assent after being passed by the National Assembly in September 2021, and it will come into force by being phased in over a three-year period. Desjardins Group is already taking action to implement the requested changes within the prescribed time period. It also continues to be on the lookout for announced regulatory changes to other Canadian privacy laws.

Legislative and regulatory developments in insurance

The Financial Services Regulatory Authority (FSRA) in Ontario launched a public consultation in March 2022 as it develops its approach to principles-based regulation. The move is intended to enhance consumer protection, facilitate innovation and lead to more efficient and effective regulation. Where possible, FSRA intends to move away from "prescriptive checklists" and encourage entities to internalize regulatory requirements and work towards achieving desired regulatory outcomes based on their size, complexity, and risk profile. FSRA states that “adopting principles-based regulation represents an important cultural change for both the regulator and the regulated”. The move to principles-based regulation in Ontario may prompt other Canadian jurisdictions to consider similar advancements in their regulatory approaches.

The federal Minister of Emergency Preparedness has publicly committed to having a national flood insurance program in place. Desjardins continues to closely monitor developments in this matter.

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, began on May 17, 2021, with the discontinuation of the six-month and 12-month Canadian Dollar Offered Rate (CDOR). In addition, on March 5, 2021, rate administrators 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. Subsequently, on July 29, 2021, USD LIBOR rate administrators officially recommended the use of the Secured Overnight Financing Rate (SOFR) for loans, which concludes the final phase of the transition plan that was initiated to promote the use of SOFRs. On December 16, 2021, the Canadian Alternative Reference Rate (CARR) working group issued a White Paper recommending that CDOR’s publication cease after June 30, 2024. However, the decision to cease CDOR ultimately lies with the administrator of CDOR. Consequently, CARR’s recommendations do not constitute an official statement that CDOR has ceased. Desjardins Group has set up a task force on interest rate benchmark reform internally to ensure a seamless transition from benchmark interest rates to risk-free rates, and is closely monitoring the preparation of the schedule for withdrawing CDOR and other benchmark interest rates.

Bill 96, An Act respecting French, the official and common language of Québec

On April 14, 2022, members of the National Assembly completed a detailed review of Bill 96, *An Act respecting French, the official and common language of Québec*. Bill 96 proposes major changes to the *Charter of the French Language* in order to make its requirements more stringent. The objectives are, in particular, to strengthen the presence and use of French in Québec, and to affirm that French is the only official language of Québec. The main points addressed include the status of the French language, the language of work, the language of commerce and business, the language of instruction, the francization of enterprises, and penal provisions and other sanctions. The implementation periods for the various provisions of the bill vary from 0 to 12 months once the bill has been assented to. Desjardins Group continues to monitor developments in this file and expects to implement the new provisions and comply with the new requirements according to the implementation schedule that will be set out in the final version of the bill.

Regulators’ strong interest in environmental, social and governance (ESG) factors

Regulators paid significant attention to the issue of climate change in Canada in 2021 and continue to do so in 2022, with several consultations and surveys on climate change risk management and disclosure conducted by the Office of the Superintendent of Financial Institutions (OSFI), the AMF and the CSA. In particular, the CSA launched a consultation process on its proposed National Instrument *51-107 Climate Change Disclosure* and related Companion Policy which closed on January 17, 2022. The Bank of Canada and the OSFI also conducted a pilot project on climate change risk scenarios in 2021, the results of which will be known in 2022. Moreover, a bill regarding climate-aligned finance was tabled in the Senate in March 2022 to require banks to increase capital risk weights and capital reserve requirements for financing exposed to acute transition risks. Internationally, the IFRS Foundation established the International Sustainability Standards Board (ISSB) in 2021 and initiated a consultation in March 2022 on standards for sustainable development and climate disclosure requirements (open until July 2022). This suggests that climate change consideration and disclosure requirements will be strengthened in the future. Desjardins Group continues to closely monitor developments in this file. Desjardins is also ensuring that it follows best practices in ESG integration, monitoring and disclosure. This disclosure is reflected in the annual Social and Cooperative Responsibility report, which is aligned with the standards of the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The key elements of disclosure related to the TCFD recommendations are summarized under “Environmental or social risk” in Section 4.0, “Risk management” in the 2021 annual MD&A and detailed in the dedicated report “Climate action at Desjardins – 2021 TCFD report on Climate change-related risks and opportunities”.

Economic sanctions – Russia-Ukraine war

Since the beginning of the Russia-Ukraine war on February 24, 2022, new international economic sanctions targeting designated individuals or entities (such as banks in particular) and industries have been adopted with regard to Belarus, Russia and Ukraine (the Crimean, Donetsk and Louhansk regions). In order to ensure compliance with this new and rapidly changing regulatory framework, Desjardins Group monitors the situation on a daily basis and takes the necessary measures in conjunction with the relevant operational teams, particularly with regard to investments and electronic funds transfers in connection with these sanctioned countries.

ECONOMIC ENVIRONMENT AND OUTLOOK

Global economy

Although the pandemic continues to influence economic conditions, as evidenced by the lockdowns in some major Chinese cities, all eyes are now more focused on the problems and risks posed by the war in Ukraine. The uncertainty this brings (particularly in financial markets), rising prices in energy and commodity markets and new constraints on supply chains are all undermining economic conditions. A sharp increase in oil prices to well over US$100/barrel is causing, among other things, a significant jump in gasoline prices, effectively eroding household incomes and exacerbating problematic inflation that was already apparent in several economies.

The impacts of the war in Ukraine are being most keenly felt in Europe. Some euroland household confidence indices have fallen sharply. Euroland's real gross domestic product (GDP) is expected to have grown 2.9% in 2022, with a 2.2% increase projected for 2023. In China, COVID-19 continues to affect the economy, with many regional lockdowns still in place. This only risks to exacerbate global supply chain problems. China's GDP is expected to grow 4.6% in 2022, with another 5.0% projected for 2023. The global economy's projected growth for 2022 is now 3.1%, with another 3.3% increase forecast for 2023.

Following strong growth in 2021, the stock markets got off to a difficult start in 2022. The jump in bond rates and expectations of key policy rate hikes in January initially caused the indices to decline. Russia's invasion of Ukraine then provoked even greater financial volatility in February, with European markets being hit the hardest. Canada's S&P/TSX index was less affected, supported in particular by rising prices for hydrocarbons and other raw materials. Faced with considerable inflationary pressures, the Bank of Canada and the U.S. Federal Reserve quickly began raising rates in March, April and May 2022. They have also clearly signaled that there are several more hikes to come. In order to accelerate their monetary tightening, the central banks will also be reducing their asset holdings. This environment will keep the yield curve elevated and may limit how much the riskier financial assets will appreciate in 2022.

United States

In the United States, real GDP grew at a particularly vigorous pace in the last quarter of 2021 with a 6.9% annualized gain, followed by a setback in early 2022, in the form of a 1.4% annualized quarterly decline in the first quarter. Real consumption and business investment performed well, but growth was impaired by a smaller increase in business inventories and, above all, a decline in net exports. Starting in February, the U.S. economy was also shaken by the war in Ukraine. The main blow was the sharp rise in gasoline prices, which hit a new all-time high. Rising prices at the pump are also aggravating an already difficult situation with inflation, which climbed to 8.5% in March, its highest level since 1981. Fortunately, American households can count on a strong labour market.

Growth in annual real GDP is expected to slow in 2022 and 2023. Consumers and businesses are facing uncertainty due to the war in Ukraine, high inflation and interest rate hikes. Following a 5.7% gain in 2021, real GDP growth is expected to reach 2.6% in 2022 and 2.0% in 2023.

Canada

The Canadian economy was buffeted by considerable turbulence in the first quarter of 2022. A surge in the Omicron wave required the imposition of new restrictions, which were quickly expanded beginning in February. Protests against health measures in some cities and at border crossings disrupted foreign trade as well as production in some industries. After close to two years with key interest rates at historically low levels, the Bank of Canada began to tighten monetary policy in early March. Lastly, the war in Ukraine has, among other things, been driving significant increases in international prices for energy and several other commodities, and this is already affecting Canada. The total annual inflation rate continued to rise, reaching 6.7% in March for the highest level recorded in over 30 years.

The Canadian economy will nevertheless be able to count on some positive factors over the next few quarters. The lifting of most health measures will help some industries continue on a path to normal operations. In addition, the labour market is performing very well: the unemployment rate fell to 5.2% in April, for a new all-time low. This could positively affect consumer confidence and partially offset the negative impact of accelerating inflation. Lastly, the Canadian economy is expected to benefit from strong demand for commodities due to the sanctions imposed on Russia. In the wake of exceptional economic growth in the second half of 2021, Canadian real GDP is expected to grow at a more moderate pace in the first half of 2022. A 4.1% gain is expected for 2022 as a whole, followed by a 1.9% increase in 2023.

Québec

Annualized real GDP growth held steady at 4.5% in the last quarter of 2021, for a strong finish to the year, but the pace of economic growth is expected to have slowed in the first quarter of 2022. Tighter health measures at the beginning of the year actually reduced employment in January and drove the unemployment rate up to 5.4%. This was followed by an easing of measures that drove a significant rebound in employment in February and March. Even if employment fell slightly in April, the unemployment rate also dropped to 3.9%, setting a new historic low. Despite high inflation, consumer spending will be supported by a strong labour market, rising incomes and high savings levels. The Québec government has already paid out $740 million in early 2022, or from $200 to $400 for each low and middle-income household. An additional $3.2 billion was distributed in the spring, such that each adult with an income of $100,000 or less received $500. In the housing market, expectations around interest rate hikes are causing a temporary rush to buy. A low inventory of properties for sale will continue to exert pressure on prices, at least for now. Among businesses, a rebound in investment and export growth could give way to a certain slowdown due to the uncertainties around the war between Russia and Ukraine.

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, 2022	December 31, 2021	March 31, 2021
Results			
Net interest income	**$ 1,506**	$ 1,455	$ 1,403
Net premiums	**2,650**	3,201	2,585
Other operating income[1]			
Deposit and payment service charges	**104**	111	99
Lending fees and credit card service revenues	**227**	168	187
Brokerage and investment fund services	**268**	267	273
Management and custodial service fees	**193**	201	169
Foreign exchange income	**31**	29	30
Other	**71**	71	37
Operating income[1]	**5,050**	5,503	4,783
Investment income (loss)[1]			
Net investment income (loss)	**(2,336)**	956	(1,602)
Overlay approach adjustment for insurance operations financial assets	**153**	(88)	(146)
Investment income (loss)[1]	**(2,183)**	868	(1,748)
Total income	**2,867**	6,371	3,035
Provision for credit losses	**6**	16	4
Claims, benefits, annuities and changes in insurance contract liabilities	**(355)**	3,185	(206)
Non-interest expense	**2,528**	2,736	2,165
Income taxes on surplus earnings	**169**	41	274
Surplus earnings before member dividends	**$ 519**	$ 393	$ 798
Contribution to combined surplus earnings by business segment[2]			
Personal and Business Services	**$ 315**	$ 247	$ 414
Wealth Management and Life and Health Insurance	**137**	(6)	125
Property and Casualty Insurance	**147**	330	248
Other	**(80)**	(178)	11
	$ 519	$ 393	$ 798
Return to members and the community[1]			
Member dividends	**$ 102**	$ 117	$ 90
Sponsorships, donations and scholarships[3]	**16**	58	12
	$ 118	$ 175	$ 102
Indicators			
Net interest margin[4]	**2.09 %**	2.00 %	2.10 %
Return on equity[5]	**6.2**	4.3	10.3
Productivity index[4]	**78.5**	85.9	66.8
Credit loss provisioning rate[5]	**0.01**	0.03	0.01

(1) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 7 to 10.
(2) The breakdown by line item is presented in Note 10, "Segmented information", to the Interim Combined Financial Statements.
(3) Including $6 million from the caisses' Community Development Fund ($18 million for the fourth quarter of 2021 and $5 million for the first quarter of 2021).
(4) For more information about non-GAAP ratios, see "Non-GAAP and other financial measures" on pages 7 to 10.
(5) For further information about supplementary financial measures, see the Glossary on pages 54 to 61.

COMPARISON OF THE FIRST QUARTERS OF 2022 AND 2021

Surplus earnings

For the first quarter ended March 31, 2022, Desjardins Group posted surplus earnings before member dividends of $519 million, for a $279 million decrease compared to the corresponding quarter of 2021. This decrease in surplus earnings was mainly due to larger amounts invested in strategic projects, especially in relation to the digital shift and security, and a higher loss experience in the Property and Casualty Insurance segment. The reduction in surplus earnings was partially offset by gains in net interest income and other operating income[(1)].

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 2022.

- A total of $118 million was returned to members and the community[(1)], for an increase of $16 million compared to the first quarter of 2021.
  - The provision for member dividends totalled $102 million for the quarter ended March 31, 2022, up $12 million compared to the corresponding quarter of 2021.
  - An amount of $16 million was returned in the form of sponsorships, donations and scholarships, compared to $12 million for the same period in 2021, including $6 million in the first quarter of 2022 and $5 million in the first quarter of 2021 from the caisses' Community Development Fund.
- Commitments of $2 million were made for the first quarter of 2022 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 $149 million.

Business segment contributions to surplus earnings

- Personal and Business Services: **Surplus earnings of $315 million,** down $99 million, or 23.9%, compared to the same period in 2021, essentially due to the following:
  - Increase in non-interest expense, primarily due to larger amounts invested in Desjardins-wide strategic projects related, in particular, to the digital shift and security, as well as growth in activities aimed at enhancing the service offer to members and clients.
  - Offset by higher net interest income and other operating income[(1)].
- Wealth Management and Life and Health Insurance: **Surplus earnings of $137 million,** up $12 million, or 9.6%, compared to the first quarter in 2021, mainly due to the following:
  - Overall more favourable experience than for the comparative quarter, particularly in group insurance.
  - Higher gains on disposal of securities compared to 2021.
  - Offset by the markets' unfavourable impact on guaranteed investment funds compared to the markets' favourable impact during the first quarter of the previous year.
- Property and Casualty Insurance: **Surplus earnings of $147 million,** down $101 million, or 40.7%, compared to the first quarter of 2021, due to the following:
  - Higher current year loss ratio compared to the corresponding quarter, in property and automobile insurance.
  - Offset by higher investment income[(1)], excluding the change in the fair value of matched bonds.

- **Return on equity was 6.2%,** compared to 10.3% for the quarter ended March 31, 2021, mainly because of the decrease in surplus earnings, as previously explained.

The following table presents the calculation of the return on equity.

Return on equity

(in millions of dollars and as a percentage)	For the three-month periods ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Surplus earnings before member dividends	**$ 519**	$ 393	$ 798
Non-controlling interests' share	**(20)**	(40)	(30)
Group's share before member dividends	**$ 499**	$ 353	$ 768
Average equity before non-controlling interests' share	**$ 32,448**	$ 32,672	$ 30,184
Return on equity[(1)(2)]	**6.2 %**	4.3 %	10.3 %

(1) For further information about supplementary financial measures, see the Glossary on pages 54 to 61.
(2) Corresponds to an annualized calculation that takes into account the number of days in the period concerned.

Operating income[(1)]

Operating income, which comprises net interest income, net premiums and other operating income, totalled $5,050 million, up $267 million, or 5.6%, compared to the first quarter of 2021.

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.

(1) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 7 to 10.

Net interest income totalled $1,506 million, up $103 million, or 7.3%, because of:
- Growth in average residential mortgages outstanding and loans to medium-sized businesses and large corporations.
- A decrease in the average cost of funds, resulting in lower interest expense despite an increase in deposit volume.
- Offset by the decline in the average return on loans due to a lower interest rate environment.

- **Net interest margin of 2.09%** for the quarter ended March 31, 2022, which is comparable to the corresponding period in 2021.

The table below presents the calculation of the net interest margin.

Net interest income on average assets and liabilities

(in millions of dollars and as a percentage) **For the three-month periods ended**

	March 31, 2022			December 31, 2021			March 31, 2021		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Assets									
Interest-bearing assets[1]	$ 291,851	$ 1,872	2.60 %	$ 289,164	$ 1,847	2.53 %	$ 271,515	$ 1,825	2.73 %
Other assets	9,566			9,656			9,993		
Total assets	$ 301,417	$ 1,872	2.52 %	$ 298,820	$ 1,847	2.45 %	$ 281,508	$ 1,825	2.63 %
Liabilities and equity									
Interest-bearing liabilities[1]	$ 241,932	$ 366	0.61 %	$ 242,216	$ 392	0.64 %	$ 228,362	$ 422	0.75 %
Other liabilities	40,173			33,122			30,558		
Equity	19,312			23,481			22,588		
Total liabilities and equity	$ 301,417	$ 366	0.49 %	$ 298,819	$ 392	0.52 %	$ 281,508	$ 422	0.61 %
Net interest income		$ 1,506			$ 1,455			$ 1,403	
Net interest margin[2]			2.09 %			2.00 %			2.10 %

(1) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 7 to 10.
(2) For more information about non-GAAP ratios, see "Non-GAAP and other financial measures" on pages 7 to 10.

Net premiums totalled $2,650 million, up $65 million, or 2.5%, compared to the first quarter of 2021, due to items from the following segments:

Wealth Management and Life and Health Insurance segment

- **Net insurance and annuity premiums of $1,258 million,** up $29 million, or 2.4%, due to the following:
  - Increase of $34 million in group insurance premiums and of $16 million in individual insurance premiums.
  - Offset by decrease of $21 million in annuity premiums essentially from group annuities.

Property and Casualty Insurance segment

- **Net premiums of $1,471 million,** up $44 million, or 3.1%, basically as a result of business growth and also growth in the average premium for property insurance and business insurance.

Other operating income stood at $894 million, up $99 million, or 12.5%, compared to the first quarter of 2021, due to the following:
- Increase in business volumes from payment activities at Desjardins Card Services.
- Increase in income from growth in assets under management.
- Smaller increase than in first quarter 2021 in the contingent consideration payable as part of the acquisition of the Canadian operations of State Farm Mutual Automobile Insurance Company (State Farm) arising from the favourable developments in claims taken over.
- Change in investment funds that benefited groups having signed agreements under The Personal banner. It should be remembered that this change was offset by the results of these groups.

Investment income[1]

A loss of $2,183 million, presented under "Investment income (loss)", compared to a loss of $1,748 million for the first quarter of 2021, 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 mainly related to slightly higher market interest rates in the first quarter of 2022, compared to the corresponding quarter in 2021.
  - It should be noted that this change in the fair value of bonds was offset by the lower cost of claims as a result of matching.
- Larger decrease in the fair value of matched bonds in the Property and Casualty Insurance segment compared to the corresponding quarter of 2021, chiefly because of a higher increase in market interest rates in the first quarter of 2022 than in the first quarter of 2021. It should be noted that this change in the fair value of bonds was offset by the lower cost of claims as a result of matching.
- Decrease in activities related to derivative financial instruments.
- Lower net gains on the disposal of securities compared to first quarter 2021.

(1) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 7 to 10.

Total income

Total income amounted to $2,867 million, down $168 million, or 5.5%, compared to the same period in 2021. This decrease in total income was reflected in particular by a similar change in actuarial liabilities included under “Claims, benefits, annuities and changes in insurance contract liabilities”.

Provision for credit losses

The provision for credit losses totalled $6 million, up $2 million, compared to the same period in 2021. The provision for the first quarter of 2022 mainly reflects the reversals of the provision for credit loss as a result of the improved macroeconomic outlook affecting personal loan portfolios and the decline in credit card portfolio outstandings, the impact of which was partially offset by an increase in credit card portfolio risk. It also reflects the decrease in net write-offs compared to the corresponding period in 2021. The provision for credit losses for the first quarter of 2021 primarily reflected the impact of the decline in credit card portfolio outstandings and the lower risk for certain portfolios, as well as historically low net write-offs.

Desjardins Group continued to present a quality loan portfolio in 2022.
- Credit loss provisioning rate was 0.01% for the first quarter of 2022, namely the same rate as for the corresponding period in 2021.
- Ratio of gross credit-impaired loans, as a percentage of the total gross loans and acceptances portfolio, was 0.46%, compared to 0.57% as at March 31, 2021.

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

Credit loss provisioning rate

(in millions of dollars and as a percentage)	For the three-month periods ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Provision for credit losses	**$ 6**	$ 16	$ 4
Average gross loans	**232,977**	229,653	214,224
Average gross acceptances	**178**	239	241
Average gross loans and acceptances[1]	**$ 233,155**	$ 229,892	$ 214,465
Credit loss provisioning rate[1][2]	**0.01 %**	0.03 %	0.01 %

(1) For further information about supplementary financial measures, see the Glossary on pages 54 to 61.
(2) Corresponds to an annualized calculation that takes into account the number of days in the period concerned.

Claims, benefits, annuities and changes in insurance contract liabilities

Expenses related to claims, benefits, annuities and changes in insurance contract liabilities were down $149 million, compared to the corresponding quarter of 2021. This decrease, which was offset by a similar decline in “Investment income (loss)”, was due to items from the following segments:

Wealth Management and Life and Health Insurance segment

- **Cost of claims down $285 million,** or 32.2%, essentially due to the following:
  - Decrease of $331 million in actuarial liabilities under “Insurance contract liabilities”, which included the effect of the decrease in the fair value of matched investments, presented under “Investment income (loss)”, as well as the overall more favourable effect of group insurance experience, in particular.
  - Offset by the increase in benefits related to business growth and the higher cost of drugs and health care.

