

FINANCIAL STATEMENTS

As at December 31, 2010



Desjardins
Caisse de Vaudreuil-Soulanges

Cooperating in building the future

Independent Auditor's Report

To the members of Caisse Desjardins de Vaudreuil-Soulanges,

Report on the financial statements

Pursuant to section 139 of the Act respecting Financial Services Cooperatives, we have audited the accompanying financial statements of Caisse Desjardins de Vaudreuil-Soulanges (the "Caisse"), which comprise the balance sheet as at December 31, 2010, and the statements of income and of distributable surplus earnings, of distribution, of comprehensive income and accumulated other comprehensive income, of reserves, and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Caisse as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Audit Section*¹

¹Chartered accountant auditor permit No. 12995

Montréal (Québec), March 29, 2011

Caisse Desjardins de Vaudreuil-Soulanges

Balance Sheet

as at December 31

	Note	2010	2009 (note 6)
Assets			
Liquid assets and investments	5	\$116,121,805	\$102,907,150
Loans	6		
Personal		828,040,735	754,124,036
Business		334,091,908	316,991,008
		1,162,132,643	1,071,115,044
Allowance for credit losses		4,620,169	3,140,534
		1,157,512,474	1,067,974,510
Other assets			
Premises and equipment	7	10,294,977	9,122,622
Accrued interest and other		20,508,689	19,930,856
		30,803,666	29,053,478
Total assets		\$1,304,437,945	\$1,199,935,138
Liabilities			
Deposits			
Term savings		\$501,019,516	\$477,985,542
Other		412,284,212	381,468,788
		913,303,728	859,454,330
Other liabilities			
Borrowings	8	265,632,552	225,115,902
Accrued interest and other		20,378,406	20,118,423
		286,010,958	245,234,325
		1,199,314,686	1,104,688,655
Equity			
Capital stock	9	11,324,082	9,456,671
Distributable surplus earnings	10	3,039,148	2,437,212
Accumulated other comprehensive income	11	1,376,144	401,924
Reserves		89,383,885	82,950,676
		105,123,259	95,246,483
Total liabilities and equity		\$1,304,437,945	\$1,199,935,138

Signed for the Board of Directors

DENIS LAPOINTE (signé) _____, Director

HÉLÈNE THERRIEN (signé) _____, Director

Caisse Desjardins de Vaudreuil-Soulanges

Statements of Income and of Distributable Surplus Earnings

for the year ended December 31

	Note	2010	2009 (note 6)
Results			
Interest income		\$52,254,680	\$53,626,936
Interest expense		18,224,141	19,682,565
Net interest income		34,030,539	33,944,371
Provision and loan losses		1,910,641	158,196
Net interest income after provision and loan losses		32,119,898	33,786,175
Other income	12	10,673,978	9,594,014
Other expenses			
Personnel	13	16,075,924	14,687,153
Assessments paid to Desjardins components		3,214,623	3,083,486
Premises		2,663,065	2,403,439
Community development expenses		411,539	464,790
General expenses	14	10,655,328	13,833,415
		33,020,479	34,472,283
Surplus earnings before fair value, taxes and member dividends		9,773,397	8,907,906
Income (losses) related to fair value of derivative instruments		203,916	(4,212,308)
Surplus earnings before taxes and member dividends		9,977,313	4,695,598
Income taxes on surplus earnings	15	1,505,936	695,700
Surplus earnings for the year before member dividends		8,471,377	3,999,898
Member dividends	16	1,740,129	1,669,902
Income tax savings relative to member dividends	15	(519,733)	(515,870)
Surplus earnings for the year after member dividends		7,250,981	2,845,866
Distributable surplus earnings			
Allocation to appreciation reserve:			
• Investments in Desjardins subsidiary companies		(4,325,945)	(3,608,423)
• Derivative instruments		(156,719)	3,233,342
Transfer from community development fund		312,235	346,358
Allocation to statement of distribution		(41,404)	(89,768)
Statutory allocation to general reserve	6	-	(279,736)
Permanent share issuance costs, net of income taxes		-	(10,427)
Distributable surplus earnings	10	\$3,039,148	\$2,437,212

Caisse Desjardins de Vaudreuil-Soulanges

Statement of Distribution

for the year ended December 31

	Note	2010	2009
Distributable surplus earnings from previous year			
Balance already calculated		\$2,437,212	\$-
Impact of a change in accounting policy	6	-	2,147,000
Allocation to general reserve of net impact of a change in accounting policy	6	-	(2,147,000)
Restated balance		2,437,212	-
Transfer from statement of distributable surplus earnings	16	41,404	89,768
Distribution by members:			
• Interest on permanent shares		(301,822)	-
• Interest on surplus shares		(53,351)	-
• General reserve		(1,733,315)	(89,768)
• Community development fund		(500,000)	-
Income tax savings relative to interest paid on permanent shares and on surplus shares		109,872	-
Balance after distribution		\$-	\$-