Property and Casualty Insurance segment

- **Cost of claims of $833 million,** up $148 million, or 21.6%, due to the following:
  - Loss ratio of 71.8% versus 56.2% for the corresponding period in 2021.
    - Higher current year loss ratio compared to first quarter 2021, i.e. 76.8% vs. 63.8%, in property insurance and automobile insurance.
    - Higher loss ratio related to catastrophes and major events than in the comparative quarter of 2021, i.e. 1.3% vs. nil. The first quarter of 2022 was affected by one major event, namely flooding in Québec and Ontario.
    - Less favourable ratio of changes in prior year claims than in the comparative quarter of 2021, i.e. (6.3)% vs. (7.6)%, essentially in automobile and business insurance.
  - Offset by the positive impact of the increase in the discount rates used to measure the larger provision for claims than in first quarter 2021. It should be remembered that this positive impact on the cost of claims was partially offset by a change in the fair value of matched bonds, presented under “Investment income”.

Non-interest expense and productivity index

- **Non-interest expense totalled $2,528 million,** up $363 million, or 16.8%, compared to the first quarter of 2021, essentially because of:
  - Higher personnel expenses and increased technology, commission and marketing costs to support growth in operations.
  - Increase in amounts invested for the continued implementation of strategic projects, in particular, for creating innovative technology platforms, protection of information, security and improving business processes, compared to the first quarter of 2021.
  - Growth in payment activities, including expenses related to the rewards program.

- **Productivity index at 78.5% for the first quarter of 2022,** compared to 66.8% for the corresponding period in 2021 mainly because of the larger amounts invested in strategic projects.

Income taxes on surplus earnings

- **Income taxes on surplus earnings before member dividends of $169 million,** down $105 million compared to the first quarter of 2021.
  - Effective tax rate[1] of 24.6% for the quarter ended March 31, 2022, down compared to 25.6% for the corresponding period in 2021.
  - In the first quarter of 2021, the income tax expense included the effect of the slower recognition of income tax benefits related to the remuneration of F capital shares, based on income tax recognition using the expected annual effective tax rate method.

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, 2021 achievements and industry, can be found on pages 32 to 44 of Desjardins Group's 2021 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, risk and development capital, business ownership transfers and advisory services, and through its distribution network, life and health insurance and property and casualty insurance products.

In addition, members and clients know that they can rely on the largest advisory force in 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 mobile teams, by phone, online, via applications for mobile devices, and at ATMs.

(1) For further information about supplementary financial measures, see the Glossary on pages 54 to 61.

Personal and Business Services – Segment results

(in millions of dollars and as a percentage)	For the three-month periods ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Net interest income	**$ 1,282**	$ 1,250	$ 1,215
Other operating income[1]	**716**	683	658
Operating income[1]	**1,998**	1,933	1,873
Investment income[1]	**68**	6	102
Total income	**2,066**	1,939	1,975
Provision for credit losses	**6**	17	6
Non-interest expense	**1,632**	1,593	1,411
Income taxes on surplus earnings	**113**	82	144
Surplus earnings before member dividends	**315**	247	414
Member dividends, net of income tax recovery	**75**	86	66
Net surplus earnings for the period after member dividends	**$ 240**	$ 161	$ 348
Indicators			
Average gross loans and acceptances[2]	**$ 230,092**	$ 226,730	$ 209,470
Average deposits[2]	**206,745**	198,526	182,867
Credit loss provisioning rate[2]	**0.01 %**	0.03 %	0.01 %
Gross credit-impaired loans/gross loans and acceptances[2]	**0.46**	0.47	0.58

(1) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 7 to 10.
(2) For further information about supplementary financial measures, see the Glossary on pages 54 to 61.

COMPARISON OF THE FIRST QUARTERS OF 2022 AND 2021 – PERSONAL AND BUSINESS SERVICES

- **Surplus earnings before member dividends of $315 million,** down $99 million, or 23.9%, compared to the same period in 2021, essentially due to the following:
  - Increase in non-interest expense, mainly due to greater amounts invested in Desjardins-wide strategic projects related, in particular, to the digital shift and security, as well as to growth in activities aimed at enhancing the service offer to members and clients.
  - Offset by an increase in net interest income and other operating income[1].

- **Operating income[1] of $1,998 million,** up $125 million, or 6.7%.

- **Net interest income of $1,282 million,** up $67 million, or 5.5%, as a result of:
  - Growth in average residential mortgages outstanding and in loans to medium-sized businesses and large corporations.
  - Decrease in the average cost of funds, resulting in lower interest expense despite a higher volume of deposits.
  - Offset by a decline in the average return on loans due to the low interest rate environment.

- **Other operating income[1] of $716 million,** up $58 million, or 8.8%, mainly due to growth in business volumes from payment activities at Desjardins Card Services.

- **Investment income[1] of $68 million,** down $34 million, or 33.3%. essentially because of:
  - Losses on disposal of securities in the first quarter of 2022, compared to gains in the first quarter of 2021.
  - Lower trading income as a result of developments on financial markets.

- **Total income of $2,066 million,** up $91 million, or 4.6%.

- **Provision for credit losses of $6 million,** the same amount as in the first quarter of 2021. The provision for the first quarter of 2022 mainly reflects the reversals of the provision for credit loss as a result of the improved macroeconomic outlook affecting personal loan portfolios and the decline in credit card portfolio outstandings, the impact of which was partially offset by an increase in credit card portfolio risk. It also reflects the decrease in net write-offs compared to the corresponding period in 2021. The provision for credit losses for the first quarter of 2021 primarily reflected the impact of the decline in credit card portfolio outstandings and the lower risk for certain portfolios, as well as historically low net write-offs.

- **Non-interest expense of $1,632 million,** up $221 million, or 15.7%, essentially due to:
  - Increase in amounts invested related, in particular, to the digital shift and security.
  - Growth in activities aimed at enhancing the service offer to members and clients, including those related to wealth management advisory services and AccèsD services.
  - Growth in payment activities, including expenses related to the rewards program.

(1) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 7 to 10.

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 and protecting the assets of Desjardins Group members and clients. 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 solutions. It also includes asset management and trust services for institutional clients. This segment is a Canadian leader in responsible investing.

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 fine-tuned so that they meet clients' changing requirements.

Since September 1, 2021, the Wealth Management and Life and Health Insurance segment also includes operations resulting from the acquisition of the assets of investment firm Hexavest Inc., which serves a primarily institutional clientele located mainly in Canada and also internationally.

Wealth Management and Life and Health Insurance – Segment results

(in millions of dollars)	For the three-month periods ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Net premiums	**$ 1,258**	$ 1,766	$ 1,229
Other operating income[1]	**374**	383	354
Operating income[1]	**1,632**	2,149	1,583
Investment income (loss)[1]	**(1,961)**	1,000	(1,737)
Total income (loss)	**(329)**	3,149	(154)
Claims, benefits, annuities and changes in insurance contract liabilities	**(1,169)**	2,527	(884)
Non-interest expense	**664**	656	576
Income taxes on surplus earnings	**39**	(28)	29
Net surplus earnings for the period	**$ 137**	$ (6)	$ 125
Indicators			
Net sales of savings products[2]	**$ 2,144**	$ 1,640	$ 3,669
Insurance sales[2]	**136**	86	179
Net premiums	**1,258**	1,766	1,229
Group insurance premiums	**874**	862	840
Individual insurance premiums	**238**	248	222
Annuity premiums	**146**	656	167
Segregated fund receipts[2]	**955**	888	1,860

(1) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 7 to 10.
(2) For further information about supplementary financial measures, see the Glossary on pages 54 to 61.

COMPARISON OF THE FIRST QUARTERS OF 2022 AND 2021 – WEALTH MANAGEMENT AND LIFE AND HEALTH INSURANCE

- **Net surplus earnings of $137 million,** up $12 million, or 9.6%, compared to the first quarter of 2021, mainly due to the following:
  - Overall more favourable experience than for the comparative quarter of 2021, particularly in group insurance.
  - Higher gains on disposal of securities compared to 2021.
  - Offset by the markets' unfavourable impact on guaranteed investment funds compared to the markets' favourable impact during the first quarter of the previous year.

- **Operating income[1] of $1,632 million,** up $49 million, or 3.1%.

- **Net premiums of $1,258 million,** up $29 million, or 2.4%, on account of the following:
  - Increase of $34 million in group insurance premiums and of $16 million in individual insurance premiums.
  - Offset by a decrease of $21 million in annuity premiums essentially from group annuities.

- **Other operating income[1] of $374 million,** up $20 million, or 5.6%, mainly as a result of the increase in assets under management connected in particular with operations resulting from the acquisition of the assets of investment firm Hexavest Inc.

(1) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 7 to 10.

- **Loss of $1,961 million, presented under “Investment income (loss)”[1],** compared to a loss of $1,737 million in the first quarter of 2021, mainly because of 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 slightly higher market interest rates in the first quarter of 2022, compared to the corresponding quarter in 2021.
    - It should be noted that this change in the fair value of bonds was offset by the lower cost of claims as a result of matching.
  - Higher gains on the disposal of securities compared to 2021.

- **Loss of $329 million, presented under “Total income (loss)”,** compared to a loss of $154 million in the first quarter of 2021.

- **Expenses related to claims, benefits, annuities and changes in insurance contract liabilities** down $285 million, or 32.2**%,** essentially due to the following:
  - Decrease of $331 million in actuarial liabilities, under “Insurance contract liabilities”, which included the effect of the decrease in the fair value of matched investments, presented under “Investment income (loss)”, as well as the overall more favourable effect of the group insurance experience, in particular.
  - Offset by the increase in benefits related to business growth and the higher cost of drugs and health care.

- **Non-interest expense of $664 million,** up $88 million, or 15.3%, primarily due to the following:
  - Increase in amounts invested for the continued implementation of Desjardins-wide strategic projects, in particular, for creating innovative technology platforms, protection of information, security and improving business processes.
  - Increase in administration costs to improve services for caisse members and clients.
  - Higher expenses as a result of growth 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 disaster. This segment includes the operations of Desjardins General Insurance Group Inc. and its subsidiaries, offering a personal line of automobile and property insurance products across Canada and also providing businesses with insurance products. Its products are distributed through property and casualty insurance agents in the Desjardins caisse network in Québec and at the Desjardins Business centres, a number of client care centres (call centres), as well as through an exclusive agent network of close to 500 agencies in Ontario, Alberta and New Brunswick. This exclusive network distributes P&C insurance and several other financial products. Members and clients also have access to a multitude of services online and via applications for mobile devices.

Desjardins General Insurance Group Inc., which has more than 3.5 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.

[1] For more information about non-GAAP financial measures, see “Non-GAAP and other financial measures” on pages 7 to 10.

Property and Casualty Insurance – Segment results

(in millions of dollars and as a percentage)	For the three-month periods ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Net premiums	**$ 1,471**	$ 1,513	$ 1,427
Other operating income (loss)[(1)]	**(8)**	(51)	(54)
Operating income[(1)]	**1,463**	1,462	1,373
Investment income (loss)[(1)]	**(63)**	41	(36)
Total income	**1,400**	1,503	1,337
Claims, benefits, annuities and changes in insurance contract liabilities	**833**	661	685
Non-interest expense	**373**	404	327
Income taxes on surplus earnings	**47**	108	77
Net surplus earnings for the period	**$ 147**	$ 330	$ 248
Of which:			
Group's share	**$ 127**	$ 291	$ 218
Non-controlling interests' share	**20**	39	30
Indicators			
Gross written premiums[(2)]	**$ 1,319**	$ 1,422	$ 1,315
Loss ratio[(3)]	**71.8 %**	46.7 %	56.2 %
Current year loss ratio[(3)]	**76.8**	57.5	63.8
Loss ratio related to catastrophes and major events[(3)]	**1.3**	1.6	—
Ratio of favourable changes in prior year claims[(3)]	**(6.3)**	(12.4)	(7.6)
Expense ratio[(3)]	**25.1**	26.0	22.8
Combined ratio[(3)]	**96.9**	72.7	79.0

(1) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 7 to 10.
(2) For further information about supplementary financial measures, see the Glossary on pages 54 to 61.
(3) For more information about non-GAAP ratios, see "Non-GAAP and other financial measures" on pages 7 to 10.

COMPARISON OF THE FIRST QUARTERS OF 2022 AND 2021 – PROPERTY AND CASUALTY INSURANCE

- **Net surplus earnings of $147 million,** down $101 million, or 40.7%, compared to first quarter 2021, due to:
  - Higher current year loss ratio compared to the corresponding quarter in property insurance and automobile insurance.
  - Offset by an increase in investment income[(1)], excluding the change in the fair value of matched bonds.

- **Operating income[(1)] of $1,463 million,** up $90 million, or 6.6%.

- **Net premiums of $1,471 million,** up $44 million, or 3.1%, basically as a result of business growth and also growth in the average premium for property insurance and business insurance.

- **Loss of $8 million, presented under "Other operating income (loss)"[(1)],** compared to a $54 million loss in the comparative quarter, due to:
  - Change in investment funds that benefited groups having signed agreements under The Personal banner. It should be remembered that this change was offset by the results of these groups.
  - Smaller increase than in the first quarter 2021 in the contingent consideration payable as part of the acquisition of the Canadian operations of State Farm arising from the favourable developments in claims taken over.

- **Loss of $63 million, presented under "Investment income (loss)"[(1)],** compared to a loss of $36 million in the first quarter of 2021, due to:
  - Larger decrease in the fair value of matched bonds compared to the corresponding quarter of 2021, mainly as a result of an increase in market interest rates during the first quarter of 2022 that was higher than in the first quarter of 2021. It should be mentioned that this change in the fair value of bonds was offset by a decrease in the cost of claims due to matching.
  - Offset by higher positive results for derivative financial instruments compared to those in the first quarter of 2021.

- **Total income of $1,400 million,** up $63 million, or 4.7%.

- **Cost of claims of $833 million,** up $148 million, or 21.6%, as a result of:
  - Loss ratio of 71.8% vs. 56.2% for the comparative quarter of 2021.
    - Higher current year loss ratio compared to first quarter 2021, i.e. 76.8% vs. 63.8%, in property insurance and automobile insurance.
    - Higher loss ratio related to catastrophes and major events than in the comparative quarter of 2021, i.e. 1.3% vs. nil. The first quarter of 2022 was affected by one major event, namely flooding in Québec and Ontario.
    - Less favourable ratio of changes in prior year claims than in the comparative quarter of 2021, i.e. (6.3)% vs. (7.6)%, essentially in automobile and business insurance.
  - Offset by the positive impact of the increase in the discount rates used to measure the larger provision for claims than in first quarter 2021. It should be mentioned that this positive impact on the cost of claims was partially offset by a change in the fair value of matched bonds, presented under "Investment income".

(1) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 7 to 10.

- **Non-interest expense of $373 million,** up $46 million, or 14.1%, due essentially to:
  - Amounts invested for the continued implementation of Desjardins-wide strategic projects, in particular, for creating innovative technology platforms, protection of information, security and improving business processes.
  - Higher advertising expenses than for the corresponding quarter of 2021.

Other category

The Other category includes financial information that is not specific to a business segment. It mainly includes treasury activities and those related to financial intermediation between the 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 also includes the operations of 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.

Other category

(in millions of dollars)	For the three-month periods ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Net interest income	**$ 224**	$ 205	$ 188
Net premiums	**(79)**	(78)	(71)
Other operating income (loss)[1]	**(188)**	(168)	(163)
Operating income (loss)[1]	**(43)**	(41)	(46)
Investment income (loss)[1]	**(227)**	(179)	(77)
Total income (loss)	**(270)**	(220)	(123)
Provision for (recovery of) credit losses	**—**	(1)	(2)
Claims, benefits, annuities and changes in insurance contract liabilities	**(19)**	(3)	(7)
Non-interest expense	**(141)**	83	(149)
Income taxes on surplus earnings	**(30)**	(121)	24
Net surplus earnings (deficit) for the period	**$ (80)**	$ (178)	$ 11

(1) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 7 to 10.

COMPARISON OF THE FIRST QUARTERS OF 2022 AND 2021 – CONTRIBUTION OF OTHER CATEGORY TO SURPLUS EARNINGS

- **Net deficit of $80 million,** compared to net surplus earnings of $11 million for the first quarter of 2021.
  - In relation to treasury activities, market rate fluctuations as well as changes in hedging positions for matching activities had a favourable effect on net interest income, which had been reduced as a result of a greater negative effect on investment income[1].
  - In the first quarter of 2021, the income tax expense included the effect of the slower recognition of income tax benefits related to the remuneration of F capital shares, based on income tax recognition using the expected annual effective tax rate method.
  - Non-interest expense included amounts invested for the continued implementation of Desjardins-wide strategic projects, in particular, for creating innovative technology platforms, protection of information, 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 to the GoodSpark Fund, with the aim, in particular, of providing social and economic support to the regions.

(1) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 7 to 10.

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)	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net interest income	**$ 1,506**	$ 1,455	$ 1,476	$ 1,452	$ 1,403	$ 1,455	$ 1,464	$ 1,368
Net premiums	**2,650**	3,201	2,905	2,587	2,585	2,626	2,534	2,238
Other operating income[(1)]								
Deposit and payment service charges	**104**	111	109	105	99	104	96	83
Lending fees and credit card service revenues	**227**	168	198	182	187	165	126	141
Brokerage and investment fund services	**268**	267	283	285	273	243	235	235
Management and custodial service fees	**193**	201	185	177	169	168	152	147
Foreign exchange income	**31**	29	34	28	30	21	22	14
Other	**71**	71	60	53	37	48	14	58
Operating income[(1)]	**5,050**	5,503	5,250	4,869	4,783	4,830	4,643	4,284
Investment income (loss)[(1)]								
Net investment income (loss)	**(2,336)**	956	(90)	1,055	(1,602)	646	304	2,624
Overlay approach adjustment for insurance operations financial assets	**153**	(88)	(24)	(146)	(146)	(112)	(143)	(299)
Investment income (loss)[(1)]	**(2,183)**	868	(114)	909	(1,748)	534	161	2,325
Total income	**2,867**	6,371	5,136	5,778	3,035	5,364	4,804	6,609
Provision for (recovery of) credit losses	**6**	16	52	(3)	4	169	99	271
Claims, benefits, annuities and changes in insurance contract liabilities	**(355)**	3,185	1,713	2,191	(206)	1,781	1,775	3,606
Non-interest expense	**2,528**	2,736	2,288	2,377	2,165	2,332	1,954	2,012
Income taxes on surplus earnings	**169**	41	267	278	274	206	247	191
Surplus earnings before member dividends	**519**	393	816	935	798	876	729	529
Member dividends, net of income tax recovery	**75**	86	66	66	66	70	60	58
Net surplus earnings for the period after member dividends	**$ 444**	$ 307	$ 750	$ 869	$ 732	$ 806	$ 669	$ 471
Of which:								
Group's share	**$ 424**	$ 267	$ 716	$ 830	$ 702	$ 763	$ 648	$ 464
Non-controlling interests' share	**20**	40	34	39	30	43	21	7

(1) For more information about non-GAAP financial measures, see "Non-GAAP and other financial measures" on pages 7 to 10.

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. Since the beginning of 2020, the quarters have been affected by the public health crisis related to the COVID-19 pandemic, leading to significant fluctuations in quarterly results, compared to those normally recorded by Desjardins. For more information about quarterly trends, see pages 47 to 49 of the 2021 annual MD&A.

BALANCE SHEET REVIEW

BALANCE SHEET MANAGEMENT

Combined Balance Sheets

(in millions of dollars and as a percentage)	As at March 31, 2022		As at December 31, 2021	
Assets				
Cash and deposits with financial institutions	**$ 13,728**	**3.5 %**	$ 16,328	4.1 %
Securities	**88,977**	**22.4**	93,099	23.4
Securities borrowed or purchased under reverse repurchase agreements	**14,686**	**3.7**	12,019	3.0
Net loans and acceptances	**233,614**	**58.8**	230,779	58.2
Segregated fund net assets	**21,848**	**5.5**	22,804	5.7
Derivative financial instruments	**5,293**	**1.3**	5,828	1.5
Other assets	**18,990**	**4.8**	16,228	4.1
Total assets	**$ 397,136**	**100.0 %**	$ 397,085	100.0 %
Liabilities and equity				
Deposits	**$ 242,692**	**61.0 %**	$ 238,355	60.0 %
Commitments related to securities sold short	**10,930**	**2.8**	11,342	2.9
Commitments related to securities lent or sold under repurchase agreements	**29,013**	**7.3**	31,177	7.9
Derivative financial instruments	**6,261**	**1.6**	5,500	1.4
Insurance contract liabilities	**32,432**	**8.2**	34,762	8.8
Segregated fund net liabilities	**21,847**	**5.5**	22,796	5.7
Other liabilities	**18,825**	**4.7**	17,667	4.4
Subordinated notes	**1,952**	**0.5**	1,960	0.5
Equity	**33,184**	**8.4**	33,526	8.4
Total liabilities and equity	**$ 397,136**	**100.0 %**	$ 397,085	100.0 %

Assets

As at March 31, 2022, Desjardins Group's total assets stood at $397.1 billion, which was comparable to December 31, 2021.

Desjardins Group's cash and deposits with financial institutions were down $2.6 billion, or 15.9%, and securities, including securities borrowed or purchased under reverse repurchase agreements, decreased by $1.5 billion, or 1.4%.

Desjardins Group's outstanding loan portfolio, including acceptances, net of the provision for credit losses, increased by $2.8 billion, or 1.2%. This growth was due to residential mortgages loans and business and government loans.

Loans and acceptances

(in millions of dollars and as a percentage)	As at March 31, 2022		As at December 31, 2021	
Residential mortgages	**$ 151,494**	**64.6 %**	$ 149,695	64.6 %
Consumer, credit card and other personal loans	**24,096**	**10.3**	24,386	10.5
Business and government	**58,971**	**25.1**	57,668	24.9
	234,561	**100.0 %**	231,749	100.0 %
Allowance for credit losses	**(947)**		(970)	
Total loans and acceptances by borrower category	**$ 233,614**		$ 230,779	

Desjardins Group's residential mortgages have increased by $1.8 billion, or 1.2%, since December 31, 2021 as a result of sustained growth in housing activity, particularly in Québec. Outstanding business and government loans, including acceptances, were up $1.3 billion, or 2.3%. Consumer, credit card and other personal loans outstanding were down $0.3 billion, or 1.2%, since the end of 2021.

Information on the quality of Desjardins Group's credit portfolio can be found in the "Risk management" section, on pages 32 to 35 of this MD&A.

Segregated fund net assets were down $1.0 billion, or 4.2%, on account of the decrease in the fair value of the portfolio due to volatile stock markets, which was partly offset by growth in contract holders.

Derivative financial instrument assets decreased by $0.5 billion, or 9.2%, particularly because of the sharp increase in interest rates and fluctuating exchange rates.

Other assets increased by $2.8 billion, or 17.0%, mainly as a result of the higher amounts receivable from clients, brokers and financial institutions.

Liabilities

Desjardins Group's total liabilities amounted to $364.0 billion as at March 31, 2022, up $0.4 billion, or 0.1%, since December 31, 2021.

Deposits

(in millions of dollars and as a percentage)	As at March 31, 2022		As at December 31, 2021	
Individuals	**$ 138,090**	**56.9 %**	$ 136,332	57.2 %
Business and government	**103,586**	**42.7**	101,644	42.6
Deposit-taking institutions	**1,016**	**0.4**	379	0.2
Total deposits	**$ 242,692**	**100.0 %**	$ 238,355	100.0 %

Outstanding deposits grew by $4.3 billion, or 1.8%. The increase in business and government deposits, which comprised 42.7% of Desjardins Group's total deposit portfolio partly accounted for this growth. In fact, these outstanding deposits were up $1.9 billion, or 1.9%, chiefly because of growth in business member deposits in the caisse network. Various securities issued on U.S., Canadian and European markets made it possible to support the growth of Desjardins Group's funding requirements. Personal deposits outstanding, which accounted for 56.9% of the total deposit portfolio, increased by $1.8 billion, or 1.3%, primarily because of growth in member deposits in the caisse network. Deposits from deposit-taking institutions were up by $0.6 billion.

Commitments related to securities sold short and lent or sold under repurchase agreements were down by $2.6 billion, or 6.1%, to reach a volume of $39.9 billion.

Derivative financial instrument liabilities were up $0.8 billion, or 13.8%, in particular because of the significant rise in interest rates and fluctuating exchange rates.

Desjardins Group's insurance contract liabilities were down by $2.3 billion, or 6.7%, largely as a result of a change in actuarial liabilities arising from life and health insurance operations.

Segregated fund net liabilities were down by $0.9 billion, or 4.2%, due to the decrease in the fair value of the portfolio caused by the volatility on the stock markets, offset in part by the growth in contract holders.

Other liabilities grew by $1.2 billion, or 6.6%, due in particular to the higher amounts payable to clients, brokers and financial institutions, partially offset by the decrease in net defined benefit plan liabilities.

Equity

Equity has decreased by $0.3 billion, or 1.0%, since December 31, 2021 because of the $0.7 billion decrease in other comprehensive income, offset partially by net surplus earnings after member dividends totalling $0.4 billion for the first three months of 2022.

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, clients and creditors, 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 Section 3.2, "Capital management", of Desjardins Group's 2021 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 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 allows it to continue to be one of the best-capitalized Canadian financial institutions.

Desjardins Group's regulatory capital ratios are calculated according to the AMF's base capital adequacy guideline applicable to financial services cooperatives. 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 trusts, credit unions, 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. Since April 1, 2022, Desjardins Group has been required to maintain at all times a minimum loss absorbing capacity composed of unsecured external long-term debt that meets the target criteria, or regulatory capital instruments to support its recapitalization in the event of a failure.

Under the TLAC Guideline, Desjardins Group has been expected by the AMF to maintain a risk-based TLAC capital ratio of at least 21.5% of risk-weighted assets as well as a TLAC leverage ratio of at least 6.75% since April 1, 2022. For this purpose, Desjardins Group started issuing TLAC-eligible debt on October 1, 2019 in order to meet the minimum requirements.

The TLAC capital ratio is expressed as a percentage of regulatory capital and TLAC-eligible instruments to risk-weighted assets. The TLAC leverage ratio is calculated by dividing the sum total of regulatory capital and TLAC-eligible instruments by the exposure measure.

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, 2022
Tier 1A capital	> 4.5 %	2.5 %	> 7.0 %	1.0 %	> 8.0 %	**20.6 %**
Tier 1 capital	> 6.0	2.5	> 8.5	1.0	> 9.5	**20.6**
Total capital	> 8.0	2.5	> 10.5	1.0	> 11.5	**21.5**
Leverage ratio	> 3.5	N/A	> 3.5	N/A	> 3.5	**7.9**

(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) Supplement of 1% applicable to Desjardins Group as a domestic systemically important financial institution (D-SIFI).
(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 2021 annual MD&A on page 55. 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 supporting Québec's financial system. The "Changes in the regulatory environment" section also presents additional details on regulation as it affects all Desjardins Group operations.

On December 13, 2021, the AMF issued an updated base capital adequacy guideline applicable to financial services cooperatives (in French only), resulting from the Basel III regulatory reforms approved by the BCBS on December 7, 2017.

These reforms are basically aimed at reducing excessive variability of risk-weighted assets and enhancing the comparability and transparency of financial institution capital ratios:
- By enhancing the robustness and risk sensitivity of the standardized approaches for credit risk and operational risk.
- By limiting the use of the internal ratings-based (IRB) approach, first by limiting the use of certain variables for the calculation of capital requirements, and second, by removing the use of advanced approaches for certain portfolios.
- By adjusting the leverage ratio exposure measure.
- By replacing the existing threshold with a more robust and risk-sensitive floor based on the Basel III revised standardized approaches.

The capital adequacy guideline (in French only) is expected to come into effect on January 1, 2023. The changes aimed at completing the incorporation of the new Basel III provisions relating to the market risk framework, and enhancing the robustness and risk sensitivity of the standardized approaches for credit valuation adjustment (CVA) risk will be effective January 1, 2024.

Compliance with requirements

As at March 31, 2022, the Tier 1A, Tier 1 and total capital ratios of Desjardins Group, calculated in accordance with Basel III requirements, were 20.6%, 20.6% and 21.5%, respectively. The leverage ratio was 7.9%. Desjardins Group therefore has very good capitalization, with a Tier 1A capital ratio above the 15% target.

As at March 31, 2022, the Tier 1A capital ratio was down 56 basis points compared to December 31, 2021, essentially due to the decrease in accumulated other comprehensive income.

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, 2022.

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 • Eligible accumulated other comprehensive income • F capital shares • Eligible portion of general allowance(4)	• Non-controlling interests(2)	• General allowance • NVCC subordinated notes(3) • Eligible qualifying shares
Regulatory adjustments	• Goodwill • Software • Other intangible assets • Deferred tax assets essentially resulting from loss carryforwards • Shortfall in allowance		
Deductions	• Mainly significant investments in financial entities(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 • 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 issued 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 Section 3.2, "Capital management", in the 2021 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(1)

(in millions of dollars and as a percentage)	As at March 31, 2022	As at December 31, 2021
Capital		
Tier 1A capital	**$ 27,931**	$ 28,437
Tier 1 capital	**27,931**	28,437
Total capital	**29,215**	29,721
Risk-weighted assets		
Credit risk	**$ 117,868**	$ 117,168
Market risk	**3,225**	2,874
Operational risk	**14,654**	14,476
Total risk-weighted assets	**$ 135,747**	$ 134,518
Ratios and leverage ratio exposure		
Tier 1A capital ratio	**20.6 %**	21.1 %
Tier 1 capital ratio	**20.6**	21.1
Total capital ratio	**21.5**	22.1
Leverage ratio(2)	**7.9**	8.5
Leverage ratio exposure(2)	**$ 352,070**	$ 336,136

(1) Calculated in accordance with the guideline.
(2) As part of the temporary relief measures issued by the AMF since March 31, 2020, reserves with central banks and securities issued by sovereign borrowers that meet the eligibility criteria for high-quality liquid assets were excluded from the total exposure used when calculating the leverage ratio. Since January 1, 2022, eligible securities issued by sovereign borrowers have been reintegrated into the leverage ratio exposure measure, while reserves in central banks will remain excluded until further notice.

The Federation is able to issue Non-Viability Contingent Capital-eligible instruments on Canadian, U.S. and European markets, and carried out an issue of $2.0 billion of such securities as at December 31, 2021. Therefore, should there be a trigger event as defined in the guideline, these notes would automatically and immediately be converted into Tier 1A capital of the Federation.

Change in regulatory capital
For the three-month period ended

(in millions of dollars)	March 31, 2022
Tier 1A capital	
Balance at beginning of period	**$ 28,437**
Increase in reserves and undistributed surplus earnings(1)	**1,067**
Eligible accumulated other comprehensive income	**(1,402)**
Permanent shares and surplus shares subject to phase-out(2)	**(84)**
Deductions	**(87)**
Balance at end of period	**27,931**
Total Tier 1 capital(3)	**27,931**
Tier 2 capital	
Balance at beginning of period	**1,284**
Eligible instruments	**(8)**
General allowance	**8**
Balance at end of period	**1,284**
Total capital	**$ 29,215**

(1) Amount including the change in defined benefit pension plan liabilities.
(2) As these capital instruments no longer meet the eligibility criteria for capital tiers, they have been excluded from them since January 1, 2022.
(3) No Tier 1B capital instrument has been issued to date.

Risk-weighted assets (RWA)

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

Credit risk

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

Market risk

- Desjardins Group uses internal market risk models for trading portfolios.
- The Standardized Approach is used for foreign exchange risk and commodity risk in the banking book.

Operational risk

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

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

RWA totalled $135.7 billion as at March 31, 2022, up $1.2 billion compared to the previous quarter.

For credit risk, changes in RWA for the first quarter of 2022 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 $39 million in RWA was mainly the result of the following:
  - Changes in portfolio size, which caused a $2.1 billion increase in RWA.
  - Changes in methods and policies resulting in a $414 million decrease in RWA.
  - Changes in the portfolio's quality, which led to a $735 million decrease in RWA.
  - Update of models causing an $803 million decrease in RWA.
- In counterparty risk, a $661 million increase in RWA was due to changes in portfolio size and quality.

In market risk, a $351 million increase in RWA resulted from a change in risk levels.

An increase of $178 million in RWA was noted in operational risk as a result of fluctuations in the income generated.

Disclosure of systemically important financial institutions (SIFI) indicators

In July 2013, the Basel Committee on Banking Supervision (BCBS) issued a revised version of the final rules for global systemically important financial institutions (G-SIFIs), including in particular G-SIFI assessment methodology. In order to apply this assessment exercise to Québec, the AMF issued a revision of the *Pillar 3 Disclosure Requirements Guideline* in January 2020, which was subsequently updated in January 2022. This version of the Guideline requires the public disclosure of the macro indicator table "Disclosure of SIFI indicators" for all deposit-taking institutions with a Basel III leverage ratio exposure measure exceeding EUR 200 billion and designated as SIFIs. Since Desjardins Group has been designated a domestic systemically important financial institution (D-SIFI) and it exceeded this threshold as at December 31, 2021, it has started to publicly disclose this table in 2022. The table will be disclosed every year for the quarter ended March 31.

The table contains 13 indicators used as a basis for the BCBS's assessment methodology to identify G-SIFIs. Based on the value of the indicators as well as the BCBS's and the AMF's prudential judgment, Desjardins Group could be designated as a G-SIFI. Given that the indicators are calculated using the specific methodology prescribed by the Basel Committee, the measures may not be comparable to other measures reported in this MD&A.

Disclosure of SIFI indicators[1]

(in millions of dollars)

Category	Indicator	December 31, 2021
Cross-jurisdictional activity[2]	Cross-jurisdictional claims	**$ 1,775**
	Cross-jurisdictional liabilities	**21,344**
Size[3]	Total exposures[4]	**396,400**
Interconnectedness[5]	Intra-financial system assets[4]	**28,835**
	Intra-financial system liabilities[4]	**2,417**
	Securities outstanding (issued by Desjardins)[4]	**29,103**
Substitutability/financial institution infrastructure[6]	Assets under custody	**351,176**
	Payments activity	**1,158,349**
	Underwritten transactions in debt and equity markets	**16,863**
	Trading volume	
	Trading volume – fixed income[7]	**N/A**
	Trading volume – equities and other securities[7]	**N/A**
Complexity[8]	Notional amount of over-the-counter (OTC) derivatives[4]	**523,904**
	Level 3 assets	**2,521**
	Trading and available-for-sale securities[4]	**4,299**

(1) Global systemically important indicators are prepared based on the methodology prescribed in BCBS guidelines published in July 2018 and the BCBS January 2022 instructions, and are reported in accordance with the Pillar 3 Disclosure Requirements Guideline of January 2022.
(2) Represents an institution's level of interaction outside Canada.
(3) Represents the total on- and off-balance sheet exposures of the institution determined as per the AMF's Basel III leverage ratio rules before regulatory adjustments.
(4) Including insurance operations.
(5) Represents transactions with other financial institutions.
(6) Represents the extent to which Desjardins Group's services could be substituted by those of other institutions.
(7) Transaction volume indicators will be publicly disclosed as of the first quarter of 2023.
(8) Includes the level of complexity and volume of an institution's trading activities represented through derivative financial instruments, trading securities, investment securities and level 3 financial assets.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of operations, Desjardins Group enters into various off-balance sheet arrangements, including assets under management and under administration on behalf of its members and clients, credit instruments, guarantees and structured entities, including securitization. Additional information can be found in Section 3.3, "Off-balance sheet arrangements", of Desjardins Group's 2021 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 the securitization of Desjardins Group's loans.

Assets under management and under administration

As at March 31, 2022, Desjardins Group administered, for the account of its members and clients, assets worth $466.5 billion, for a decrease of $16.4 billion, or 3.4%, since December 31, 2021. The financial assets entrusted to Desjardins Group as wealth manager totalled $85.5 billion as at March 31, 2022, down $5.7 billion, or 6.3%, since December 31, 2021. The decrease in assets under management and under administration is due mainly to the decline in assets as a result of changes in financial markets.

It should be noted that the 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.

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 2022, 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 103 of Desjardins Group's 2021 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 2021 annual MD&A.

A significant risk of the war in Ukraine is the possibility of a more generalized conflict directly involving North Atlantic Treaty Organization (NATO) countries, which would have very serious economic and humanitarian consequences. Even if it does not get to this point, the war in Ukraine could further deteriorate economic conditions, in particular through a new upsurge in energy, raw materials and food prices. A total halt in Russian oil and natural gas exports to Western Europe could plunge this region into a recession and make the global economy even more vulnerable. The war could also undermine household, business and investor confidence even more, in addition to exacerbating supply chain problems and inflationary pressures.

Desjardins Group is continuing to monitor the COVID-19 pandemic and its associated risks. 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.

In order to mitigate this impact, Desjardins Group has increased the frequency of its risk management activities, which are set out in Section 4 "Risk management" of Desjardins Group's 2021 annual MD&A. For more information about the impact of the COVID-19 pandemic and the measures implemented by Desjardins Group, please see "COVID-19 pandemic" under Section 1.3 "Significant events" in Desjardins Group's 2021 annual MD&A, which presents certain factors that could add to the risks described above and those presented in Desjardins Group's 2021 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.

In the context of an evolving COVID-19 pandemic situation, Desjardins Group is continuing to offer its members and clients advice to support them. Although future repercussions are still uncertain, the credit portfolio is being monitored to take impacts into consideration.

In addition, the provision for credit losses was adjusted to take into account the war between Russia and Ukraine, which is increasing the uncertainty of the various economic indicators. Even though trade between these two countries and Canada only represented 0.3% of Canada's trade last year, this war might further impact our business members by exacerbating existing issues, i.e., the evolution of the COVID-19 pandemic situation, inflation, the labour shortage and disruptions in the supply chain. These issues should not have a significant impact in the short term, but a gradual impact on certain sectors is expected over the next few years.

Quality of loan portfolio

As at March 31, 2022, 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 $947 million, down $23 million compared to December 31, 2021. This decrease was mainly due to the improved macroeconomic outlook affecting retail loan portfolios and by the decrease in credit card portfolio outstandings, the impact of which was partially offset by an increase in credit card portfolio risk since the beginning of fiscal 2022. 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 0.46% for the first quarter of 2022, compared to 0.47% as at December 31, 2021. The allowance for credit losses on credit-impaired loans totalled $268 million as at March 31, 2022, resulting in a provisioning rate of 25.0% 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, 2022

(in millions of dollars)	1 to 29 days	30 to 59 days	60 to 89 days	90 days or more	Total
Residential mortgages	$ 1,146	$ 119	$ 15	$ 1	$ 1,281
Consumer, credit card and other personal loans	441	125	45	39	650
Business and government	168	21	5	3	197
	$ 1,755	$ 265	$ 65	$ 43	$ 2,128

As at December 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	$ 1,352	$ 114	$ 20	$ —	$ 1,486
Consumer, credit card and other personal loans	498	132	48	36	714
Business and government	171	15	14	—	200
	$ 2,021	$ 261	$ 82	$ 36	$ 2,400

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

Gross credit-impaired loans by borrower category

	As at March 31, 2022					As at December 31, 2021	
	Gross carrying amount						
(in millions of dollars and as a percentage)	Gross loans and acceptances	Gross credit-impaired loans[(1)]		Allowance for credit losses on credit-impaired loans	Net credit-impaired loans	Gross credit-impaired loans	Net credit-impaired loans
Residential mortgages	$ 151,494	$ 202	0.13 %	$ 17	$ 185	$ 209	$ 189
Consumer, credit card and other personal loans	24,096	162	0.67	85	77	148	68
Business and government	58,971	708	1.20	166	542	731	552
Total loans	$ 234,561	$ 1,072	0.46 %	$ 268	$ 804	$ 1,088	$ 809

(1) For more information on the gross credit-impaired loans/gross loans and acceptances ratio, which is a supplemental financial measure, see the Glossary on pages 54 to 61.

Change in gross credit-impaired loans

(in millions of dollars)	For the three-month periods ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Gross credit-impaired loans at the beginning of the period	$ 1,088	$ 1,185	$ 1,323
Gross loans that became credit-impaired since the last period	625	579	608
Loans returned to unimpaired status	(592)	(618)	(699)
Write-offs and recoveries	(49)	(55)	(56)
Other changes	—	(3)	60
Gross credit-impaired loans at the end of the period	$ 1,072	$ 1,088	$ 1,236

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

Residential mortgage portfolio[(1)]
Caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc.[(2)]

(in millions of dollars and as a percentage)	As at March 31, 2022									
	Guaranteed or insured loans[(3)]			Uninsured loans[(4)]		Home equity lines of credit[(5)]			Total	
Québec	$	**27,399**	**97.4 %**	$ **83,815**	**95.3 %**	$ **5,493**	**94.7 %**	$	**116,707**	**95.8 %**
Ontario		**698**	**2.5**	**4,111**	**4.7**	**307**	**5.3**		**5,116**	**4.2**
Other[(6)]		**19**	**0.1**	**37**	**—**	**—**	**—**		**56**	**—**
All geographic areas	**$**	**28,116**	**100.0 %**	**$ 87,963**	**100.0 %**	**$ 5,800**	**100.0 %**	**$**	**121,879**	**100.0 %**

(in millions of dollars and as a percentage)	As at December 31, 2021									
	Guaranteed or insured loans[(3)]			Uninsured loans[(4)]		Home equity lines of credit[(5)]			Total	
Québec	$	27,650	97.4 %	$ 82,443	95.3 %	$ 5,463	94.7 %	$	115,556	95.8 %
Ontario		724	2.5	4,029	4.7	304	5.3		5,057	4.2
Other[(6)]		20	0.1	36	—	1	—		57	—
All geographic areas	$	28,394	100.0 %	$ 86,508	100.0 %	$ 5,768	100.0 %	$	120,670	100.0 %

(in millions of dollars and as a percentage)	As at March 31, 2021									
	Guaranteed or insured loans[(3)]			Uninsured loans[(4)]		Home equity lines of credit[(5)]			Total	
Québec	$	27,899	97.2 %	$ 74,026	95.3 %	$ 5,303	94.6 %	$	107,228	95.8 %
Ontario		786	2.7	3,612	4.7	302	5.4		4,700	4.2
Other[(6)]		19	0.1	33	—	1	—		53	—
All geographic areas	$	28,704	100.0 %	$ 77,671	100.0 %	$ 5,606	100.0 %	$	111,981	100.0 %

(1) Represents all loans secured by a property with up to four units. Residential mortgages on properties with up to four units held outside of the caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc. totalled $153 million as at March 31, 2022. They totalled $151 million and $128 million as at December 31, 2021 and March 31, 2021, respectively.
(2) Caisse Desjardins Ontario Credit Union Inc. is not legally subject to the AMF rules but is instead subject to the Financial Services Regulatory Authority of Ontario (FSRA) rules.
(3) Term mortgages and amortized portion of home equity lines of credit for which Desjardins Group has a full or partial guarantee or insurance from a mortgage insurer (public or private) or a government.
(4) Conventional term mortgages including the conventional amortized portion of home equity lines of credit and amortized consumer loans secured by a property with up to four units.
(5) Unamortized portion of home equity lines of credit and consumer lines of credit secured by a property with up to four units.
(6) Represents the geographic areas of Canada other than Québec and Ontario.