Caisse Desjardins de Vaudreuil-Soulanges

Statements of Comprehensive Income and Accumulated Other Comprehensive Income

for the year ended December 31

	Note	2010	2009 (note 6)
Comprehensive income			
Surplus earnings for the year after member dividends		\$7,250,981	\$2,845,866
Other comprehensive income			
Reclassification to the statement of income following amortization of gains on derivative instruments related to cash flow hedges discontinued in previous years, net of income taxes		(21,028)	(21,392)
Share in other comprehensive income of Desjardins subsidiary companies for which the Caisse's investment is accounted for under the equity method		948,454	1,325,500
Reclassification to the statement of income relative to the share in other comprehensive income of Desjardins subsidiary companies for which the Caisse's investment is accounted for under the equity method		46,794	36,359
		995,248	1,361,859
Total other comprehensive income		974,220	1,340,467
Comprehensive income		\$8,225,201	\$4,186,333
Accumulated other comprehensive income			
Balance at beginning of year		\$401,924	\$(938,543)
Other comprehensive income for the year		974,220	1,340,467
Balance at end of year	11	\$1,376,144	\$401,924

Caisse Desjardins de Vaudreuil-Soulanges

Statement of Reserves

for the year ended December 31

	Note	2010	2009 (note 6)
Appreciation reserve (total)			
Appreciation reserve – investments in Desjardins subsidiary companies			
Balance at beginning of year		\$10,960,699	\$7,266,283
Transactions in owners' equity by Desjardins subsidiary companies in which the Caisse's share is accounted for under the equity method		29,465	85,993
Increase from statement of distributable surplus earnings as a result of statutory provisions		4,325,945	3,608,423
Balance at end of year		\$15,316,109	\$10,960,699
Appreciation reserve – derivative instruments			
Balance at beginning of year		\$2,203,338	\$5,436,680
Increase from statement of distributable surplus earnings as result of statutory provisions		156,719	-
Allocation to statement of distributable surplus earnings as a result of statutory provisions		-	(3,233,342)
Balance at end of year		\$2,360,057	\$2,203,338
Appreciation reserve (total)		\$17,676,166	\$13,164,037
General reserve			
Balance at beginning of year			
Balance already calculated		\$62,502,722	\$59,986,218
Accumulated transfer from statement of distribution as a result of a change in accounting policy	6	-	2,147,000
Restated balance at beginning of year		62,502,722	62,133,218
Statutory transfer from statement of distributable surplus earnings as a result of a change in accounting policy	6	-	279,736
Increase resulting from distribution by members		1,733,315	89,768
Balance at end of year		\$64,236,037	\$62,502,722

Caisse Desjardins de Vaudreuil-Soulanges

Statement of Reserves (continued)

for the year ended December 31

	2010	2009 (note 6)
Stabilization reserve		
Balance at beginning and at end of year	\$2,356,039	\$2,356,039
Future member dividends reserve		
Balance at beginning and at end of year	\$4,200,092	\$4,200,092
Community development fund		
Balance at beginning of year	\$727,786	\$1,074,144
Increase resulting from distribution by members	500,000	–
Allocation to statement of distributable surplus earnings of amounts used during the year	(312,235)	(346,358)
Balance at end of year	\$915,551	\$727,786
Total reserves	\$89,383,885	\$82,950,676

Caisse Desjardins de Vaudreuil-Soulanges

Statement of Cash Flows

for the year ended December 31

	2010	2009 (note 6)
Operating activities		
Surplus earnings for the year after member dividends	\$7,250,981	\$2,845,866
Adjustments to determine cash flows		
Provision and loan losses	1,910,641	158,196
Amortization of premises and equipment	1,240,366	1,070,858
Net change in accrued interest receivable and payable	854,375	(1,750,911)
Income related to investments in Desjardins subsidiary companies	(4,325,945)	(3,608,423)
Losses (income) related to fair value of derivative instruments	(203,916)	4,212,308
Other	987,006	(266,806)
Cash flows from operating activities	7,713,508	2,661,088
Financing activities		
Net change in member deposits	51,894,083	5,723,441
Transactions related to borrowings		
Net change in line of credit	(75,475,502)	116,927,020
Increase in term loans	130,492,152	11,196,774
Term loans repaid	(14,500,000)	(27,286,518)
New issue of permanent shares	1,707,140	939,990
Other net change in capital stock	160,271	459,350
Interest on permanent shares and surplus shares, net of income tax savings	(245,301)	-
Cash flows from financing activities	94,032,843	107,960,057
Investing activities		
Net change in loans	(91,448,605)	(101,425,661)
Net change in investments	(7,194,805)	(3,240,238)
Net change in premises and equipment	(2,412,721)	(1,337,898)
Cash flows from investing activities	(101,056,131)	(106,003,797)
Net increase in cash	690,220	4,617,348
Cash at beginning of year	20,113,751	15,496,403
Cash at end of year	\$20,803,971	\$20,113,751
Other cash flow information		
Amount of interest paid	\$17,745,066	\$20,716,780
Amount of income taxes paid during the year	384,875	1,120,055

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 1. Applicable Legislation and Operations Carried on by the Caisse

The Caisse is a cooperative whose object is to receive the savings of its members and to invest them profitably, to extend credit and supply other financial products and services to its members, to foster cooperation and to promote economic, social and cooperative education. It is governed by the Act respecting Financial Services Cooperatives (the "Act").

The Caisse is listed with the Autorité des marchés financiers (the AMF). It is also a member of Fonds de sécurité Desjardins, whose main object is to establish and administer a security, liquidity or mutual benefit fund for the benefit of the Desjardins caisses in Québec.

The Caisse is a member of the Fédération des caisses Desjardins du Québec (the FCDQ) which controls other components that form Desjardins Group.

Note 2. New Accounting Standard

Effective interest method

On January 1, 2010, the Caisse retrospectively adopted the amendment to Section 3855 "Financial Instruments – Recognition and Measurement" of the Handbook of the Canadian Institute of Chartered Accountants (CICA). This amendment clarifies the interest calculation method for a financial asset after recognition of an impairment loss. The adoption of these amendments did not have any significant impact on the Caisse's financial statements.

Note 3. Accounting Policies

In preparing the financial statements according to Canadian generally accepted accounting principles, management is required to make certain estimates and assumptions that have an impact on the amounts reported in the financial statements and the Notes. Actual results may therefore differ from these estimates.

Financial Instruments – Recognition and measurement

Financial assets should be classified as one of the following: held for trading, available for sale, held to maturity, or loans and receivables. Financial liabilities should be classified as held for trading, or other. Financial assets and liabilities are initially recognized at fair value at the trade date.

Financial instruments held for trading by the Caisse are comprised of cash and derivative instruments. Available-for-sale financial assets are equity securities that are recorded at cost. The held to maturity category is not used. Finally, loans and receivables and financial liabilities not held for trading are recorded at cost after amortization, using the effective interest rate method. Interest income and expense on these assets and liabilities are recorded with net interest income. Transaction costs related to financial instruments are basically attributable to loans and receivables and are capitalized and amortized over the life of the instrument, according to the effective interest rate method.

Derivative instruments and hedges

The Caisse uses swaps and options to manage the risks inherent in its financial assets and liabilities. As provided for in Canadian generally accepted accounting principles, the Caisse elected not to adopt hedge accounting for these derivatives in light of the complexity of the new requirements for documenting hedging relationships.

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 3. Accounting Policies (continued)

The Caisse recognizes its derivative instruments at fair value, whether they are stand-alone or embedded. Stand-alone derivative instruments are recorded on the balance sheet as other assets and liabilities while embedded derivative instruments are presented with their host contract according to their nature, under "Term savings" or "Other assets". Any change in the fair value of stand-alone derivatives is recognized in the statement of income under "Income (losses) related to the fair value of derivative instruments", except for any change in relation to term savings linked to the market, which is recognized under "Interest expense". Moreover, any change in the fair value of embedded derivatives is recorded as an interest expense adjustment.

Comprehensive income

Other comprehensive income includes amortization of the balance related to cash flow hedges discontinued in previous years and the share in other comprehensive income of Desjardins subsidiary companies for which the Caisse's investment is accounted for under the equity method. The financial statements include a statement of comprehensive income. Accumulated other comprehensive income is presented as an equity item on the balance sheet.

Other accounting policies

To facilitate understanding of these financial statements, the significant accounting policies other than the foregoing have been integrated into the Notes.

Note 4. Future Accounting Changes

New financial reporting framework

Effective January 1, 2011, the Caisse, as a savings and loan cooperative meeting the accounting definition of a publicly accountable enterprise, will be required to apply the International Financial Reporting Standards (IFRS). The changes associated with the retrospective adoption of this new financial reporting framework will be recognized in the opening balances for equity as at January 1, 2010.