Average loan-to-value (LTV) ratio for uninsured residential mortgage loans granted during the quarter
Caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc.[(1)]

(average loan to value ratio, by geographic area)	**As at March 31, 2022**			As at December 31, 2021			As at March 31, 2021		
	Uninsured loans[(2)]	**Home equity lines of credit and related loans[(3)]**	**Total uninsured**	Uninsured loans[(2)]	Home equity lines of credit and related loans[(3)]	Total uninsured	Uninsured loans[(2)]	Home equity lines of credit and related loans[(3)]	Total uninsured
Québec	**66.5 %**	**68.4 %**	**67.9 %**	66.9 %	68.1 %	67.8 %	66.8 %	71.3 %	69.9 %
Ontario	**69.7**	**65.5**	**67.4**	67.8	68.2	68.0	70.7	70.9	70.8
Other[(4)]	**79.0**	**79.8**	**79.4**	54.8	80.0	73.3	77.4	80.0	77.7
All geographic areas	**66.7 %**	**68.3 %**	**67.9 %**	67.0 %	68.1 %	67.8 %	67.1 %	71.3 %	70.0 %

(1) Caisse Desjardins Ontario Credit Union Inc. is not legally subject to the AMF rules but is subject instead to the FSRA rules.
(2) Conventional term mortgages and amortized consumer loans secured by a property with up to four units.
(3) Home equity lines of credit including related amortized loans and consumer lines of credit secured by a property with up to four units.
(4) Represents the geographic areas of Canada other than Québec and Ontario.

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

Remaining amortization period for residential mortgages
Caisse network in Québec and Caisse Desjardins Ontario Credit Union Inc.(1)

(in millions of dollars in gross loans and as a percentage of the total by remaining amortization category)	Total amortized loans					
	As at March 31, 2022		As at December 31, 2021		As at March 31, 2021	
0 to 10 years	**$ 3,640**	**3.1 %**	$ 3,615	3.1 %	$ 3,403	3.2 %
10 to 20 years	**22,896**	**19.7**	22,472	19.6	20,726	19.5
20 to 25 years	**79,092**	**68.2**	78,666	68.5	72,561	68.2
25 to 30 years	**9,329**	**8.0**	9,010	7.8	8,303	7.8
30 to 35 years	**882**	**0.8**	895	0.8	1,060	1.0
35 years and more	**240**	**0.2**	244	0.2	322	0.3
All amortization periods	**$ 116,079**	**100.0 %**	$ 114,902	100.0 %	$ 106,375	100.0 %

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

International exposures

As at March 31, 2022, Desjardins Group credit risk exposures outside of Canada and the U.S. represented less than 1% of the total exposures.

Counterparty and issuer risk

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

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 profit or loss.

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, 2022

(in millions of dollars)	Combined Balance Sheets	Exposed to market risk		Not exposed to market risk	Principal risks associated with non-trading activities
		Trading activities[1][2]	Non-trading activities[3]		
Assets					
Cash and deposits with financial institutions	$ 13,728	$ —	$ 13,728	$ —	Interest rate
Securities					
Securities at fair value through profit or loss	36,409	10,485	25,924	—	Interest rate
Securities at fair value through other comprehensive income	52,518	—	52,518	—	Interest rate, FX, price
Securities at amortized cost	50	—	50	—	Interest rate
Securities borrowed or purchased under reverse repurchase agreements	14,686	12,460	2,226	—	Interest rate
Net loans and acceptances	233,614	—	233,614	—	Interest rate
Segregated fund net assets	21,848	—	21,848	—	Interest rate, price
Derivative financial instruments	5,293	365	4,928	—	Interest rate, FX, price
Other assets	18,990	—	—	18,990	
Total assets	$ 397,136	$ 23,310	$ 354,836	$ 18,990	
Liabilities and equity					
Deposits	$ 242,692	$ —	$ 242,692	$ —	Interest rate
Commitments related to securities sold short	10,930	10,341	589	—	Interest rate
Commitments related to securities lent or sold under repurchase agreements	29,013	25,988	3,025	—	Interest rate
Derivative financial instruments	6,261	518	5,743	—	Interest rate, FX, price
Insurance contract liabilities	32,432	—	32,432	—	Interest rate
Segregated fund net liabilities	21,847	—	21,847	—	Interest rate, price
Other liabilities	18,825	—	757	18,068	Interest rate
Subordinated notes	1,952	—	1,952	—	Interest rate
Equity	33,184	—	—	33,184	
Total liabilities and equity	$ 397,136	$ 36,847	$ 309,037	$ 51,252	

Footnotes to this table are presented on the next page.

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

As at December 31, 2021

(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	$ 16,328	$ —	$ 16,328	$ —	Interest rate
Securities					
Securities at fair value through profit or loss	39,772	11,276	28,496	—	Interest rate
Securities at fair value through other comprehensive income	53,286	—	53,286	—	Interest rate, FX, price
Securities at amortized cost	41	—	41	—	Interest rate
Securities borrowed or purchased under reverse repurchase agreements	12,019	10,909	1,110	—	Interest rate
Net loans and acceptances	230,779	—	230,779	—	Interest rate
Segregated fund net assets	22,804	—	22,804	—	Interest rate, price
Derivative financial instruments	5,828	377	5,451	—	Interest rate, FX, price
Other assets	16,228	—	—	16,228	
Total assets	$ 397,085	$ 22,562	$ 358,295	$ 16,228	
Liabilities and equity					
Deposits	$ 238,355	$ —	$ 238,355	$ —	Interest rate
Commitments related to securities sold short	11,342	10,764	578	—	Interest rate
Commitments related to securities lent or sold under repurchase agreements	31,177	28,312	2,865	—	Interest rate
Derivative financial instruments	5,500	290	5,210	—	Interest rate, FX, price
Insurance contract liabilities	34,762	—	34,762	—	Interest rate
Segregated fund net liabilities	22,796	—	22,796	—	Interest rate, price
Other liabilities	17,667	—	1,048	16,619	Interest rate
Subordinated notes	1,960	—	1,960	—	Interest rate
Equity	33,526	—	—	33,526	
Total liabilities and equity	$ 397,085	$ 39,366	$ 307,574	$ 50,145	

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

Management of market risk related to trading activities – VaR

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 reported to senior management. Any limit exceeded is immediately analyzed and the appropriate action is taken.

The main tool used to measure this risk is 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, which includes the financial crisis of 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 market risk categories to which Desjardins Group is exposed. These risk factors are taken into account in measuring the market risk of the trading portfolio. They are reflected in the VaR table presented below. The definition of a trading portfolio meets the various criteria defined in the AMF standard.

Market risk measures for the trading portfolio

	For the quarter ended March 31, 2022				For the quarters ended December 31, 2021		For the quarters ended March 31, 2021	
(in millions of dollars)	**As at March 31, 2022**	**Average**	**High**	**Low**	As at December 31, 2021	Average	As at March 31, 2021	Average
Equities	**$ 0.6**	**$ 0.4**	**$ 0.9**	**$ 0.3**	$ 0.4	$ 0.5	$ 0.6	$ 0.8
Foreign exchange	**0.9**	**0.4**	**1.3**	**0.1**	0.2	0.4	0.8	1.3
Interest rate	**3.8**	**4.0**	**5.8**	**2.7**	3.4	3.5	3.0	4.7
Specific interest rate risk(1)	**2.1**	**2.7**	**4.4**	**1.6**	3.1	2.5	1.4	2.0
Diversification effect(2)	**(3.3)**	**(3.5)**	**N/A(3)**	**N/A(3)**	(3.7)	(3.4)	(2.5)	(3.4)
Aggregate VaR	**$ 4.1**	**$ 4.0**	**$ 5.9**	**$ 2.7**	$ 3.4	$ 3.5	$ 3.3	$ 5.4
Aggregate SVaR	**$ 10.6**	**$ 9.6**	**$ 13.7**	**$ 6.6**	$ 7.7	$ 9.0	$ 17.3	$ 14.9
Incremental risk charge (IRC)	**$ 90.3**	**$ 75.7**	**$ 97.2**	**$ 61.7**	$ 72.5	$ 72.1	$ 64.5	$ 59.9

(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 $4.0 million for the quarter ended March 31, 2022, up $0.5 million compared to the quarter ended December 31, 2021. The average of the aggregate SVaR was $9.6 million for the quarter ended March 31, 2022, up $0.6 million compared to the quarter ended December 31, 2021. The average of the incremental risk charge totalled $75.7 million, up $3.6 million compared to the previous quarter.

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.

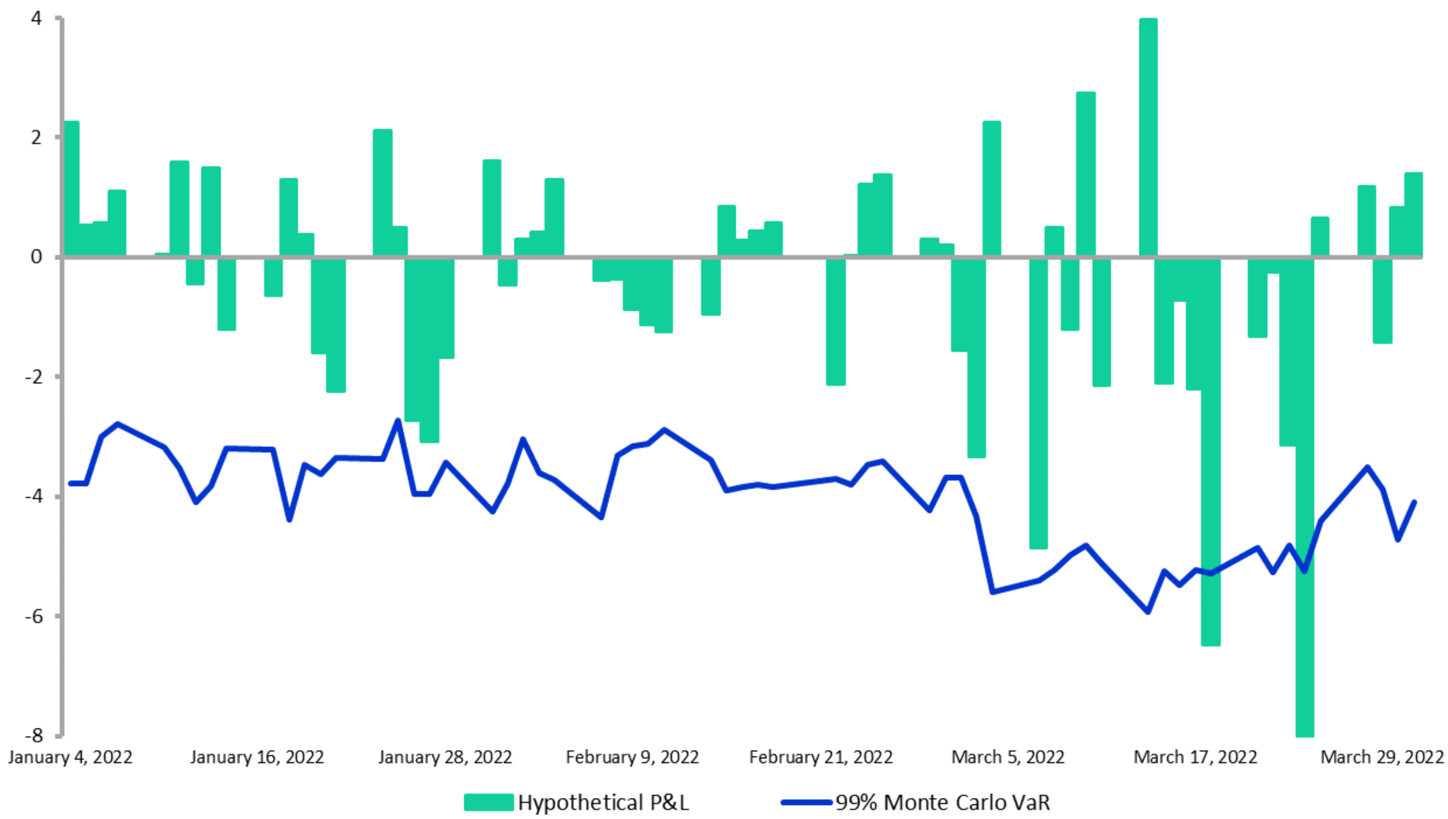
Back testing

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 2022, two overages of hypothetical P&L were observed in relation to the VaR on March 18 and 24. These overages were a result of exposures to rate hikes, which actually happened, in part because of expected central banks' rate movements in connection with inflation and also because of the Russia-Ukraine war. No overage of actual P&L was observed in relation to the VaR 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 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:

- Trend in interest rate level and volatility;
- Changes in the shape of the yield curve;
- Member and client behaviour in their choice of products;
- Financial intermediation margin;
- 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 based on 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.

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

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

	As at March 31, 2022		As at December 31, 2021		As at March 31, 2021	
(in millions of dollars)	**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**	**$ 6**	$ 17	$ (160)	$ 35	$ (154)
Impact of a 25-basis-point decrease in interest rates[(4)]	**(7)**	**—**	(1)	37	(13)	37

(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 $159 million decrease in the economic value of equity before taxes as at March 31, 2022, and in a $218 million and $162 million decrease as at December 31, 2021 and March 31, 2021, respectively. A 25-basis-point decrease in interest rates would result in a $41 million increase in the economic value of equity before taxes as at March 31, 2022, and in a $53 million and $44 million increase as at December 31, 2021 and March 31, 2021, respectively.

(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.

Foreign exchange risk management

Foreign exchange risk refers to the potential loss resulting from changes in the market value of on-balance-sheet financial instruments (cash products) or off-balance-sheet financial instruments (forward products) due to fluctuations in foreign exchange rates.

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

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 produces these two ratios as well as the NCCF, and reports them on a regular basis to the AMF.

Liquidity risk measurement and monitoring

Desjardins Group determines its liquidity needs by reviewing its current operations and evaluating its future forecasts for balance sheet growth and institutional funding conditions. Various analyses are used to determine the actual liquidity levels of assets and the stability of liabilities based on observed behaviours or contractual maturities. Maintaining liquidity reserves of high-quality assets is required to offset potential cash outflows following a disruption in 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 (BCBS) 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 restrictions.

Liquid assets(1)
As at March 31, 2022

(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	**$ 12,484**	**$ —**	**$ 12,484**	**$ 612**	**$ 11,872**
Securities					
Issued or guaranteed by Canada, provinces and municipal corporations in Canada, school or public corporations in Canada, and foreign public administrations	**52,496**	**14,166**	**66,662**	**37,353**	**29,309**
Other securities in Canada	**5,169**	**914**	**6,083**	**2,156**	**3,927**
Issued or guaranteed by foreign issuers	**557**	**2**	**559**	**7**	**552**
Loans					
Insured residential mortgage-backed securities	**7,891**	**—**	**7,891**	**3,349**	**4,542**
Total	**$ 78,597**	**$ 15,082**	**$ 93,679**	**$ 43,477**	**$ 50,202**

As at December 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	$ 15,250	$ —	$ 15,250	$ 535	$ 14,715
Securities					
Issued or guaranteed by Canada, provinces and municipal corporations in Canada, school or public corporations in Canada, and foreign public administrations	54,112	11,780	65,892	39,947	25,945
Other securities in Canada	4,648	754	5,402	2,304	3,098
Issued or guaranteed by foreign issuers	505	1	506	7	499
Loans					
Insured residential mortgage-backed securities	7,213	—	7,213	2,839	4,374
Total	$ 81,728	$ 12,535	$ 94,263	$ 45,632	$ 48,631

(1) Excluding assets held by insurance subsidiaries.

Unencumbered liquid assets by entity(1)

(in millions of dollars)	As at March 31, 2022	As at December 31, 2021
Federation	**$ 30,033**	$ 30,934
Caisse network	**17,207**	15,638
Other entities	**2,962**	2,059
Total	**$ 50,202**	$ 48,631

(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, 2022

(in millions of dollars)	Combined Balance Sheet assets	Securities held as collateral	Total assets	Breakdown of total assets – Encumbered assets – Pledged as collateral	Breakdown of total assets – Encumbered assets – Other[(1)]	Breakdown of total assets – Unencumbered assets – Available as collateral	Breakdown of total assets – Unencumbered assets – Other[(2)]
Cash and deposits with financial institutions	**$ 13,728**	**$ —**	**$ 13,728**	**$ —**	**$ 612**	**$ 11,872**	**$ 1,244**
Securities	**88,977**	**21,964**	**110,941**	**45,803**	**1,377**	**33,006**	**30,755**
Securities borrowed or purchased under reverse repurchase agreements	**14,686**	**—**	**14,686**	**—**	**—**	**—**	**14,686**
Net loans and acceptances	**233,614**	**—**	**233,614**	**25,738**	**—**	**68,903**	**138,973**
Segregated fund net assets	**21,848**	**—**	**21,848**	**—**	**—**	**—**	**21,848**
Other assets	**24,283**	**—**	**24,283**	**—**	**—**	**—**	**24,283**
Total	**$ 397,136**	**$ 21,964**	**$ 419,100**	**$ 71,541**	**$ 1,989**	**$ 113,781**	**$ 231,789**

As at December 31, 2021

(in millions of dollars)	Combined Balance Sheet assets	Securities held as collateral	Total assets	Breakdown of total assets – Encumbered assets – Pledged as collateral	Breakdown of total assets – Encumbered assets – Other[(1)]	Breakdown of total assets – Unencumbered assets – Available as collateral	Breakdown of total assets – Unencumbered assets – Other[(2)]
Cash and deposits with financial institutions	$ 16,328	$ —	$ 16,328	$ —	$ 535	$ 14,715	$ 1,078
Securities	93,099	17,968	111,067	46,436	1,315	29,482	33,834
Securities borrowed or purchased under reverse repurchase agreements	12,019	—	12,019	—	—	—	12,019
Net loans and acceptances	230,779	—	230,779	26,304	—	63,954	140,521
Segregated fund net assets	22,804	—	22,804	—	—	—	22,804
Other assets	22,056	—	22,056	—	—	—	22,056
Total	$ 397,085	$ 17,968	$ 415,053	$ 72,740	$ 1,850	$ 108,151	$ 232,312

(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. Some of these other assets could eventually be assigned to the central bank as collateral.

Liquidity coverage ratio

The liquidity coverage ratio (LCR) was developed by the BCBS to promote the short-term resilience of the liquidity risk profile of financial institutions, and incorporated into the *Liquidity Adequacy Guideline* issued by the AMF. The LCR is the ratio of a stock of unencumbered high-quality liquid assets (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 qualifying for the purpose of calculating the LCR consist of assets that can be converted quickly into cash at little or no loss of value on financial markets. For Desjardins Group, such high-quality liquid assets are comprised 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.

Desjardins Group’s average LCR was 134% for the quarter ended March 31, 2022, compared to 140% for the previous quarter. The AMF stipulates that this ratio is not to be less than the minimum requirements of 100% in the absence of stressed conditions. This ratio is proactively managed by Desjardins Group’s Treasury, and an appropriate level of high-quality liquid assets is maintained for adequate coverage of the theoretical cash outflows associated with the standardized crisis scenario within the Basel III framework. Desjardins Group’s main sources of theoretical cash outflows are a potential serious run on 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.

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

Liquidity coverage ratio(1)

(in millions of dollars and as a percentage)	For the quarter ended March 31, 2022		For the quarter ended December 31, 2021
	Total non-weighted value(2) (average(4))	**Total weighted value(3) (average(4))**	Total weighted value(3) (average(4))
High-quality liquid assets			
Total high-quality liquid assets	**N/A**	**$ 40,897**	$ 44,895
Cash outflows			
Retail deposits and small business deposits, including:	**$ 104,758**	**6,906**	6,792
Stable deposits	**51,001**	**1,530**	1,495
Less stable deposits	**53,757**	**5,376**	5,297
Unsecured wholesale funding, including:	**38,025**	**17,777**	19,619
Operational deposits (all counterparties) and deposits in cooperative bank networks	**11,605**	**2,780**	2,703
Non-operational deposits (all counterparties)	**19,373**	**7,950**	8,436
Unsecured debt	**7,047**	**7,047**	8,480
Secured wholesale funding	**N/A**	**97**	156
Additional requirements, including:	**15,018**	**2,965**	3,142
Outflows related to exposures on derivatives and other collateral required	**1,037**	**919**	1,133
Outflows related to funding loss on debt products	**121**	**121**	123
Credit and liquidity facilities	**13,860**	**1,925**	1,886
Other contractual funding liabilities	**4,316**	**2,655**	2,019
Other contingent funding liabilities	**98,628**	**2,477**	2,513
Total cash outflows	**N/A**	**$ 32,877**	$ 34,241
Cash inflows			
Secured loans (e.g. reverse repurchase agreements)	**$ 6,149**	**$ 514**	$ 363
Inflows related to completely effective exposures	**3,323**	**1,661**	1,805
Other cash inflows	**52**	**52**	—
Total cash inflows	**$ 9,524**	**$ 2,227**	$ 2,168

	Total adjusted value(5)	Total adjusted value(5)
Total high-quality liquid assets	**$ 40,897**	$ 44,895
Total net cash outflows	**30,650**	32,073
Liquidity coverage ratio	**134 %**	140 %

(1) Excluding the insurance subsidiaries.
(2) The non-weighted values of cash inflows and outflows represent unpaid balances either maturing or falling due and payable within 30 days.
(3) 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 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 BCBS to promote the medium- and long-term resilience of the liquidity risk profile of financial institutions, and incorporated into the AMF's *Liquidity Adequacy Guideline*. The NSFR requires financial institutions to maintain a stable funding and capitalization profile in relation to the composition of their assets and off-balance sheet activities. This ratio 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). 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. According to the AMF's *Liquidity Adequacy Guideline*, this ratio should be equal to at least 100% on an on-going basis.

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

Net Stable Funding Ratio(1)

(in millions of dollars and as a percentage)	As at March 31, 2022					As at December 31, 2021
	Unweighted value by residual maturity					
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value	Weighted value
Available Stable Funding (ASF) item						
Capital	$ 32,215	$ —	$ —	$ —	$ 32,215	$ 32,567
Regulatory capital	32,215	—	—	—	32,215	32,567
Other capital instruments	—	—	—	—	—	—
Retail deposits and deposits from small business customers	81,233	45,655	12,787	30,138	157,920	156,057
Stable deposits	46,172	7,555	4,306	9,653	64,785	64,427
Less stable deposits	35,061	38,100	8,481	20,485	93,135	91,630
Wholesale funding	28,302	43,649	1,737	16,147	31,634	29,110
Operational deposits	10,940	—	—	—	5,470	4,354
Other wholesale funding	17,362	43,649	1,737	16,147	26,164	24,756
Liabilities with matching interdependent assets	—	869	845	10,824	—	—
Other liabilities	20,362	10,017	6,171	—	—	—
NSFR derivative liabilities	N/A	—	6,171	—	N/A	N/A
All other liabilities and equity not included in the above	20,362	10,017	—	—	—	—
Total ASF	N/A	N/A	N/A	N/A	$ 221,769	$ 217,734
Required Stable Funding (RSF) item						
Total NSFR high-quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	$ 767	$ 750
Deposits held by other financial institutions for operational	$ —	$ —	$ —	$ —	—	—
Performing loans and securities	19,472	40,920	18,076	158,150	153,180	150,387
Performing loans to financial institutions secured by Level 1	—	12,493	—	—	625	518
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	—	2,685	—	476	744	591
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:	13,792	19,944	9,824	54,656	70,573	69,244
Loans with a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	—	6,621	5,816	12,463	8,101	7,866
Performing residential mortgages, of which:	5,655	4,619	7,559	100,933	78,510	77,491
Loans with a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	5,655	4,619	7,559	100,933	78,510	77,491
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	25	1,179	693	2,085	2,728	2,543
Assets with matching interdependent liabilities	—	869	845	10,824	—	—
Other assets(2)	—	—	26,711	—	15,550	14,426
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	—	570	—	484	388
NSFR derivative assets(2)	N/A	—	5,213	—	309	274
NSFR derivative liabilities before deduction of variation margin posted(2)	N/A	—	6,171	—	—	—
All other assets not included in the above categories	—	11	4	14,742	14,757	13,764
Off-balance sheet items	N/A	—	111,955	—	2,667	2,688
Total RSF	N/A	N/A	N/A	N/A	$ 172,164	$ 168,251
Net Stable Funding Ratio	N/A	N/A	N/A	N/A	129 %	129 %

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

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 $242.7 billion as at March 31, 2022, up $4.3 billion since December 31, 2021. 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 2022, 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, 2022

	Maximum authorized amount
Medium-term notes (Canadian)(1)	$10 billion
Covered bonds (multi-currency)	$26 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) Includes the sustainable bonds program.

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

Remaining contractual term to maturity of wholesale funding

	As at March 31, 2022								As at December 31, 2021
(in millions of dollars)	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	$ 1,508	$ 1,059	$ 10	$ 27	$ 2,604	$ —	$ —	$ 2,604	$ 2,414
Commercial paper	3,155	3,358	670	840	8,023	—	—	8,023	10,270
Medium-term notes	—	—	1,296	—	1,296	798	5,273	7,367	8,414
Mortgage loan securitization	—	479	389	844	1,712	2,283	8,511	12,506	12,431
Covered bonds	488	490	1,250	—	2,228	3,008	4,055	9,291	8,460
Subordinated notes	—	—	—	—	—	—	1,952	1,952	1,960
Total	$ 5,151	$ 5,386	$ 3,615	$ 1,711	$ 15,863	$ 6,089	$ 19,791	$ 41,743	$ 43,949
Including:									
Secured	$ 488	$ 969	$ 1,638	$ 844	$ 3,939	$ 5,291	$ 14,518	$ 23,748	$ 22,851
Unsecured	4,663	4,417	1,977	867	11,924	798	5,273	17,995	21,098

Desjardins Group's total wholesale funding presented in the table above was carried out by the Federation. Total wholesale funding decreased by $2.2 billion compared to December 31, 2021. This drop was mainly due to the decline in commercial paper and medium-term notes, partly offset by the increase in covered bonds. Desjardins Group does not foresee any event, commitment or requirement that could have a major impact on its ability to raise funds through wholesale funding or its members' 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, 2022		As at December 31, 2021	
Canadian dollars	**$ 21,960**	**52.7 %**	$ 22,767	51.8 %
U.S. dollars	**14,046**	**33.6**	14,167	32.2
Other	**5,737**	**13.7**	7,015	16.0
Total	**$ 41,743**	**100.0 %**	$ 43,949	100.0 %

Moreover, the Federation participated in new issues under the NHA Mortgage-Backed Securities Program for a total amount of $460 million in the first three months of 2022. On February 8, 2022, the Federation also made an issue totalling 750 million euros under its legislative covered bond program.

Outstanding notes issued under the Federation's medium-term funding programs amounted to $29.2 billion as at March 31, 2022, compared to $29.3 billion as at December 31, 2021. The outstanding notes for these issues are presented under "Deposits – Business and government" on the Combined Balance Sheets.

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

Credit ratings of securities issued and outstanding

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

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

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

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				
Counterparty/Deposits(1)	**AA**	**AA**	**Aa1**	**A+**
Short-term debt	**R-1 (high)**	**F1+**	**P-1**	**A-1**
Medium- and long-term debt, existing senior(2)	**AA**	**AA**	**Aa2**	**A+**
Medium- and long-term debt, senior(3)	**AA (low)**	**AA-**	**A1**	**A-**
NVCC subordinated notes	**A (low)**	**A**	**A2**	**BBB+**
Covered bonds	**—**	**AAA**	**Aaa**	**—**
Outlook	**Stable**	**Stable**	**Stable**	**Stable**

(1) Represents Moody's long-term deposit rating and counterparty risk rating, S&P's issuer credit rating, DBRS's long-term deposit rating, and Fitch's long-term issuer default rating, long-term deposit rating and derivative counterparty rating.
(2) Includes senior medium- and long-term debt issued before March 31, 2019, as well as senior medium- and long-term debt issued on or after this date and which is excluded from the internal recapitalization (bail-in) regime applicable to Desjardins Group.
(3) Includes senior medium- and long-term debt issued on or after March 31, 2019, which qualifies for the internal recapitalization (bail-in) regime applicable to Desjardins Group.

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

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 funding 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, 2022

(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	$ 13,221	$ 507	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 13,728
Securities										
Securities at fair value through profit or loss[1]	317	454	620	873	964	1,874	6,430	19,057	5,820	36,409
Securities at fair value through other comprehensive income[1]	761	396	670	1,083	768	6,204	24,448	18,116	72	52,518
Securities at amortized cost	—	1	1	—	—	2	4	42	—	50
Securities borrowed or purchased under reverse repurchase agreements	13,317	541	828	—	—	—	—	—	—	14,686
Loans										
Residential mortgages[2]	2,491	3,263	5,390	6,680	6,186	21,620	89,620	9,419	6,825	151,494
Consumer, credit card and other personal loans[2]	64	93	210	245	284	1,328	5,216	7,799	8,857	24,096
Business and government[2]	12,862	6,146	4,929	5,558	4,720	4,729	11,191	2,428	6,320	58,883
Allowance for credit losses	—	—	—	—	—	—	—	—	(947)	(947)
Segregated fund net assets	—	—	—	—	—	—	—	—	21,848	21,848
Client's liability under acceptances	37	41	10	—	—	—	—	—	—	88
Premiums receivable	170	65	14	2	—	—	—	—	2,397	2,648
Derivative financial instruments	256	284	227	406	284	1,604	2,022	210	—	5,293
Amounts receivable from clients, brokers and financial institutions	3,369	8	—	—	—	—	—	—	1,457	4,834
Reinsurance assets	26	46	56	50	50	126	254	972	—	1,580
Right-of-use assets	—	—	—	—	—	—	—	—	553	553
Investment property	—	—	—	—	—	—	—	—	929	929
Property, plant and equipment	—	—	—	—	—	—	—	—	1,514	1,514
Goodwill	—	—	—	—	—	—	—	—	157	157
Intangible assets	—	—	—	—	—	—	—	—	506	506
Investments in companies accounted for using the equity method	—	—	—	—	—	—	—	—	1,394	1,394
Net defined benefits plan assets	—	—	—	—	—	—	—	—	673	673
Deferred tax assets	—	—	—	—	—	—	—	—	851	851
Other assets	680	493	142	9	117	21	48	10	1,831	3,351
Total assets	$ 47,571	$ 12,338	$ 13,097	$ 14,906	$ 13,373	$ 37,508	$139,233	$ 58,053	$ 61,057	$ 397,136

See page 51 for footnotes.

Residual contractual maturities of on-balance sheet items and off-balance sheet commitments (continued)

As at March 31, 2022

(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)	$ 8,520	$ 5,518	$ 4,924	$ 7,309	$ 4,528	$ 14,617	$ 15,019	$ 268	$ 77,387	$ 138,090
Business and government(3)	6,972	5,848	4,149	2,214	1,059	7,358	15,071	4,150	56,765	103,586
Deposit-taking institutions(3)	556	1	3	2	2	4	4	—	444	1,016
Acceptances	37	41	10	—	—	—	—	—	—	88
Commitments related to securities sold short(4)	569	661	86	176	95	1,384	2,475	5,477	7	10,930
Commitments related to securities lent or sold under repurchase agreements	28,854	159	—	—	—	—	—	—	—	29,013
Derivative financial instruments	181	149	515	208	355	1,891	2,591	371	—	6,261
Amounts payable to clients, brokers and financial institutions	3,449	1	—	—	—	—	—	—	6,683	10,133
Lease liabilities	6	12	18	18	17	68	178	295	8	620
Insurance contract liabilities	454	789	1,000	899	919	2,258	4,644	18,613	2,856	32,432
Segregated fund net liabilities	—	—	—	—	—	—	—	—	21,847	21,847
Net defined benefit plan liabilities	—	—	—	—	—	—	—	—	757	757
Deferred tax liabilities	—	—	—	—	—	—	—	—	226	226
Other liabilities	3,083	671	100	69	196	297	99	32	2,454	7,001
Subordinated notes	—	—	—	—	—	—	12	1,940	—	1,952
Total equity	—	—	—	—	—	—	—	—	33,184	33,184
Total liabilities and equity	$ 52,681	$ 13,850	$ 10,805	$ 10,895	$ 7,171	$ 27,877	$ 40,093	$ 31,146	$ 202,618	$ 397,136
Off-balance sheet commitments										
Credit commitments(5)	$ 1,048	$ 601	$ 1,029	$ 509	$ 320	$ 3,302	$ 10,287	$ 123	$ 106,761	$ 123,980
Indemnification commitments related to securities lending	—	—	—	—	—	—	—	—	2,152	2,152
Documentary letters of credit	3	7	2	3	1	—	—	—	1	17
Guarantees and standby letters of credit	110	387	358	298	201	36	34	43	9	1,476
Credit default swaps	—	—	—	—	—	—	—	388	—	388

See page 51 for footnotes.

Residual contractual maturities of on-balance sheet items and off-balance sheet commitments (continued)
As at December 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	$ 15,867	$ 461	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 16,328
Securities										
Securities at fair value through profit or loss[1]	60	591	1,196	319	1,105	1,726	5,933	22,649	6,193	39,772
Securities at fair value through other comprehensive income[1]	403	665	265	683	1,147	7,353	24,363	18,335	72	53,286
Securities at amortized cost	—	—	1	1	—	1	4	34	—	41
Securities borrowed or purchased under reverse repurchase agreements	10,859	1,103	57	—	—	—	—	—	—	12,019
Loans										
Residential mortgages[2]	2,688	3,460	6,964	6,040	7,046	20,561	86,855	9,318	6,763	149,695
Consumer, credit card and other personal loans[2]	61	89	186	253	308	1,375	5,450	7,730	8,934	24,386
Business and government[2]	12,516	5,665	5,399	4,880	5,341	4,735	10,774	2,527	5,563	57,400
Allowance for credit losses	—	—	—	—	—	—	—	—	(970)	(970)
Segregated fund net assets	—	—	—	—	—	—	—	—	22,804	22,804
Clients' liability under acceptances	233	35	—	—	—	—	—	—	—	268
Premiums receivable	169	64	14	2	—	—	—	—	2,590	2,839
Derivative financial instruments	238	206	421	204	381	1,879	2,207	292	—	5,828
Amounts receivable from clients, brokers and financial institutions	1,769	3	—	—	—	—	—	—	785	2,557
Reinsurance assets	27	48	58	50	47	124	255	973	—	1,582
Right-of-use assets	—	—	—	—	—	—	—	—	530	530
Investment property	—	—	—	—	—	—	—	—	926	926
Property, plant and equipment	—	—	—	—	—	—	—	—	1,531	1,531
Goodwill	—	—	—	—	—	—	—	—	157	157
Intangible assets	—	—	—	—	—	—	—	—	497	497
Investments in companies accounted for using the equity method	—	—	—	—	—	—	—	—	1,380	1,380
Net defined benefits plan assets[6]	—	—	—	—	—	—	—	—	62	62
Deferred tax assets	—	—	—	—	—	—	—	—	789	789
Other assets[6]	710	362	185	13	20	21	50	12	2,005	3,378
Total assets	$ 45,600	$ 12,752	$ 14,746	$ 12,445	$ 15,395	$ 37,775	$ 135,891	$ 61,870	$ 60,611	$ 397,085

See page 51 for footnotes.

Residual contractual maturities of on-balance sheet items and off-balance sheet commitments (continued)
As at December 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)	$ 4,858	$ 4,425	$ 10,317	$ 4,962	$ 7,389	$ 14,429	$ 13,352	$ 390	$ 76,210	$ 136,332
Business and government(3)	7,622	8,001	2,366	3,411	1,597	6,334	15,431	3,823	53,059	101,644
Deposit-taking institutions(3)	20	1	1	3	2	5	4	—	343	379
Acceptances	233	35	—	—	—	—	—	—	—	268
Commitments related to securities sold short(4)	147	536	133	40	8	1,240	2,637	6,597	4	11,342
Commitments related to securities lent or sold under repurchase agreements	31,177	—	—	—	—	—	—	—	—	31,177
Derivative financial instruments	155	187	377	260	348	1,822	2,198	153	—	5,500
Amounts payable to clients, brokers and financial institutions	1,040	2	—	—	—	—	—	—	6,896	7,938
Lease liabilities	6	10	16	15	15	60	162	303	9	596
Insurance contract liabilities	462	807	1,036	911	856	2,219	4,681	20,728	3,062	34,762
Segregated fund net liabilities	—	—	—	—	—	—	—	—	22,796	22,796
Net defined benefit plan liabilities	—	—	—	—	—	—	—	—	1,048	1,048
Deferred tax liabilities	—	—	—	—	—	—	—	—	301	301
Other liabilities	2,933	1,013	677	57	52	149	109	29	2,497	7,516
Subordinated notes	—	—	—	—	—	—	—	1,960	—	1,960
Total equity	—	—	—	—	—	—	—	—	33,526	33,526
Total liabilities and equity	$ 48,653	$ 15,017	$ 14,923	$ 9,659	$ 10,267	$ 26,258	$ 38,574	$ 33,983	$ 199,751	$ 397,085
Off-balance sheet commitments										
Credit commitments(5)	$ 744	$ 81	$ 739	$ 1,002	$ 742	$ 2,596	$ 10,408	$ 126	$ 111,022	$ 127,460
Indemnification commitments related to securities lending	—	—	—	—	—	—	—	—	2,382	2,382
Documentary letters of credit	7	2	6	1	2	—	—	—	—	18
Guarantees and standby letters of credit	219	224	337	303	200	25	34	41	17	1,400
Credit default swaps	—	—	—	—	—	—	645	—	—	645

(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.
(6) The data as at December 31, 2021 were reclassified to conform to the current year’s presentation.

ADDITIONAL INFORMATION

CONTROLS AND PROCEDURES

During the three-month period ended March 31, 2022, 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 page 104 of Desjardins Group's 2021 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, 2021.

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, "Significant accounting policies", to Desjardins Group's Annual Combined Financial Statements on pages 136 to 155 of the 2021 Annual Report.

Some of these policies are of particular importance in presenting Desjardins Group's financial position and operating results because they require management to make judgments as well as estimates and assumptions that 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 105 to 111 of the 2021 annual MD&A. There was no material change made to these accounting policies during the first three months of 2022. However, the COVID-19 pandemic situation continues to result in 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, 2022. 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, 2021 are described in Note 2, "Significant accounting policies", to Desjardins Group's Annual Combined Financial Statements, on page 155 of the 2021 Annual Report. The IASB did not issue any new accounting standards or any new amendments to any existing standards during the three-month period ended March 31, 2022 that would have a significant impact on Desjardins Group's financial statements.

Update – IFRS 17, "Insurance contracts"

The progress made in the work to implement IFRS 17 has allowed Desjardins Group to conclude on certain elections and requirements set out in the standard.

At the date of transition, Desjardins Group will apply the requirements in IFRS 17 on a retrospective basis for groups of short-term contracts while it will apply the fair value approach for virtually all groups of long-term contracts. In addition, the general model, the premium allocation approach and the variable fee approach will be used to measure and recognize insurance contracts.

The requirements in IFRS 17 allow reassessing the designation or classification of financial assets related to insurance operations accounted for under IFRS 9 at the date of initial application of IFRS 17. Desjardins Group elected not to restate the comparative figures in its Combined Financial Statements to reflect the changes in designation or classification of these financial assets that would be made as at January 1, 2023.

Desjardins Group continues to assess the impact of adopting this standard, which will apply to annual periods beginning on January 1, 2023.

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 compared to that of Desjardins Group is presented in the table below.

CDO financial information

	As at March 31, 2022			As at December 31, 2021		
(in millions of dollars and as a percentage)	**CDO**	**Desjardins Group Combined Balance Sheets**	**%**	CDO	Desjardins Group Combined Balance Sheets	%
Total assets	**$ 10,064**	**$ 397,136**	**2.5 %**	$ 9,864	$ 397,085	2.5 %
Total liabilities	**9,218**	**363,952**	**2.5**	9,047	363,559	2.5
Total equity	**846**	**33,184**	**2.5**	817	33,526	2.4

	For the three-month periods ended								
	March 31, 2022			December 31, 2021			March 31, 2021		
(in millions of dollars and as a percentage)	**CDO**	**Desjardins Group Combined Statements of Income**	**%**	CDO	Desjardins Group Combined Statements of Income	%	CDO	Desjardins Group Combined Statements of Income	%
Total income	**$ 102**	**$ 2,867**	**3.6 %**	$ 61	$ 6,371	1.0 %	$ 78	$ 3,035	2.6 %
Surplus earnings before member dividends	**48**	**519**	**9.2**	31	393	7.9	41	798	5.1
Net surplus earnings for the period after member dividends	**46**	**444**	**10.4**	28	307	9.1	38	732	5.2

Glossary

Acceptance
Short-term debt security traded on the money market, guaranteed by a financial institution for a borrower in exchange for a stamping fee.

Actuarial liabilities
Amounts which, together with estimated future premiums and net investment income, will provide for all the life and health insurance subsidiaries' commitments regarding estimated future benefits, contract holder dividends and related expenses.

Allowance for credit losses
The loss allowance for expected credit losses reflects an unbiased amount, based on a probability-weighted present value of cash flow shortfalls, and takes into account reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

Amortized cost
For a financial asset or a financial liability, represents the historical cost at initial recognition, decreased or increased by amortization and any differences that made it fluctuate from initial recognition to maturity.

Annuity premium
Amount invested by a policyholder in order to receive annuity payments, immediately or after an accumulation period.

Assets under administration
Assets administered by a financial institution that are beneficially owned by its members or clients and are therefore not recognized on its Combined Balance Sheet. Services provided in respect of such assets are administrative in nature, such as custodial services, collection of investment income and settlement of buy and sell transactions.

Assets under management
Assets managed by a financial institution that are beneficially owned by its members or clients and are therefore not recognized on its Combined Balance Sheet. Services provided in respect of assets under management include selecting investments and offering investment advice. Assets under management may also be administered by the financial institution. In such case, they are included in assets under administration.

***Autorité des marchés financiers* (AMF)**
Organization whose mission is to enforce the laws governing the financial industry in Québec, particularly in the areas of insurance, securities, deposit-taking institutions and financial product and service distribution.