Note 5. Liquid Assets and Investments

	2010	2009
Cash	\$20,803,971	\$20,113,751
Investments in Desjardins subsidiary companies	39,179,283	30,819,041
Term deposits	670,058	1,090,878
Investments in liquidity fund under management	55,468,493	50,883,480
	\$116,121,805	\$102,907,150

Cash includes cash and other sums used in current operations. Investments in Desjardins subsidiary companies are accounted for under the equity method. Income on these investments amounted to \$4,409,248 (\$3,666,016 in 2009). Term deposit investments are classified as loans and receivables.

So that the Caisse can manage liquidity risk, it keeps the amounts necessary to maintain a minimum level of liquidity in a fund under management designed specifically for this purpose. The amounts paid into this fund are excluded from cash because regulations do not permit them to be used for current operations.

At year-end 2010 and 2009, no write-down was required to reflect a permanent impairment in value under investments.

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 6. Loans

Loans are recorded at amortized cost, using the effective interest rate method, net of the allowance for credit losses, which reflects management's best estimate of potential losses on the loan portfolio. This allowance is made up of specific allowances and a general allowance.

Specific allowances are determined for all loans considered to be impaired. A loan is considered impaired when one of the following situations arises: in the opinion of management, there is reasonable doubt as to the ultimate collectibility of principal and interest; the loan is more than 180 days in arrears; or the interest or principal repayment is 90 days or more past due, unless the loan is fully secured. The value of impaired loans is adjusted by discounting the expected future cash flows from these loans, and the allowance is equal to the difference between this valuation and the balance of the loan. Any variation in the allowance for credit losses due either to the passage of time or to a revision of expected payments is recorded under "Provision and loan losses" in the statement of income. The Caisse ceases to record interest as soon as a loan is considered impaired. When there is no longer any reasonable doubt concerning the collectibility of principal and interest on an impaired loan, it is restored to current status. Interest on this loan is once again accounted for under the accrual method, and the related allowances are reversed to income.

The general allowance is intended to evaluate loan losses that cannot be determined on an individual basis, and is notably based on the profile of the loan portfolio as at the date of the balance sheet.

Accounting change

During the year, the Caisse changed the method it uses to measure its general allowance. The new method ensures that the most accurate calculation of risk is taken into consideration by using parameters such as probability of default, loss in case of default and gross amounts subject to default, which are determined based on historical losses by loan category and rating. This new approach is based more on coverage of undetected risks as at the balance sheet date, given that there is a period of time between the loss event and when the loan becomes impaired. The new methodology makes it possible to continue to obtain a reliable and more relevant amount for the general allowance.

Further to the retrospective application of the new method to prior periods, the financial statements have been adjusted as follows.

	December 31, 2009	January 1, 2009
Balance sheet		
Assets		
Decrease in the allowance for credit losses	\$3,417,574	\$3,016,754
Liabilities		
Increase in other liabilities	990,838	869,754
Equity		
Increase in reserves	2,426,736	2,147,000

Furthermore, for the year ended December 31, 2009, the retrospective adjustment of the general allowance helped to decrease the provision and loan losses expense by \$400,820, decrease general expenses by \$28,209, increase income tax expense by \$149,293 and led to a \$279,736 increase in surplus earnings for the year, after member dividends. Given the statutory framework requiring the allocation of the impact of restatement to the general reserve, the impact of restatement on distributable surplus earnings is nil.

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 6. Loans (continued)

Loans by category of borrower

	2010	2009
Personal		
Mortgages	\$649,628,870	\$599,303,992
Consumer and other	178,411,865	154,820,043
Business		
Commercial and industrial	167,373,883	159,441,276
Agriculture, forestry and fishing	114,857,574	103,135,930
Government and public institutions	51,860,451	54,413,802
	<u>\$1,162,132,643</u>	<u>\$1,071,115,043</u>

Loans and provision

	2010			
	Personal	Business	General Allowance	Total
Loans, neither past due nor impaired, gross amount	\$801,944,243	\$327,579,178	\$-	\$1,129,523,421
Loans, past due but not impaired, gross amount	25,518,652	2,751,034	-	28,269,686
Gross impaired loans	577,840	3,761,696	-	4,339,536
Total gross loans	<u>828,040,735</u>	<u>334,091,908</u>	<u>-</u>	<u>1,162,132,643</u>
Specific allowances	(376,805)	(2,460,806)	-	(2,837,611)
General allowance	-	-	(1,782,558)	(1,782,558)
Total net loans	<u>\$827,663,930</u>	<u>\$331,631,102</u>	<u>\$(1,782,558)</u>	<u>\$1,157,512,474</u>
	2009			
	Personal	Business	General Allowance	Total
Loans, neither past due nor impaired, gross amount	\$734,596,904	\$312,266,159	\$-	\$1,046,863,063
Loans, past due but not impaired, gross amount	18,028,974	1,357,373	-	19,386,347
Gross impaired loans	1,498,158	3,367,476	-	4,865,634
Total gross loans	<u>754,124,036</u>	<u>316,991,008</u>	<u>-</u>	<u>1,071,115,044</u>
Specific allowances	(244,028)	(1,178,028)	-	(1,422,056)
General allowance ⁽¹⁾	-	-	(1,718,478)	(1,718,478)
Total net loans	<u>\$753,880,008</u>	<u>\$315,812,980</u>	<u>\$(1,718,478)</u>	<u>\$1,067,974,510</u>

(1) The opening balance for the year was restated as explained earlier.

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 6. Loans (continued)

The carrying amount of loans that would otherwise be past due or impaired, but whose terms were renegotiated during the year, amounted to \$1,430,221 (\$2,319,074 in 2009).

Past due loans are loans on which the counterparty has failed to make a payment when contractually due.

Loans past due but not impaired

2010					
	1 to 29 days	30 to 59 days	60 to 89 days	90 days and more	Total
Personal	\$20,824,198	\$1,966,783	\$765,298	\$1,962,373	\$25,518,652
Business	724,187	4,638	-	2,022,209	2,751,034
	\$21,548,385	\$1,971,421	\$765,298	\$3,984,582	\$28,269,686
2009					
	1 to 29 days	30 to 59 days	60 to 89 days	90 days and more	Total
Personal	\$15,206,693	\$1,486,822	\$88,248	\$1,247,211	\$18,028,974
Business	884,078	-	52,064	421,231	1,357,373
	\$16,090,771	\$1,486,822	\$140,312	\$1,668,442	\$19,386,347

Changes in the provision

2010				
	Specific allowances Personal	Specific allowances Business	General allowance	Total
Balance at beginning of year ⁽¹⁾	\$244,028	\$1,178,028	\$1,718,478	\$3,140,534
Provision and loan losses shown in the statement of income	386,460	1,460,101	64,080	1,910,641
Write-offs and other	(253,683)	(177,323)	-	(431,006)
Balance at end of year	\$376,805	\$2,460,806	\$1,782,558	\$4,620,169

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 6. Loans (continued)

	2009			
	Specific allowances	Specific allowances	General allowance	Total
	Personal	Business		
Balance at beginning of year ⁽¹⁾	\$278,425	\$1,184,080	\$2,026,182	\$3,488,687
Provision and loan losses shown in the statement of income	274,665	191,235	(307,704)	158,196
Write-offs and other	(309,062)	(197,287)	-	(506,349)
Balance at end of year	\$244,028	\$1,178,028	\$1,718,478	\$3,140,534

(1) The opening balance for the year was restated as explained earlier.

Transferred loans still recognized on the balance sheet

As part of its liquidity and capital management strategy, Desjardins Group participates in the National Housing Act Canada Mortgage-Backed Securities Program of the Canada Mortgage and Housing Corporation (CMHC). Under this program, the Caisse transferred a mortgage loan securitization interest to a Desjardins subsidiary company. Then, once the loans covered by the securitization interests are converted into pools of loans by the subsidiary, the loans in the pool are transferred from the Caisse to the CMHC.

Within the framework of these transactions, the Caisse retains substantially all the risks and benefits related to the interests in the mortgage loan securitization and the loans covered, notably prepayment risk and counterparty risk. As a result, this debt remains on the Caisse's balance sheet.

The table below presents the carrying amount of the mortgage loans legally transferred by the Caisse but which remain recorded on the balance sheet. Given that no cash or other asset is received for this transaction, no related liability was recorded on the balance sheet:

	2010	2009
Mortgage loans transferred for securitization purposes	\$57,540,768	\$-

Note 7. Premises and Equipment

	Useful Life (years)	2010				2009
		Cost	Accumulated Depreciation	Net Amount	Net Amount	
Lands		\$752,082	\$-	\$752,082	\$752,082	
Buildings	15 to 60	9,644,566	3,468,883	6,175,683	5,943,850	
Equipment	3 to 10	7,024,468	5,236,209	1,788,259	1,602,092	
Lands improvement	10 to 25	532,031	440,489	91,542	107,285	
Leasehold improvements	10	2,412,699	925,288	1,487,411	717,313	
		\$20,365,846	\$10,070,869	\$10,294,977	\$9,122,622	

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 7. Premises and Equipment (continued)

Premises and equipment are amortized according to the straight line method, based on their useful life. To calculate depreciation expense for buildings, the Caisse uses the component approach. Depreciation was calculated separately for the following components: structure and foundation, building envelope and technical installations as well as interior layout. The amount of depreciation charged to income for the year totalled \$1,240,366 (\$1,070,858 in 2009).