Average assets
Average of assets presented in the Combined Financial Statements at the end of the quarters calculated from the quarter preceding the relevant period.

Average deposits
Average of deposits presented in the Combined Financial Statements at the end of the quarters calculated from the quarter preceding the relevant period.

Average equity before non-controlling interests
Average of equity before non-controlling interests presented in the Combined Financial Statements at the end of the quarters calculated from the quarter preceding the relevant period.

Average gross loans and acceptances
Average of loans, including clients' liability under acceptances, presented in the Combined Financial Statements at the end of the quarters calculated from the quarter preceding the relevant period.

Average net loans and acceptances
Average of loans, including clients' liability under acceptances, net of the allowance for credit losses presented in the Combined Financial Statements at the end of the quarters calculated from the quarter preceding the relevant period.

Basis point
Unit of measure equal to one one-hundredth of a percent (0.01%).

Bond
Certificate evidencing a debt under which the issuer promises to pay the holder a specified amount of interest for a specified period of time, and to repay the borrowing at maturity. Generally, assets are pledged as security for the borrowing, except in the case of government or corporate bonds. This term is often used to describe any debt security.

Capital ratios
Ratio determined by dividing regulatory capital by risk-weighted assets. These measures are defined in the guideline on adequacy of capital base standards applicable to financial services cooperatives issued by the AMF.

Capital share
Equity security offered to Desjardins caisse members.

Catastrophe and notable event
- Catastrophe
  In property and casualty insurance, group of claims caused by one or multiple close events arising from, among others, natural or other than natural causes, for which the cost is deemed significant since it reaches a minimum threshold, established annually Desjardins Group’s management, for the reinsurance program retention.
  - Natural catastrophes can take many forms and include, but are not limited to, hurricanes, tornados, windstorms, hailstorms, heavy rainfalls, ice storms, floods, extreme weather conditions and wildfires.
  - Catastrophes other than natural catastrophes include, but are not limited to, terrorist acts, riots, explosions, crashes, train wrecks, large-scale cyber attacks.
- Notable event
  In property and casualty insurance, group of claims caused by one or multiple close events arising from, among others, natural or other than natural causes, for which the impact on the loss ratio and claims frequency is deemed significant by Desjardins Group’s management.

Commitment
- Direct commitment
  Any agreement entered into by a Desjardins Group component with a natural or legal person creating a on- or off-balance sheet exposure, either disbursed or non-disbursed, revocable or irrevocable, with or without condition, that may lead to losses for the component if the debtor is unable to meet its obligations.
- Indirect commitment
  Any financial receivable creating a credit exposure that is acquired by a Desjardins Group component in connection with a purchase on the market or the delivery of a financial asset pledged as collateral by a client or a counterparty, whose value may change in particular as a result of the deterioration of the creditworthiness of the counterparty associated to this receivable or changes in market prices.

Counterparty and issuer risk
Credit risk related to different types of securities, derivative financial instruments and securities lending transactions.

Covered bond
Full recourse on-balance sheet bond issued by a financial institution and secured by assets, comprised mainly of mortgage loans, over which investors enjoy a priority claim in the event of an issuer’s insolvency or bankruptcy. These assets are separated from the issuer’s assets in the event of the issuer’s insolvency or bankruptcy and belong to a bankruptcy remote structured entity that guarantees the bond.

Credit commitment
Unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit, whose primary purpose is to ensure that members and clients have funds available, when necessary, for variable maturity terms and under specific conditions.

Credit instrument
Credit facility offered in the form of a loan or other financing vehicle recognized in the Combined Balance Sheets or in the form of an off-balance sheet product. Credit instruments include credit commitments, documentary letters of credit as well as guarantees and standby letters of credit.

Credit loss provisioning rate
Provision for credit losses expressed as a percentage of average gross loans and acceptances.

Credit risk
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.

Credit valuation adjustment
Adjustment representing the market value of a potential loss on over-the-counter derivatives due to counterparty and issuer risk.

Defined benefit pension plan
Pension plan guaranteeing each participant a defined level of retirement income that is often based on a formula set by the plan in terms of the participant’s salary and years of service.

Derivative financial instrument, or derivative
Financial contract whose value fluctuates based on an underlying asset, but that does not require holding or delivering the underlying asset itself. Derivatives are used to transfer, modify or reduce current or expected risks, including risks related to interest and exchange rates and financial indexes.

Desjardins Group (Desjardins) component
Cooperative or subsidiary that is part of Desjardins Group.

Documentary letter of credit
Instrument issued for a member or a client that represents Desjardins Group's agreement to honour drafts presented by a third party upon completion of certain activities, up to a set maximum amount. Desjardins Group is exposed to the risk that the client does not ultimately pay the amount of the drafts. However, the amounts used are secured by the related goods.

Economic capital

Amount of capital that an institution must maintain, in addition to anticipated losses, to ensure its solvency over a certain horizon and at a high confidence level.

Effective interest rate

Rate determined by discounting total future cash flows, including those related to commissions paid or received, premiums or discounts and transaction costs.

Effective tax rate

Income tax expense on surplus earnings expressed as a percentage of operating surplus earnings.

Environmental or social risk

Risk that the impact of an environmental or social event or issue in connection with Desjardins Group's operations or its financing, investing or insurance activities could result in financial losses or damage Desjardins Group's reputation.

Exposure at default (EAD)

Estimate of the amount of a given exposure at time of default. For balance sheet exposures, it corresponds to the balance as at observation time. For off-balance sheet exposures, it includes an estimate of additional draws that may be made between observation time and default.

Fair value

Price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at the measurement date.

Fair value measurement

Measurement to determine the approximate value at which financial instruments could be traded in a current transaction between willing parties.

Foreign exchange risk

Risk corresponding to the potential loss arising from a change in the market value of on-balance sheet financial instruments (spot products) and off-balance sheet financial instruments (forward products) as a result of a change in exchange rates.

Forward contract

Contractual commitment to sell or purchase a determined quantity of a specified underlying asset on a future specified date and at a predetermined price. These contracts, which are derivatives, are tailored and traded over the counter.

Forward exchange contract

Contractual commitment to sell or purchase a fixed amount of foreign currency on a specified future date and at a predetermined exchange rate.

Futures contract

Contractual commitment to sell or purchase a determined quantity of a specified underlying asset on a future specified date and at a predetermined price. These contracts, which are derivatives, are standardized and exchange-traded.

Gross credit-impaired loan

A financial asset is credit impaired when one or more events that have a detrimental impact on the futur estimated cash flows of that financial asset have occurred. A financial asset is therefore considered credit-impaired when it is in default, unless the detrimental impact on the estimated future cash flows is considered insignificant. The definition of default is associated with an instrument for which contractual payments are 90 days past due, in addition to certain other criteria.

Gross credit-impaired loans/gross loans and acceptances

Gross credit-impaired loans expressed as a percentage to total gross loans and acceptances.

Gross premiums written

In property and casualty insurance, the premiums stipulated in insurance policies issued during the year. In life and health insurance, insurance or annuity premiums for the policies or certificates issued during the year.

Group insurance premium

Payment that the insurance policyholder is required to make to maintain the contract in force. This payment represents the cost of insurance. The premium is directly proportional to the number of insured persons and the coverage chosen by the policyholder.

Guarantee and standby letter of credit

Irrevocable commitment by a financial institution to make payments in the event that a member or client cannot meet financial obligations to third parties. Desjardins Group's policy with respect to collateral received for these instruments is generally the same as for loans.

Hedge fund

Investment fund offered to accredited investors. A hedge fund manager enjoys great latitude with respect to the investment strategies to be used, which may include selling short, leverage, program trading, swaps, arbitrage and derivatives.

Hedging

Transaction designed to reduce or offset Desjardins Group's exposure to one or more financial risks that involves taking a position exposed to effects that are equivalent, but of opposite direction, to the effects of market fluctuations on an existing or forecasted position.

Incremental risk charge (IRC)
Additional capital charge related to default and migration risks of positions with issuer risk in trading portfolios.

Indemnification commitment related to securities lending
Commitment made to members and clients with whom Desjardins Group entered into securities lending agreements and intended to ensure that the fair value of the securities lent will be reimbursed if the borrower does not return the borrowed securities or if the fair value of assets held as collateral is insufficient to cover the fair value of the securities lent. These commitments usually mature before being used.

Individual insurance premium
Payment that the insurance policyholder is required to make to maintain the contract in force. This payment represents the cost of insurance and can sometimes include a savings component. The cost of insurance portion of the premium is directly proportional to the amount of risk underwritten by the insurer.

Insurance contract liabilities
Provision representing the amount of an insurance company's commitments toward all insureds and beneficiaries, established to guarantee the payment of benefits.

Insurance premium
Payment that the insurance policyholder is required to make to maintain the contract in force. This payment represents the cost of insurance and can sometimes include a savings component. The premium is directly proportional to the amount of risk underwritten by the insurer.

Insurance risk
Risk that events may turn out differently from the assumptions used when designing, pricing or measuring actuarial reserves for insurance products, and that profitability of these products may be affected.

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

Internal Model Method
Approach used to calculate, with internal models, risk-weighted assets for the four areas of market risk: interest rate risk, equity price risk, foreign exchange risk and commodity risk. The calculation is based on different risk measures, such as Value at Risk, stressed Value at Risk and the incremental risk charge (IRC).

Internal Ratings-Based Approach
Approach under which risk weighing is based on the type of counterparty (individuals, small or medium-sized business, large corporation, etc.) and risk-weighting factors determined using internal parameters: the borrower's probability of default, loss given default, applicable maturity and exposure at default.

Large loss
In property and casualty insurance, single claim having a significant cost.

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

Leverage ratio
Ratio determined by dividing the capital measure, which is Tier 1 capital, by the exposure measure. The exposure measure includes:
– on-balance sheet exposures;
– securities financing transaction exposures;
– derivative exposures; and
– off-balance sheet items.

Liquidity coverage ratio
Ratio determined by dividing the stock of unencumbered HQLA by the amount of net cash outflows for the next 30 days assuming an acute liquidity stress scenario.

Liquidity risk
Risk related 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.

Loss given default (LGD)
Economic loss that may be incurred should the borrower default, expressed as a percentage of exposure at default.

Market risk
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.

Master netting agreement
Standard agreement developed to reduce the credit risk of multiple derivative transactions by creating a legal right to set off the obligations of a counterparty in the event of default.

Matching
Process of adjusting asset, liability and off-balance sheet item maturities in order to reduce risks related to interest or exchange rates and financial indexes. Matching is used in asset/liability management.

Member dividend
As a cooperative financial group, Desjardins Group distributes to its members a portion of its surplus earnings for a given year, taking into account its financial capacity. This distribution, called member dividend, is paid by the caisses and tailored to each member based on the use they make of their cooperative's financial services.

Morbidity rate
Probability that a person of a given age will suffer an illness or disability. The accident/health insurance premium paid by a person belonging to a particular age group is based on this group's morbidity rate.

Mortality rate
Rate of death in a particular group of persons. The life insurance premium paid by a person belonging to a particular age group is based on this group's mortality rate.

Mortgage-backed security
Security created through the securitization of a pool of residential mortgage loans under the *National Housing Act*.

Net interest income
Difference between what a financial institution receives on assets such as loans and securities and what it pays out on liabilities such as deposits and subordinated bonds.

Net premiums
In property and casualty insurance, premiums earned for a given period, net of reinsurance premiums. In life and health insurance, comprise insurance premiums and annuity premiums, net of reinsurance premiums.

Net sales of savings products
Metric used to measure growth in Wealth Management and Life and Health Insurance segment operations. It is equal to sales of group and individual savings products manufactured and distributed by segment entities, and is comprised of on- or off-balance sheet deposits, less redemptions.

Net stable funding ratio
Ratio determined by dividing available stable funding, designated by capital and liabilities, by required stable funding, designated by assets.

Notional amount
Reference amount used to calculate payments for instruments such as forward rate agreements and interest rate swaps. This amount is called "notional" because it does not change hands.

NVCC subordinated notes
Securities that meet the non-viability contingent capital (NVCC) requirements set out in the guideline on adequacy of capital base standards applicable to financial services cooperatives issued by the AMF, in particular securities issued by the Federation with a clause providing for their automatic conversion into capital shares of the Federation upon the occurrence of a trigger event as defined in the guideline.

Off-balance sheet exposure
Includes guarantees, commitments, derivatives and other contractual agreements whose total notional amount may not recognized on the balance sheet.

Office of the Superintendent of Financial Institutions (OSFI)
Organization whose mission is to enforce all laws governing the financial industry in Canada, particularly as concerns banks, insurance companies, trust companies, loan companies, cooperative credit associations, fraternal companies and private pension plans subject to federal oversight.

Operational risk
Risk of inadequacy or failure attributable to processes, people, internal systems or external events and resulting in losses or failure to achieve objectives and takes into account the impact of failures on the achievement of the strategic objectives of the relevant component or Desjardins Group, as the case may be.

Option
Contractual agreement that grants the right, but not the obligation, to sell (put option) or to buy (call option) a specified amount of a financial instrument at a predetermined price (the exercise or strike price) on or before a specified date.

Other retail client exposures
In accordance with the regulatory capital framework, risk category that includes all loans granted to individuals except for exposures related to residential mortgage loans and qualifying revolving retail client exposures.

Pension plan

Contract under which participants receive retirement benefits under certain terms starting at a given age. A pension plan is funded through contributions made either by the employer alone or by both the employer and the participants.

Pension plan risk

Risk of loss resulting from pension plan commitments made by Desjardins Group for the benefit of its employees. This risk basically arises from rate, price, foreign exchange and longevity risks.

Price risk

Risk of potential loss resulting from a change in the market value of assets (shares, commodities, real estate properties, index-based assets) but not resulting from a change in interest or foreign exchange rates or in the credit quality of a counterparty.

Probability of default (PD)

Probability that a borrower defaults on his obligations over a period of one year.

Qualifying revolving retail client exposures

In accordance with the regulatory capital framework, risk category that includes credit card loans and unsecured credit margins granted to individuals.

Ratio of fringe benefits to total base compensation

Fringe benefits expressed as a percentage of salaries.

Regulatory capital

In accordance with the definition set out in the guideline on adequacy of capital base standards applicable to financial services cooperatives issued by the AMF, the regulatory capital under Basel III comprises Tier 1A capital, Tier 1 capital and Tier 2 capital. The composition of these various tiers is presented in the “Capital management” section of the Management's Discussion and Analysis.

Regulatory funds

Funds needed to cover unexpected losses, calculated according to parameters and methods prescribed by regulatory authorities.

Reinstatement premium

Premium payable to restore the original reinsurance coverage limit that has been reduced by the occurrence of a catastrophe. Reinstatement premiums are recognized in net premiums.

Reinsurance treaty

Agreement whereby one insurer assumes all or part of a risk undertaken by another insurer. Despite the treaty, the original insurer remains fully liable to its policyholders for the insurance obligations.

Repurchase agreement

Agreement involving both the sale of securities for cash and the repurchase of these securities for value at a later date. This type of agreement represents a form of short-term financing.

Reputation risk

Risk that a negative perception by the stakeholders, whether or not justified, of Desjardins Group's practices, actions or lack of action could have an unfavourable impact income and equity, and the trust that Desjardins Group inspires.

Return on equity

Return on equity is equal to surplus earnings before member dividends, excluding the non-controlling interests’ share, expressed as a percentage of average equity before non-controlling interests.

Reverse repurchase agreement

Agreement involving both the purchase of securities for cash and the sale of these securities for value at a later date. This type of agreement represents a form of short-term financing.

Risk-weighted assets

Assets adjusted based on a risk-weighting factor prescribed by regulations to reflect the level of risk associated with items presented in the Combined Balance Sheets. Some assets are not weighted, but rather deducted from capital. The calculation method is defined in the AMF guideline. For more details, see the “Capital management” section of the Management’s Discussion and Analysis.

Scaling factor

Adjustment representing 6.0% of assets valuated according to the Internal Ratings-Based Approach, applied to credit exposures in compliance with section 1.3 of the AMF guideline on the capital adequacy standards applicable to financial services cooperatives.

Securitization

Process by which financial assets, such as mortgage loans, are converted into asset-backed securities.

Security borrowed or purchased

Security typically borrowed or purchased to cover a short position. The borrowing or purchase usually requires that an asset, taking the form or cash or highly rated securities, be pledged as collateral by the borrower.

Security lent or sold
Security typically lent or sold to cover a short position of the borrower. The loan or sale usually requires that an asset, taking the form or cash or highly rated securities, be pledged as collateral by the borrower.

Security sold short
Commitment by a seller to sell a security it does not own. Typically, the seller initially borrows the security to deliver it to the purchaser. At a later date, the seller buys an identical security to replace the borrowed security.

Segregated fund
Type of fund offered by insurance companies through a variable contract that provides the contract holder with a number of guarantees, such as principal repayment upon death. Segregated funds encompass a range of categories of securities and are designed to meet a variety of investment objectives. Segregated fund deposits represent amounts invested by clients. Segregated funds are comprised of investment funds with capital guaranteed upon death or at maturity.

Segregated fund deposits
Amounts paid by annuity contract holders in order to invest in segregated funds. Individual annuity contracts provide for a guarantee of the principal on death or at maturity.

Standardized Approach
– Credit risk
Default approach used to calculate risk-weighted assets. Under this method, the financial institution uses valuations performed by external credit assessment institutions recognized by the AMF to determine the risk-weighting factors related to the various exposure categories.
– Market risk
Default approach used to calculate risk-weighted assets for the four areas of market risk: interest rate risk, equity price risk, foreign exchange risk and commodity risk. The calculation is based on predefined rules such as those on the size and nature of the financial instruments held.
– Operational risk
Risk measurement approach used to assess the capital charge for operational risk. For this measurement, activities are divided into predefined business lines for a financial institution. The capital charge is calculated by multiplying each business line's gross income by a specific factor. The total capital charge represents the three-year average of the summation of the capital charges across each of the business lines in each year.

Strategic risk
Risk of loss of value attributable to the occurrence of external and internal events or the implementation of inadequate strategies that might prevent the relevant component or Desjardins Group from achieving its strategic objectives.

Stressed Value at Risk (VaR)
Value calculated in the same way as the Value at Risk, except for the historical data used, which are for a one-year stress period.

Structural interest rate risk
Risk related to the potential impact of interest rate fluctuations on net interest income and the economic value of equity.

Structured entity
Entity that has been designed so that voting rights or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: restricted activities, a narrow and well-defined objective, insufficient equity to permit it to finance its activities without subordinated financial support, or financing in the form of multiple contractually linked instruments to investors.

Subordinated note
Unsecured note whose repayment in the event of liquidation is subordinated to the prior repayment of certain other creditors.

Subsidiary
Company controlled by the Federation.

Swap
Derivative financial instrument under which two parties agree to exchange interest rates or currencies for a specified period according to predetermined rules.

TLAC – Total loss absorbing capacity
Regulatory capital and instruments that meet the eligibility criteria set out in the *Total Loss Absorbing Capacity Guideline* issued by the AMF.

TLAC leverage ratio
Ratio determined by dividing the total loss absorbing capacity by the exposure measure. The exposure measure is independent from risk and includes:
– on-balance sheet exposures;
– securities financing transaction exposures;
– derivative exposures; and
– off-balance sheet items.

TLAC ratio
Ratio determined by dividing the total loss absorbing capacity by risk-weighted assets.

Underwriting experience

In life and health insurance, the difference between actual results and actuarial assumptions used to determine premiums or actuarial liabilities, as applicable.

Unused exposure

Amount of credit authorizations offered in the form of margins or loans that is not yet used.

Used exposure

Amount of funds invested in or advanced to a member or client.

Value at Risk (VaR)

Potential loss that could occur by the next business day in normal market conditions and at a confidence level of 99% (approximate loss that could occur once every 100 days).