Note 8. Borrowings

	2010	2009
Line of credit with an interest rate of 1.50%, variable	\$118,739,407	\$194,214,909
Term loans	-	14,500,000
Term loans with interest rates from 2.09% to 2.35%, renegotiable quarterly, repayable periodically, maturing from September 2014 to December 2015	113,000,000	-
Term loans bearing interest at fixed rates or rates renegotiable quarterly, some of which loans have a prepayment before maturity clause ⁽¹⁾		
Fixed Rate	Maturing	Repayable
6.50%	June 2017	June 2012
6.01	April 2019	April 2014
5.79	June 2021	June 2016
5.39	May 2020	May 2015
4.05	November 2020	November 2015
Rate renegotiable	Maturing	Repayable
2.02%	June 2012	n.a.
5.49	April 2014	n.a.
	\$265,632,552	\$225,115,902

(1) Term borrowings include subordinated securities with a related company redeemable at the option of the holder under certain conditions and for specified purposes.

Note 9. Capital Stock

The capital stock is composed of qualifying shares, permanent shares and surplus shares.

The Caisse is authorized to issue an unlimited number of qualifying shares with a par value of \$5, which are redeemable at the Caisse's option under certain circumstances provided for in the Act. Members have only one vote each, no matter how many qualifying shares they own.

The Act authorizes the issue of an unlimited number of permanent shares and surplus shares with par values of \$10 and \$1 respectively. These shares do not carry any voting rights and cannot be redeemed except under certain circumstances provided for in the Act. Their interest rate is determined at the general meeting of the Caisse. Under the interest reinvestment plan, interest on surplus shares is paid in shares, while interest on permanent shares can be paid in cash or in shares.

In addition to this interest, the Caisse issued new permanent shares for \$1,707,140 during the year (\$939,990 in 2009).

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 9. Capital Stock (continued)

Issued and fully paid capital stock is as follows:

	2010	2009
Qualifying shares	\$241,685	\$252,090
Permanent shares	9,643,320	7,936,180
Surplus shares	1,439,077	1,268,401
	<u>\$11,324,082</u>	<u>\$9,456,671</u>

Note 10. Distributable Surplus Earnings

Distribution comes under the jurisdiction of the general meeting. However, according to the standards of the FCDQ, distributable surplus earnings must be applied first for the purpose of ensuring the payment of interest on the permanent shares, as well as for the purpose of establishing or maintaining the required level of capitalization through transfers to the stabilization reserve and the general reserve.

Note 11. Accumulated Other Comprehensive Income

The following table describes the key items included in accumulated other comprehensive income, net of income taxes:

	2010	2009
Gain on derivative instruments related to cash flow hedges discontinued in previous years	\$31,772	\$52,800
Share in other comprehensive income of Desjardins subsidiary companies for which the Caisse's investment is accounted for under the equity method	1,344,372	349,124
	<u>\$1,376,144</u>	<u>\$401,924</u>

Over the next two years, the balance of the accumulated other comprehensive income from cash flow hedges will be reclassified to the statement of income, including \$29,850 in income within the next twelve months.

Note 12. Other Income

	2010	2009
Accrued mainly from deposit administration	\$5,160,030	\$4,886,194
Accrued from administration of other services	2,061,190	2,063,902
Accrued from distribution of Desjardins products and services	3,452,758	2,643,918
	<u>\$10,673,978</u>	<u>\$9,594,014</u>

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 12. Other Income (continued)

Income accrued from deposit administration consisted mainly of service charges and charges related to payment orders issued without sufficient funds, while income accrued from the administration of other services was made up of charges relating to collections made on behalf of various organizations, and of income accrued from intercaisse transactions. This income is recognized at the time the transaction is performed based on the agreement in effect with the member.

Income accrued from the distribution of Desjardins products and services comprises fees for the financial activities carried on by Desjardins subsidiary companies through the Caisse. This income is recognized at the time the service is rendered, based on the agreements in effect with the various Desjardins subsidiary companies.

Note 13. Employee Future Benefits

The Caisse participates in the Desjardins Group defined benefit multi-employer pension plan which guarantees the payment of pension benefits. Benefits are calculated based on the number of years of participation in the plan, and the employee's salary.

In addition, the Caisse provides life and health insurance coverage to its active and retired employees and their dependents, also through Desjardins Group.