COMBINED FINANCIAL STATEMENTS

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Combined Balance Sheets

(unaudited)

(in millions of Canadian dollars)	Notes	As at March 31, 2022	As at December 31, 2021
ASSETS			
Cash and deposits with financial institutions		**$ 13,728**	$ 16,328
Securities			
Securities at fair value through profit or loss		**36,409**	39,772
Securities at fair value through other comprehensive income		**52,518**	53,286
Securities at amortized cost		**50**	41
		88,977	93,099
Securities borrowed or purchased under reverse repurchase agreements		**14,686**	12,019
Loans	5		
Residential mortgages		**151,494**	149,695
Consumer, credit card and other personal loans		**24,096**	24,386
Business and government		**58,883**	57,400
		234,473	231,481
Allowance for credit losses	5	**(947)**	(970)
		233,526	230,511
Segregated fund net assets		**21,848**	22,804
Other assets			
Clients' liability under acceptances		**88**	268
Premiums receivable		**2,648**	2,839
Derivative financial instruments		**5,293**	5,828
Amounts receivable from clients, brokers and financial institutions		**4,834**	2,557
Reinsurance assets		**1,580**	1,582
Right-of-use assets		**553**	530
Investment property		**929**	926
Property, plant and equipment		**1,514**	1,531
Goodwill		**157**	157
Intangible assets		**506**	497
Investments in companies accounted for using the equity method		**1,394**	1,380
Net defined benefits plan assets		**673**	62
Deferred tax assets		**851**	789
Other		**3,351**	3,378
		24,371	22,324
TOTAL ASSETS		**$ 397,136**	$ 397,085
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits	6		
Individuals		**$ 138,090**	$ 136,332
Business and government		**103,586**	101,644
Deposit-taking institutions		**1,016**	379
		242,692	238,355
Other liabilities			
Acceptances		**88**	268
Commitments related to securities sold short		**10,930**	11,342
Commitments related to securities lent or sold under repurchase agreements		**29,013**	31,177
Derivative financial instruments		**6,261**	5,500
Amounts payable to clients, brokers and financial institutions		**10,133**	7,938
Lease liabilities		**620**	596
Insurance contract liabilities		**32,432**	34,762
Segregated fund net liabilities		**21,847**	22,796
Net defined benefit plan liabilities		**757**	1,048
Deferred tax liabilities		**226**	301
Other		**7,001**	7,516
		119,308	123,244
Subordinated notes		**1,952**	1,960
TOTAL LIABILITIES		**363,952**	363,559
EQUITY			
Capital stock		**4,964**	4,982
Undistributed surplus earnings		**9,620**	1,546
Accumulated other comprehensive income	7	**(637)**	765
Reserves		**18,334**	25,321
Equity – Group's share		**32,281**	32,614
Non-controlling interests		**903**	912
TOTAL EQUITY		**33,184**	33,526
TOTAL LIABILITIES AND EQUITY		**$ 397,136**	$ 397,085

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 2022	2021
INTEREST INCOME			
Loans		**$ 1,729**	$ 1,712
Securities		**143**	113
		1,872	1,825
INTEREST EXPENSE			
Deposits		**342**	405
Subordinated notes		**12**	14
Other		**12**	3
		366	422
NET INTEREST INCOME	9	**1,506**	1,403
NET PREMIUMS		**2,650**	2,585
OTHER INCOME			
Deposit and payment service charges		**104**	99
Lending fees and credit card service revenues		**227**	187
Brokerage and investment fund services		**268**	273
Management and custodial service fees		**193**	169
Net investment loss	9	**(2,336)**	(1,602)
Overlay approach adjustment for insurance operations financial assets		**153**	(146)
Foreign exchange income		**31**	30
Other		**71**	37
		(1,289)	(953)
TOTAL INCOME		**2,867**	3,035
PROVISION FOR CREDIT LOSSES	5	**6**	4
CLAIMS, BENEFITS, ANNUITIES AND CHANGES IN INSURANCE CONTRACT LIABILITIES		**(355)**	(206)
NON-INTEREST EXPENSE			
Salaries and employee benefits		**1,225**	1,066
Professional fees		**261**	171
Technology		**224**	201
Commissions		**219**	198
Occupancy costs		**105**	103
Communications		**87**	67
Business and capital taxes		**125**	113
Other		**282**	246
		2,528	2,165
OPERATING SURPLUS EARNINGS		**688**	1,072
Income taxes on surplus earnings		**169**	274
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS		**519**	798
Member dividends		**102**	90
Tax recovery on member dividends		**(27)**	(24)
NET SURPLUS EARNINGS FOR THE PERIOD AFTER MEMBER DIVIDENDS		**$ 444**	$ 732
of which:			
Group's share		**$ 424**	$ 702
Non-controlling interests' share		**20**	30

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 2022	2021
Net surplus earnings for the period after member dividends	**$ 444**	$ 732
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	**664**	951
Share of associates and joint ventures accounted for using the equity method	**4**	7
Net change in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	**3**	—
	671	958
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 losses	**(979)**	(290)
Reclassification of net (gains) losses to the Combined Statements of Income	**34**	(57)
	(945)	(347)
Net change in unrealized gains and losses related to the overlay approach adjustment for insurance operations financial assets		
Net unrealized gains (losses)	**(55)**	147
Reclassification of net gains to the Combined Statements of Income	**(82)**	(36)
	(137)	111
Net change in cash flow hedges		
Net losses on derivative financial instruments designated as cash flow hedges	**(323)**	(50)
Reclassification to the Combined Statements of Income of net gains on derivative financial instruments designated as cash flow hedges	**(14)**	(12)
	(337)	(62)
	(1,419)	(298)
Total other comprehensive income, net of income taxes	**(748)**	660
COMPREHENSIVE INCOME FOR THE PERIOD	**$ (304)**	$ 1,392
of which:		
Group's share	**$ (315)**	$ 1,346
Non-controlling interests' share	**11**	46

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.

	For the three-month periods ended March 31	
(in millions of Canadian dollars)	**2022**	2021
Items that will not be reclassified subsequently to the Combined Statements of Income		
Remeasurement of net defined benefit plan liabilities	**$ 237**	$ 341
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**	—
	239	341
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 losses	**(346)**	(102)
Reclassification of net (gains) losses to the Combined Statements of Income	**12**	(20)
	(334)	(122)
Net change in unrealized gains and losses related to the overlay approach adjustment for insurance operations financial assets		
Net unrealized gains (losses)	**(1)**	46
Reclassification of net gains to the Combined Statements of Income	**(15)**	(11)
	(16)	35
Net change in cash flow hedges		
Net losses on derivative financial instruments designated as cash flow hedges	**(114)**	(19)
Reclassification to the Combined Statements of Income of net gains on derivative financial instruments designated as cash flow hedges	**(5)**	(4)
	(119)	(23)
	(469)	(110)
Total income tax expense (recovery)	**$ (230)**	$ 231

Combined Statements of Changes in Equity

(unaudited)

For the three-month periods ended March 31

				Reserves						
(in millions of Canadian dollars)	Capital stock	Undistributed surplus earnings	Accumulated other comprehensive income global (Note 7)	Stabilization reserve	Reserve for future member dividends	General and other reserves	Total reserves	Equity - Group's share	Non-controlling interests	Total equity
BALANCE AS AT DECEMBER 31, 2021	**$ 4,982**	**$ 1,546**	**$ 765**	**$ 795**	**$ 1,212**	**$ 23,314**	**$ 25,321**	**$ 32,614**	**$ 912**	**$ 33,526**
Net surplus earnings for the period after member dividends	**—**	**424**	**—**	**—**	**—**	**—**	**—**	**424**	**20**	**444**
Other comprehensive income for the period	**—**	**663**	**(1,402)**	**—**	**—**	**—**	**—**	**(739)**	**(9)**	**(748)**
Comprehensive income for the period	**—**	**1,087**	**(1,402)**	**—**	**—**	**—**	**—**	**(315)**	**11**	**(304)**
Redemption of shares of capital stock	**(18)**	**—**	**—**	**—**	**—**	**—**	**—**	**(18)**	**—**	**(18)**
Dividends	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(20)**	**(20)**
Transfer from undistributed surplus earnings (to reserves)	**—**	**(360)**	**—**	**77**	**—**	**283**	**360**	**—**	**—**	**—**
Equity transactions[(1)]	**—**	**7,347**	**—**	**—**	**—**	**(7,347)**	**(7,347)**	**—**	**—**	**—**
BALANCE AS AT MARCH 31, 2022	**$ 4,964**	**$ 9,620**	**$ (637)**	**$ 872**	**$ 1,212**	**$ 16,250**	**$ 18,334**	**$ 32,281**	**$ 903**	**$ 33,184**
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

(1) The increase in undistributed surplus earnings for the year results from equity transactions between Desjardins Group entities. Undistributed surplus earnings arising from such transactions will be included in the surplus earnings distribution plans for the next fiscal year. These transactions had no impact on Desjardins Group's equity as at March 31, 2022.

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 2022	2021
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Operating surplus earnings	**$ 688**	$ 1,072
Non-cash adjustments:		
Depreciation of right-of-use assets, property, plant and equipment and investment property, and amortization of intangible assets	**100**	93
Amortization of premiums and discounts	**98**	114
Net change in insurance contract liabilities	**(2,330)**	(2,005)
Provision for credit losses	**6**	4
Net realized (gains) losses on securities classified as at fair value through other comprehensive income	**50**	(63)
Overlay approach adjustment for insurance operations financial assets	**(153)**	146
Other	**(18)**	(2)
Change in operating assets and liabilities:		
Securities at fair value through profit or loss	**3,363**	(1,582)
Securities borrowed or purchased under reverse repurchase agreements	**(2,667)**	(3,976)
Loans	**(3,021)**	(3,434)
Derivative financial instruments, net amount	**1,890**	1,386
Net amounts receivable from and payable to clients, brokers and financial institutions	**(82)**	1,347
Deposits	**4,337**	5,683
Commitments related to securities sold short	**(412)**	2,236
Commitments related to securities lent or sold under repurchase agreements	**(2,164)**	2,731
Other	**216**	393
Income taxes paid on surplus earnings	**(417)**	(468)
	(516)	3,675
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Sale (purchase) of debt securities and subordinated notes from third parties on the market	**2**	(20)
Repayment of lease liabilities	**(24)**	(23)
Redemption of shares of capital stock	**(18)**	(5)
Remuneration on capital stock	**(208)**	(208)
Dividends paid	**(20)**	(6)
	(268)	(262)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of securities at fair value through other comprehensive income and at amortized cost	**(10,074)**	(6,489)
Proceeds from disposals of securities at fair value through other comprehensive income and at amortized cost	**5,975**	9,039
Proceeds from maturities of securities at fair value through other comprehensive income and at amortized cost	**2,377**	1,874
Acquisitions of property, plant and equipment, intangible assets and investment property	**(77)**	(78)
Acquisitions of joint ventures and associates accounted for using the equity method	**(17)**	(32)
	(1,816)	4,314
Net increase (decrease) in cash and cash equivalents	**(2,600)**	7,727
Cash and cash equivalents at beginning of period	**16,328**	12,126
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 13,728**	$ 19,853
Supplemental information on cash flows from (used in) operating activities		
Interest paid	**$ 436**	$ 510
Interest received	**1,946**	2,011
Dividends received	**64**	59

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 – BASIS OF PRESENTATION

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.

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.

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, 2021, 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.

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 12, 2022.

Significant judgments, estimates and assumptions

The COVID-19 pandemic situation continues to give rise to sources of uncertainty having 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 1, “Basis of presentation”, to the Annual Combined Financial Statements. For more information on significant judgments made to estimate the allowance for expected credit losses, see Note 5, “Loans and allowance for credit losses”, to the Interim Combined Financial Statements.

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 – SIGNIFICANT ACCOUNTING POLICIES

All accounting policies were applied as described in Note 2, “Significant accounting policies”, to the Annual Combined Financial Statements.

FUTURE ACCOUNTING CHANGES

Accounting standards issued by the IASB, but not yet effective as at December 31, 2021, are described in Note 2, “Significant accounting policies”, to the Annual Combined Financial Statements. During the three-month period ended March 31, 2022, 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.

Update – IFRS 17, “Insurance Contracts”

The progress of the IFRS 17 implementation work allowed Desjardins Group to conclude on certain elections and requirements set out in the standard.

At the date of transition, Desjardins Group will apply the requirements in IFRS 17 on a retrospective basis for groups of short-term contracts while it will apply the fair value approach for virtually all groups of long-term contracts. In addition, the general measurement model, the premium allocation approach and the variable fee approach will be used to measure and recognize insurance contracts.

The requirements in IFRS 17 allow reassessing the designation or classification of financial assets related to insurance operations accounted for under IFRS 9 at the date of initial application of IFRS 17. Desjardins Group elected to not restate the comparative figures in its Combined Financial Statements to reflect changes in designation or classification for these financial assets that would be made as at January 1, 2023.

Desjardins Group continues to assess the impact of adopting this standard, which will apply to annual periods beginning on January 1, 2023.

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, 2022	**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	$ —	$ 271	$ 954	$ —	$ 12,503	$ 13,728
Securities	17,338	19,071	52,447	71	50	88,977
Securities borrowed or purchased under reverse repurchase agreements	—	—	—	—	14,686	14,686
Loans	—	—	—	—	233,526	233,526
Other financial assets						
Clients' liability under acceptances	—	—	—	—	88	88
Derivative financial instruments(3)	5,293	—	—	—	—	5,293
Amounts receivable from clients, brokers and financial institutions	—	—	—	—	4,834	4,834
Other	—	—	—	—	1,816	1,816
Total financial assets	**$ 22,631**	**$ 19,342**	**$ 53,401**	**$ 71**	**$ 267,503**	**$ 362,948**
Financial liabilities						
Deposits	$ —	$ 406	$ —	$ —	$ 242,286	$ 242,692
Other financial liabilities						
Acceptances	—	—	—	—	88	88
Commitments related to securities sold short	10,930	—	—	—	—	10,930
Commitments related to securities lent or sold under repurchase agreements	—	—	—	—	29,013	29,013
Derivative financial instruments(3)	6,261	—	—	—	—	6,261
Amounts payable to clients, brokers and financial institutions	—	—	—	—	10,133	10,133
Other	153	—	—	—	3,535	3,688
Subordinated notes	—	—	—	—	1,952	1,952
Total financial liabilities	**$ 17,344**	**$ 406**	**$ —**	**$ —**	**$ 287,007**	**$ 304,757**

(1) An amount of $3,624 million corresponds to financial assets designated for the overlay approach.

(2) As at March 31, 2022, 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 $27 million in assets and $169 million in liabilities.

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, 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	$ 1	$ 353	$ 735	$ —	$ 15,239	$ 16,328
Securities	18,890	20,882	53,214	72	41	93,099
Securities borrowed or purchased under reverse repurchase agreements	—	—	—	—	12,019	12,019
Loans	—	—	—	—	230,511	230,511
Other financial assets						
Clients' liability under acceptances	—	—	—	—	268	268
Derivative financial instruments(3)	5,828	—	—	—	—	5,828
Amounts receivable from clients, brokers and financial institutions	—	—	—	—	2,557	2,557
Other	—	—	—	—	1,895	1,895
Total financial assets	$ 24,719	$ 21,235	$ 53,949	$ 72	$ 262,530	$ 362,505
Financial liabilities						
Deposits	$ —	$ 351	$ —	$ —	$ 238,004	$ 238,355
Other financial liabilities						
Acceptances	—	—	—	—	268	268
Commitments related to securities sold short	11,342	—	—	—	—	11,342
Commitments related to securities lent or sold under repurchase agreements	—	—	—	—	31,177	31,177
Derivative financial instruments(3)	5,500	—	—	—	—	5,500
Amounts payable to clients, brokers and financial institutions	—	—	—	—	7,938	7,938
Other	147	—	—	—	3,660	3,807
Subordinated notes	—	—	—	—	1,960	1,960
Total financial liabilities	$ 16,989	$ 351	$ —	$ —	$ 283,007	$ 300,347

(1) An amount of $3,767 million corresponds to financial assets designated for the overlay approach.

(2) As at December 31, 2021, 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 $126 million in assets and $105 million in liabilities.

During the three-month period ended March 31, 2022 and the year ended December 31, 2021, 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, "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, 2022		As at December 31, 2021	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Securities	**$ 50**	**$ 49**	$ 41	$ 41
Loans	**233,526**	**228,516**	230,511	229,566
Financial liabilities				
Deposits	**242,286**	**240,686**	238,004	238,465
Subordinated notes	**1,952**	**1,923**	1,960	2,009

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, 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Cash and deposits with financial institutions	$ 67	$ 204	$ —	$ 271
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	7,067	—	—	7,067
Provincial governmental entities and municipal corporations in Canada	15,190	648	—	15,838
School or public corporations in Canada	13	81	—	94
Foreign public administrations	682	—	—	682
Other securities				
Financial institutions	—	1,623	9	1,632
Other issuers	1	4,725	551	5,277
Equity securities	4,161	50	1,608	5,819
	27,114	7,127	2,168	36,409
Derivative financial instruments				
Interest rate contracts	—	507	—	507
Foreign exchange contracts	—	213	—	213
Other contracts	—	4,573	—	4,573
	—	5,293	—	5,293
Total financial assets at fair value through profit or loss	27,181	12,624	2,168	41,973
Financial assets at fair value through other comprehensive income				
Cash and deposits with financial institutions	25	929	—	954
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	6,936	7,218	—	14,154
Provincial governmental entities and municipal corporations in Canada	28,159	3,550	—	31,709
Other securities				
Financial institutions	5	5,487	—	5,492
Other issuers	—	1,030	62	1,092
Equity securities	—	2	69	71
	35,100	17,287	131	52,518
Total financial assets at fair value through other comprehensive income	35,125	18,216	131	53,472
Financial instruments of segregated funds	7,376	14,110	387	21,873
Total financial assets	$ 69,682	$ 44,950	$ 2,686	$ 117,318
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Deposits	$ —	$ 406	$ —	$ 406
Other liabilities				
Commitments related to securities sold short	10,165	765	—	10,930
Other	—	—	153	153
	10,165	1,171	153	11,489
Derivative financial instruments				
Interest rate contracts	—	758	—	758
Foreign exchange contracts	—	1,249	—	1,249
Other contracts	—	4,254	—	4,254
	—	6,261	—	6,261
Total financial liabilities	$ 10,165	$ 7,432	$ 153	$ 17,750

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

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

As at December 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	$ —	$ 354	$ —	$ 354
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	8,321	—	—	8,321
Provincial governmental entities and municipal corporations in Canada	16,944	684	—	17,628
School or public corporations in Canada	15	84	—	99
Foreign public administrations	567	—	—	567
Other securities				
Financial institutions	—	1,545	9	1,554
Other issuers	1	4,790	591	5,382
Equity securities	4,764	29	1,428	6,221
	30,612	7,132	2,028	39,772
Derivative financial instruments				
Interest rate contracts	—	950	—	950
Foreign exchange contracts	—	350	—	350
Other contracts	—	4,528	—	4,528
	—	5,828	—	5,828
Total financial assets at fair value through profit or loss	30,612	13,314	2,028	45,954
Financial assets at fair value through other comprehensive income				
Cash and deposits with financial institutions	—	735	—	735
Securities				
Debt securities issued or guaranteed by:				
Canadian governmental entities	7,761	7,370	—	15,131
Provincial governmental entities and municipal corporations in Canada	28,131	3,642	—	31,773
School or public corporations in Canada	—	28	—	28
Foreign public administrations	16	—	—	16
Other securities				
Financial institutions	19	5,166	—	5,185
Other issuers	—	1,017	64	1,081
Equity securities	—	3	69	72
	35,927	17,226	133	53,286
Total financial assets at fair value through other comprehensive income	35,927	17,961	133	54,021
Financial instruments of segregated funds	7,685	14,760	360	22,805
Total financial assets	$ 74,224	$ 46,035	$ 2,521	$ 122,780
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Deposits	$ —	$ 351	$ —	$ 351
Other liabilities				
Commitments related to securities sold short	10,617	725	—	11,342
Other	—	—	147	147
	10,617	1,076	147	11,840
Derivative financial instruments				
Interest rate contracts	—	594	—	594
Foreign exchange contracts	—	643	—	643
Other contracts	—	4,263	—	4,263
	—	5,500	—	5,500
Total financial liabilities	$ 10,617	$ 6,576	$ 147	$ 17,340

During the three-month period ended March 31, 2022 and the year ended December 31, 2021, 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 the financial instruments categorized within Level 3 are appropriately and reliably measured. During the three-month period ended March 31, 2022, no significant changes were made to key controls and procedures, valuation techniques, unobservable inputs and input value ranges used to determine fair value. 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, 2022	Balance at beginning of period	Unrealized gains / losses recognized in profit or loss[(1)]	Unrealized gains / losses recognized in other comprehensive income[(2)]	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	$ 9	$ —	$ —	$ —	$ —	$ 9
Other issuers						
Mortgage bonds	499	(20)	—	—	(20)	459
Other debt securities	92	1	—	7	(8)	92
Equity securities	1,428	(5)	—	186	(1)	1,608
Total financial assets at fair value through profit or loss	2,028	(24)	—	193	(29)	2,168
Financial assets at fair value through other comprehensive income						
Securities						
Other securities						
Other issuers						
Mortgage bonds	64	—	(1)	—	(1)	62
Equity securities	69	—	—	—	—	69
Total financial assets at fair value through other comprehensive income	133	—	(1)	—	(1)	131
Financial instruments of segregated funds	360	(2)	—	35	(6)	387
Total financial assets	$ 2,521	$ (26)	$ (1)	$ 228	$ (36)	$ 2,686
Financial liabilities						
Financial liabilities at fair value through profit or loss						
Other liabilities – Other						
Financial liability related to the contingent considerations	$ 147	$ 6	$ —	$ —	$ —	$ 153
Total financial liabilities	$ 147	$ 6	$ —	$ —	$ —	$ 153

(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", while unrealized gains or losses on financial liabilities "Classified as at fair value through profit or loss" are recognized under "Other income - Other".

(2) Unrealized gains or losses on financial assets "Classified as at fair value through other comprehensive income" are recognized under "Net unrealized losses" on debt securities at fair value through other 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, 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							
Mortgage bonds	668	(13)	—	—	—	(8)	647
Other debt securities	67	—	—	—	—	—	67
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", while unrealized gains or losses on financial liabilities "Classified at fair value through profit or loss" are recognized under "Other income - Other".

(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.

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 an allowance for expected credit losses, according to credit quality and the impairment model stage in which they are classified. For more information on credit quality according to risk levels, see Table 35, "Probabilities of default of retail clients by risk level", and Table 36, "Probabilities of default of businesses, financial institutions and sovereign borrowers by risk level", in section 4.0, "Risk Management", of the 2021 Annual Management's Discussion and Analysis.

Loans

	Non-credit impaired		Credit-impaired	
As at March 31, 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Residential mortgages				
Excellent	$ 51,278	$ 23	$ —	$ 51,301
Very low	66,362	1,863	—	68,225
Low	23,661	3,719	—	27,380
Moderate	1,550	2,069	—	3,619
High	1	628	—	629
Default	—	138	202	340
Total gross residential mortgages	$ 142,852	$ 8,440	$ 202	$ 151,494
Allowance for credit losses	(51)	(42)	(17)	(110)
Total net residential mortgages	$ 142,801	$ 8,398	$ 185	$ 151,384
Consumer, credit card and other personal loans				
Excellent	$ 5,713	$ —	$ —	$ 5,713
Very low	6,281	14	—	6,295
Low	7,893	833	—	8,726
Moderate	1,212	720	—	1,932
High	9	1,189	—	1,198
Default	—	70	162	232
Total gross consumer, credit card and other personal loans	$ 21,108	$ 2,826	$ 162	$ 24,096
Allowance for credit losses	(135)	(233)	(85)	(453)
Total net consumer, credit card and other personal loans	$ 20,973	$ 2,593	$ 77	$ 23,643
Business and government loans(1)				
Acceptable risk				
Investment grade	$ 20,465	$ 479	$ —	$ 20,944
Other than investment grade	28,686	4,858	—	33,544
Under watch	1,576	2,123	—	3,699
Default	—	76	708	784
Total gross business and government loans	$ 50,727	$ 7,536	$ 708	$ 58,971
Allowance for credit losses	(104)	(114)	(166)	(384)
Total net business and government loans	$ 50,623	$ 7,422	$ 542	$ 58,587
Total gross loans and acceptations	$ 214,687	$ 18,802	$ 1,072	$ 234,561
Allowance for credit losses	(290)	(389)	(268)	(947)
Total net loans and acceptances	$ 214,397	$ 18,413	$ 804	$ 233,614

(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, 2021	Stage 1	Stage 2	Stage 3	Total
Residential mortgages				
Excellent	$ 50,281	$ 27	$ —	$ 50,308
Very low	65,459	2,391	—	67,850
Low	18,139	8,916	—	27,055
Moderate	1,200	2,285	—	3,485
High	5	652	—	657
Default	—	131	209	340
Total gross residential mortgages	$ 135,084	$ 14,402	$ 209	$ 149,695
Allowance for credit losses	(72)	(70)	(20)	(162)
Total net residential mortgages	$ 135,012	$ 14,332	$ 189	$ 149,533
Consumer, credit card and other personal loans				
Excellent	$ 5,731	$ —	$ —	$ 5,731
Very low	6,314	14	—	6,328
Low	7,609	1,268	—	8,877
Moderate	1,241	756	—	1,997
High	7	1,229	—	1,236
Default	—	69	148	217
Total gross consumer, credit card and other personal loans	$ 20,902	$ 3,336	$ 148	$ 24,386
Allowance for credit losses	(113)	(251)	(80)	(444)
Total net consumer, credit card and other personal loans	$ 20,789	$ 3,085	$ 68	$ 23,942
Business and government loans(1)				
Acceptable risk				
Investment grade	$ 20,307	$ 616	$ —	$ 20,923
Other than investment grade	27,475	4,747	—	32,222
Under watch	1,453	2,258	—	3,711
Default	—	81	731	812
Total gross business and government loans	$ 49,235	$ 7,702	$ 731	$ 57,668
Allowance for credit losses	(105)	(80)	(179)	(364)
Total net business and government loans	$ 49,130	$ 7,622	$ 552	$ 57,304
Total gross loans and acceptances	$ 205,221	$ 25,440	$ 1,088	$ 231,749
Allowance for credit losses	(290)	(401)	(279)	(970)
Total net loans and acceptances	$ 204,931	$ 25,039	$ 809	$ 230,779

(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, 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Residential mortgages, consumer, credit card and other personal loans				
Excellent	$ 48,286	$ —	$ —	$ 48,286
Very low	21,907	67	—	21,974
Low	7,170	896	—	8,066
Moderate	1,689	523	—	2,212
High	5	277	—	282
Default	—	2	43	45
Total	$ 79,057	$ 1,765	$ 43	$ 80,865
Allowance for credit losses	(34)	(7)	—	(41)
Total, net of allowance for credit losses	$ 79,023	$ 1,758	$ 43	$ 80,824
Business and government				
Acceptable risk				
Investment grade	$ 32,485	$ 101	$ —	$ 32,586
Other than investment grade	9,425	1,889	—	11,314
Under watch	214	391	—	605
Default	—	4	99	103
Total	$ 42,124	$ 2,385	$ 99	$ 44,608
Allowance for credit losses	(7)	(4)	—	(11)
Total, net of allowance for credit losses	$ 42,117	$ 2,381	$ 99	$ 44,597
Total off-balance sheet items	$ 121,181	$ 4,150	$ 142	$ 125,473
Allowance for credit losses	(41)	(11)	—	(52)
Total off-balance sheet items, net of allowance for credit losses	$ 121,140	$ 4,139	$ 142	$ 125,421

(1) Loan commitments for which Desjardins Group estimates an allowance for expected credit losses comprise credit commitments and documentary letters of credit, while financial guarantees for which it estimates an allowance for expected credit losses comprise guarantees and standby letters of credit.

	Non-credit impaired		Credit-impaired	
As at December 31, 2021	Stage 1	Stage 2	Stage 3	Total
Residential mortgages, consumer, credit card and other personal loans				
Excellent	$ 51,740	$ 1	$ —	$ 51,741
Very low	21,756	73	—	21,829
Low	6,395	2,336	—	8,731
Moderate	1,618	645	—	2,263
High	5	461	—	466
Default	—	2	50	52
Total	$ 81,514	$ 3,518	$ 50	$ 85,082
Allowance for credit losses	(46)	(17)	—	(63)
Total, net of allowance for credit losses	$ 81,468	$ 3,501	$ 50	$ 85,019
Business and government				
Acceptable risk				
Investment grade	$ 31,397	$ 120	$ —	$ 31,517
Other than investment grade	9,611	1,899	—	11,510
Under watch	198	448	—	646
Default	—	4	119	123
Total	$ 41,206	$ 2,471	$ 119	$ 43,796
Allowance for credit losses	(7)	(2)	—	(9)
Total, net of allowance for credit losses	$ 41,199	$ 2,469	$ 119	$ 43,787
Total off-balance sheet items	$ 122,720	$ 5,989	$ 169	$ 128,878
Allowance for credit losses	(53)	(19)	—	(72)
Total off-balance sheet items, net of allowance for credit losses	$ 122,667	$ 5,970	$ 169	$ 128,806

(1) Loan commitments for which Desjardins Group estimates an allowance for expected credit losses comprise credit commitments and documentary letters of credit, while financial guarantees for which it estimates an 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 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, 2022	**Stage 1**	**Stage 2**	**Stage 3**	**credit losses**
Residential mortgages				
Balance at beginning of period	$ 73	$ 73	$ 20	$ 166
Provision for credit losses				
Transfers to[1]:				
Stage 1	33	(31)	(2)	—
Stage 2	(2)	3	(1)	—
Stage 3	—	(1)	1	—
Net remeasurement due to transfers[2]	(13)	3	1	(9)
Changes in risks, parameters and models[3]	(43)	(2)	1	(44)
New originations or acquisitions[4]	7	3	—	10
Derecognitions and maturities[5]	(3)	(5)	(1)	(9)
Net drawdowns (repayments)[6]	—	—	(1)	(1)
Other	—	—	(1)	(1)
	(21)	(30)	(3)	(54)
Write-offs and recoveries	—	—	—	—
Balance at end of period	$ 52	$ 43	$ 17	$ 112
Consumer, credit card and other personal loans				
Balance at beginning of period	$ 158	$ 265	$ 80	$ 503
Provision for credit losses				
Transfers to[1]:				
Stage 1	77	(75)	(2)	—
Stage 2	(13)	21	(8)	—
Stage 3	—	(9)	9	—
Net remeasurement due to transfers[2]	(15)	10	36	31
Changes in risks, parameters and models[3]	(36)	35	29	28
New originations or acquisitions[4]	14	9	—	23
Derecognitions and maturities[5]	(11)	(13)	(10)	(34)
Net drawdowns (repayments)[6]	(6)	(4)	—	(10)
	10	(26)	54	38
Write-offs and recoveries	—	—	(49)	(49)
Balance at end of period	$ 168	$ 239	$ 85	$ 492
Business and government				
Balance at beginning of period	$ 112	$ 82	$ 179	$ 373
Provision for credit losses				
Transfers to[1]:				
Stage 1	11	(11)	—	—
Stage 2	(9)	11	(2)	—
Stage 3	—	(1)	1	—
Net remeasurement due to transfers[2]	(3)	4	6	7
Changes in risks, parameters and models[3]	(20)	28	1	9
New originations or acquisitions[4]	24	7	—	31
Derecognitions and maturities[5]	(8)	(3)	(25)	(36)
Net drawdowns (repayments)[6]	4	1	6	11
	(1)	36	(13)	22
Write-offs and recoveries	—	—	—	—
Balance at end of period	$ 111	$ 118	$ 166	$ 395
Total balances at end of period	$ 331	$ 400	$ 268	$ 999
Composed of:				
Loans	$ 290	$ 389	$ 268	$ 947
Off-balance sheet items[7]	41	11	—	52

(1) Represent transfers between stages before the remeasurement of expected credit losses.
(2) Represents the remeasurement of the allowance for expected credit losses resulting from transfers between stages.
(3) Represent the change in the allowance due to changes in risks resulting from changes in forward-looking information, risk levels, parameters and models, after transfers between stages.
(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) 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)*

For the three-month period ended March 31, 2021	Non-credit impaired Stage 1	Non-credit impaired Stage 2	Credit-impaired Stage 3	Allowance for credit losses
Residential mortgages				
Balance at beginning of period	$ 65	$ 102	$ 29	$ 196
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 risks, parameters and models[3]	(18)	(2)	—	(20)
New originations or acquisitions[4]	12	5	—	17
Derecognitions 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	$ 66	$ 95	$ 26	$ 187
Consumer, credit card and other personal loans				
Balance at beginning of period	$ 177	$ 306	$ 126	$ 609
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 risks, parameters and models[3]	(58)	13	23	(22)
New originations or acquisitions[4]	17	11	—	28
Derecognitions and maturities[5]	(9)	(16)	(15)	(40)
Net drawdowns (repayments)[6]	(6)	(9)	(3)	(18)
	(11)	(23)	31	(3)
Write-offs and recoveries	—	—	(48)	(48)
Balance at end of period	$ 166	$ 283	$ 109	$ 558
Business and government				
Balance at beginning of period	$ 76	$ 128	$ 181	$ 385
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 risks, parameters and models[3]	(15)	(2)	3	(14)
New originations or acquisitions[4]	23	11	—	34
Derecognitions and maturities[5]	(4)	(7)	(11)	(22)
Net drawdowns (repayments)[6]	3	2	6	11
	10	1	5	16
Write-offs and recoveries	—	—	(8)	(8)
Balance at end of period	$ 86	$ 129	$ 178	$ 393
Total balances at end of period	$ 318	$ 507	$ 313	$ 1,138
Composed of:				
Loans	$ 263	$ 488	$ 313	$ 1,064
Off-balance sheet items[7]	55	19	—	74

(1) Represent transfers between stages before the remeasurement of expected credit losses.
(2) Represents the remeasurement of the allowance for expected credit losses resulting from transfers between stages.
(3) Represent the change in the allowance due to changes in risks resulting from changes in forward-looking information, risk levels, parameters and models, after transfers between stages.
(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) 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 allowance for expected credit losses. For more information, see Notes 2, "Significant accounting policies", and 7, "Loans and allowance for credit losses", to the Annual Combined Financial Statements.

The development of the COVID-19 pandemic continues to give rise to uncertainty, to which is now added the uncertainty related to the impact of the war in Ukraine. Therefore, management has to continue making particularly complex judgments to estimate the allowance for credit losses in the current situation.

To take into account relevant risk factors related to the unprecedented macroeconomic environment that are not reflected in models, management continues to apply expert credit judgment in measuring the allowance for expected credit losses. Expert adjustments are thus applied to some credit risk measures and some forward-looking information that should not be as representative of an improvement in portfolio credit quality as what historical data used in the models would otherwise suggest.

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

As at March 31, 2022	Base scenario		Upside scenario		Downside scenario	
	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)	**2.2 %**	**1.7 %**	**4.1 %**	**2.0 %**	**0.2 %**	**0.8 %**
Unemployment rate (average)	**4.4 %**	**3.6 %**	**3.9 %**	**3.1 %**	**5.3 %**	**6.0 %**
Consumer Price Index (annualized change)	**2.5 %**	**2.0 %**	**4.1 %**	**2.4 %**	**4.0 %**	**1.8 %**
Housing prices (annualized change)	**(0.2) %**	**(1.1) %**	**6.1 %**	**1.6 %**	**(21.1) %**	**(2.2) %**
Corporate credit spread[(2)] (average)	**120 bp**	**115 bp**	**108 bp**	**95 bp**	**166 bp**	**152 bp**
S&P/TSX stock index[(2)] (annualized change)	**4.9 %**	**3.9 %**	**17.4 %**	**6.6 %**	**(29.6) %**	**7.2 %**

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

As at December 31, 2021	Base scenario		Upside scenario		Downside scenario	
	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)	2.4 %	1.6 %	5.6 %	2.0 %	0.7 %	0.7 %
Unemployment rate (average)	4.9 %	4.4 %	4.2 %	3.2 %	5.8 %	5.9 %
Consumer Price Index (annualized change)	1.8 %	2.2 %	4.0 %	2.3 %	1.7 %	1.5 %
Housing prices (annualized change)	(5.0) %	0.1 %	8.2 %	1.6 %	(17.7) %	(1.7) %
Corporate credit spread[(2)] (average)	114 bp	115 bp	95 bp	90 bp	143 bp	149 bp
S&P/TSX stock index[(2)] (annualized change)	7.0 %	4.8 %	14.0 %	5.6 %	(11.6) %	1.6 %

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

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

KEY DATA AND ASSUMPTIONS *(continued)*

After an exceptional year in 2021, when real GDP growth in Québec exceeded 6%, the base scenario forecasts than economic growth should be lower than 3% in 2022. The pace would then converge toward GDP potential growth, which is approximately 1.5% per year. Due to demographic changes, the unemployment rate should continue to decrease slightly to below 4%, and labour scarcity will remain a significant issue for many businesses. This scenario forecasts that inflation should be more persistent than what was anticipated in the previous forecast update. Now the key challenge for many large economies, inflation should reach a peak by summer 2022 before trending back down and meet its 2% target by the end of 2023. The base scenario also forecasts a hike in policy interest rates in Canada that will help reducing inflationary pressure but will have a dampening effect on the housing market.

In the downside scenario, inflation would be more persistent and interest rate hikes should be more robust in the near term than in the base scenario. This would have an adverse impact on real GDP. A recession would be likely in early 2023. The unemployment rate would increase in such a scenario, possibly above 7% in Québec. The downside scenario also assumes a significant correction in house prices of approximately 30% on average.

The upside scenario essentially assumes that the economic recovery will be faster than in the base scenario, helped by a faster reduction in supply constraints. To achieve this, the war in Ukraine has to end quickly and the development of the pandemic has to no longer require major lockdowns that curtail production, especially in China, where the zero-COVID policy continues to be rigorously applied for the time being. In this scenario, the unemployment rate could decrease to 3% in the next few years. Inflation would still be high, but would mostly result from very strong demand instead of supply constraints, as it is the case in the downside and base scenario. This scenario forecasts that, in the medium term, policy interest rates would be increased enough to avoid economic overheating. This would eventually limit the rise in house prices after another good performance from the housing market in the first half of 2022.

The development of the economic outlook after March 31, 2022 will be considered in estimating the allowance for expected credit losses in future periods.

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

Scenarios

The amount of the 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, 2022	As at December 31, 2021
Under IFRS 9	**$ 731**	$ 763
Weighting of 100% assigned to the scenario:		
Base	**$ 624**	$ 650
Upside	**538**	610
Downside	**885**	1,156

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, 2022	As at December 31, 2021
Under IFRS 9	**$ 731**	$ 763
If all non-credit impaired loans and off-balance sheet items had been included in Stage 1	**$ 647**	$ 675

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, 2022				As at December 31, 2021			
	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	$ 71,501	$ 5,889	$ 60,700	$ 138,090	$ 70,756	$ 5,536	$ 60,040	$ 136,332
Business and government	56,317	440	46,829	103,586	52,563	524	48,557	101,644
Deposit-taking institutions	445	—	571	1,016	344	—	35	379
	$ 128,263	$ 6,329	$ 108,100	$ 242,692	$ 123,663	$ 6,060	$ 108,632	$ 238,355

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, 2022		As at December 31, 2021	
	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 (losses) on debt securities classified as at fair value through other comprehensive income(1)	$ (702)	$ (11)	$ 233	$ (1)
Net unrealized gains related to the overlay approach adjustment for insurance operations financial assets	318	26	448	33
Net gains (losses) on derivative financial instruments designated as cash flow hedges	(253)	—	84	—
Accumulated other comprehensive income	$ (637)	$ 15	$ 765	$ 32

(1) Take into account an allowance for credit losses of $4 million as at March 31, 2022 ($4 million as at December 31, 2021) 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, clients and creditors, and regulators' expectations and requirements. Capital is managed in accordance with the Desjardins Group capital management policy approved by the Federation's Board of Directors.

Desjardins Group's capital ratios are calculated according to the base capital adequacy guideline 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. These ratios include a 2.5% capital conversation buffer. In addition, Desjardins Group is required by the AMF to meet a minimum leverage ratio of 3.5%.

As at March 31, 2022, 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, 2022	As at December 31, 2021
Capital		
Tier 1A capital	**$ 27,931**	$ 28,437
Tier 1 capital	**27,931**	28,437
Total capital	**29,215**	29,721
Risk-weighted assets		
Credit risk	**117,868**	117,168
Market risk	**3,225**	2,874
Operational risk	**14,654**	14,476
Total risk-weighted assets	**$ 135,747**	$ 134,518
Ratios and leverage ratio exposure		
Tier 1A capital	**20.6 %**	21.1 %
Tier 1 capital	**20.6**	21.1
Total capital	**21.5**	22.1
Leverage	**7.9**	8.5
Leverage ratio exposure	**$ 352,070**	$ 336,136

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	
	2022	2021
Interest income on financial assets		
At amortized cost	**$ 1,738**	$ 1,721
At fair value through other comprehensive income	**132**	100
At fair value through profit or loss	**2**	4
	1,872	1,825
Interest expense on financial liabilities		
At amortized cost	**363**	420
At fair value through profit or loss	**3**	2
	366	422
	$ 1,506	$ 1,403

NET INVESTMENT INCOME (LOSS)

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

For the three-month periods ended March 31	**2022**			2021		
	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	**$ 77**	**$ (381)**	**$ (304)**	$ 54	$ 41	$ 95
Designated as at fair value through profit or loss	**133**	**(2,181)**	**(2,048)**	126	(1,939)	(1,813)
Classified as at fair value through other comprehensive income	**32**	**(50)**	**(18)**	25	63	88
At amortized cost and other	**26**	**8**	**34**	30	(2)	28
	$ 268	**$ (2,604)**	**$ (2,336)**	$ 235	$ (1,837)	$ (1,602)

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	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Net interest income	**$ 1,282**	$ 1,215	**$ —**	$ —	**$ —**	$ —	**$ 224**	$ 188	**$ 1,506**	$ 1,403
Net premiums	**—**	—	**1,258**	1,229	**1,471**	1,427	**(79)**	(71)	**2,650**	2,585
Other income	**784**	760	**(1,587)**	(1,383)	**(71)**	(90)	**(415)**	(240)	**(1,289)**	(953)
Total income	**2,066**	1,975	**(329)**	(154)	**1,400**	1,337	**(270)**	(123)	**2,867**	3,035
Provision for credit losses	**6**	6	**—**	—	**—**	—	**—**	(2)	**6**	4
Claims, benefits, annuities and changes in insurance contract liabilities	**—**	—	**(1,169)**	(884)	**833**	685	**(19)**	(7)	**(355)**	(206)
Non-interest expense	**1,632**	1,411	**664**	576	**373**	327	**(141)**	(149)	**2,528**	2,165
Operating surplus earnings	**428**	558	**176**	154	**194**	325	**(110)**	35	**688**	1,072
Income taxes on surplus earnings	**113**	144	**39**	29	**47**	77	**(30)**	24	**169**	274
Surplus earnings before member dividends	**315**	414	**137**	125	**147**	248	**(80)**	11	**519**	798
Member dividends, net of income tax recovery	**75**	66	**—**	—	**—**	—	**—**	—	**75**	66
Net surplus earnings for the period after member dividends	**$ 240**	$ 348	**$ 137**	$ 125	**$ 147**	$ 248	**$ (80)**	$ 11	**$ 444**	$ 732
of which:										
Group's share	**$ 240**	$ 348	**$ 137**	$ 125	**$ 127**	$ 218	**$ (80)**	$ 11	**$ 424**	$ 702
Non-controlling interests' share	**—**	—	**—**	—	**20**	30	**—**	—	**20**	30

SEGMENT ASSETS

	Personal and Business Services	Wealth Management and Life and Health Insurance	Property and Casualty Insurance	Other	Combined
As at March 31, 2022	**$ 312,296**	**$ 53,580**	**$ 15,898**	**$ 15,362**	**$ 397,136**
As at December 31, 2021	$ 306,878	$ 56,891	$ 16,574	$ 16,742	$ 397,085

GENERAL INFORMATION

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