These plans are accounted for under the provisions for defined benefit plans. The cost of these plans recognized during the year is presented under "Personnel" in the income statement and is broken down as follows:

	2010	2009
Pension plan	\$1,464,876	\$971,407
Group insurance plan	892,108	772,705

Note 14. General Expenses

	2010	2009 (note 6)
Computer services	\$4,182,921	\$4,050,515
Office supplies and communications expenses	1,488,535	1,287,698
Intercaisse transactions	642,336	680,217
Compensation relative to a consolidation agreement	-	2,800,000
Other	4,341,536	5,014,985
	<u>\$10,655,328</u>	<u>\$13,833,415</u>

Note 15. Income Taxes on Surplus Earnings

Income taxes on surplus earnings are accounted for using the tax liability method. Under this method, the income tax expense on surplus earnings comprises current and future income taxes. Future income taxes reflect the future tax effects of temporary differences between the value of assets and liabilities for tax and accounting purposes. Future income tax assets or liabilities are measured based on the tax rates expected to apply when the assets are realized and the liabilities are settled. Future income tax assets and liabilities are presented under "Accrued interest and other".

The difference between the income tax expense of \$2,553,527 (\$937,966 in 2009), calculated at the basic federal and provincial tax rate, and the income tax expense of \$986,203 (\$179,830 in 2009) presented in the statement of income is mainly attributable to the small business deduction, the non-taxable portion of transactions related to investments in Desjardins subsidiary companies, and the revaluation of future income taxes.

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 16. Member Dividends

The member dividends presented in the statement of income can be broken down as follows:

	2010	2009
Amounts based on a management decision recommending that the general meeting approve this payment of member dividends	\$1,800,000	\$1,800,000
Difference between the amount of member dividends paid and the amount recorded based on a management decision:		
• Paid in 2010 and recorded as at December 31, 2009	(59,871) ⁽¹⁾	-
• Paid in 2009 and recorded as at December 31, 2008	-	(130,098) ⁽¹⁾
	<u>\$1,740,129</u>	<u>\$1,669,902</u>

(1) The amount transferred between the Statement of Distributable Surplus Earnings and the Statement of Distribution was \$41,404 (\$89,768 in 2009) because of the tax impact.

Member dividends are calculated based on interest on loans and deposits, and on average outstandings for Desjardins Funds purchased by the member through the Caisse.

Note 17. Related Party Transactions

The FCDQ, a cooperative which is the majority owner of the other Desjardins components, provides the Caisse with various services of a technical, financial and administrative nature.

In the ordinary course of business, the Caisse carries out transactions with other Desjardins components. It also carries out financial transactions with its officer members. Transactions with related parties are accounted for at the exchange value, which represents the amount agreed upon by the parties. Conditions are similar to those offered on financial markets.

The table below shows the main transactions other than those specifically identified elsewhere in the financial statements.

	Balance sheet		Income	
	2010	2009	2010	2009
Liquid assets and investments	\$116,121,805	\$102,907,150	\$6,594,825	\$6,053,490
Other assets	11,462,108	10,287,289	-	-
Income from other sources	n.a.	n.a.	7,707,092	11,174,790
Borrowings	265,632,552	225,115,902	4,322,766	3,260,543
Other liabilities	3,752,963	4,493,863	-	-
Other charges	n.a.	n.a.	5,614,587	12,695,172

Income from other sources is derived chiefly from intercaisse transactions, swaps and fees related to the distribution of Desjardins products and services and gains on the sales of loans, while other charges relate mainly to data processing services, intercaisse transactions and insurance services.

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 17. Related Party Transactions (continued)

During the year, the Caisse sold and purchased loans at market value. Purchases exceeded sales by \$21,377,301. It also assumed deposits at market value, for an amount of \$7,856,079.

Note 18. Carrying Amount and Fair Value of Financial Instruments

The following table presents the carrying amount and fair value of all financial assets and liabilities according to their classification in the categories defined in Note 3 on financial instruments. Interest rate sensitivity is the main reason for fluctuations in the fair value of the Caisse's financial instruments.

2010					
	Held for trading	Available for sale	Loans and receivables, and financial liabilities other than held for trading	Total	Fair value
Financial assets					
Liquid assets and investments	\$20,803,971	\$55,468,493	\$670,058	\$76,942,522	\$76,941,373
Loans	-	-	1,157,512,474	1,157,512,474	1,173,063,836
Other financial assets	-	-	8,517,904	8,517,904	8,517,904
Derivative instruments, debit position	3,637,748	-	-	3,637,748	3,637,748
Total financial assets	\$24,441,719	\$55,468,493	\$1,166,700,436	\$1,246,610,648	\$1,262,160,861
Financial liabilities					
Deposits	\$-	\$-	\$913,303,728	\$913,303,728	\$923,218,471
Borrowings	-	-	265,632,552	265,632,552	266,846,679
Other financial liabilities	-	-	7,583,714	7,583,714	7,583,714
Derivative instruments, credit position	435,286	-	-	435,286	435,286
Total financial liabilities	\$435,286	\$-	\$1,186,519,994	\$1,186,955,280	\$1,198,084,150

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 18. Carrying Amount and Fair Value of Financial Instruments (continued)

2009					
	Held for trading	Available for sale	Loans and receivables, and financial liabilities other than held for trading	Total	Fair value
Financial assets					
Liquid assets and investments	\$20,113,751	\$50,883,480	\$1,090,878	\$72,088,109	\$72,087,299
Loans ⁽¹⁾	-	-	1,067,974,510	1,067,974,510	1,087,794,802
Other financial assets	-	-	7,530,990	7,530,990	7,530,990
Derivative instruments, debit position	4,218,762	-	-	4,218,762	4,218,762
Total financial assets	\$24,332,513	\$50,883,480	\$1,076,596,378	\$1,151,812,371	\$1,171,631,853
Financial liabilities					
Deposits	\$-	\$-	\$859,454,330	\$859,454,330	\$868,866,412
Borrowings	-	-	225,115,902	225,115,902	226,462,293
Other financial liabilities	-	-	7,104,592	7,104,592	7,104,592
Derivative instruments, credit position	1,190,097	-	-	1,190,097	1,190,097
Total financial liabilities	\$1,190,097	\$-	\$1,091,674,824	\$1,092,864,921	\$1,103,623,394

(1) The balance was restated as explained in Note 6.

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 18. Carrying Amount and Fair Value of Financial Instruments (continued)

The fair value of financial instruments is based on the following estimation methods and assumptions:

- The fair value of financial assets and liabilities is determined based on a discounted cash flow method that uses market interest rates for similar financial assets and liabilities.
- The fair value of derivative instruments is calculated based on the net present value of expected cash flows at the market interest rates currently charged for instruments with similar features and maturities. Derivative instruments consist of interest rate swaps, options and forward exchange contracts. At year-end, the notional amount of all the derivative instruments totalled \$168,339,881.
- The investment in the liquidity fund under management is recorded at the initial cost, which corresponds to fair value, taking into account the terms of the derivative instrument.

Finally, the fair value of items not considered financial instruments, such as premises and equipment, and investments in Desjardins subsidiary companies, is not included in the preceding table.

For financial instruments recognized at fair value on the balance sheet, their measurements were established according to the following hierarchy:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs rather than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

The table below classifies fair value measurements according to the three levels.

2010				
	Level 1	Level 2	Level 3	Total
Assets				
Liquid assets and investments	\$20,803,971	\$-	\$-	\$20,803,971
Derivative Instruments				
Debit position	-	3,637,748	-	3,637,748
Credit position	-	435,286	-	435,286
2009				
	Level 1	Level 2	Level 3	Total
Assets				
Liquid assets and investments	\$20,113,751	\$-	\$-	\$20,113,751
Derivative Instruments				
Debit position	-	4,218,762	-	4,218,762
Credit position	-	1,190,097	-	1,190,097

During the current and previous year, no significant transfer was made between the levels of the fair value hierarchy.

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 19. Guarantees

Significant guarantees that the Caisse has given to third parties are described below.

Letters of guarantee

Letters of guarantee are an irrevocable commitment by the Caisse to make payments in the event that a member cannot meet its obligations to third parties. These letters are generally collateralized in accordance with the same policy the Caisse has with respect to loans. The term of these letters does not extend past March 2015. At year-end, the maximum potential amount of future payments relative to these letters represented an amount of \$5,443,032.

Note 20. Commitments

At year-end, minimum future commitments under leases for premises are as follows:

2011	\$501,786
2012	477,844
2013	340,102
2014	333,922
2015	343,487
2016 and thereafter	1,893,757
	<hr/>
	\$3,890,898

Commitment related to the development of a service centre

During the year, the Caisse awarded a contract for \$1,228,417 related to the development of a service centre to be occupied by the Caisse. At year-end, an amount of \$626,412 was recorded in relation to this commitment.

Credit commitments

The Caisse's credit commitments represent unused portions of authorizations to extend credit in the form of loans or letters of credit and guarantee. The Maximum Credit Risk Exposure table in Note 21 presents these credit commitments as at year-end.

Note 21. Financial Instrument Risk Management

The Caisse is exposed to different types of risk in the normal course of operations, including credit risk, liquidity risk and market risk. The Caisse enjoys a risk management framework supplied by the FCDQ, whose objective is to optimize the risk/return trade-off.

It is within this context that the members of the Caisse's Board of Directors, working together with general management and the FCDQ, must define, adopt, implement, monitor and control a management framework that will identify and measure all significant risks to which the Caisse is exposed, and take corrective action in a timely manner.

To provide benchmarks for sound and prudent management, the Caisse's Board of Directors relies on laws and regulations, the Code of Ethics and Professional Conduct – Cooperative Network, standards, FCDQ policies and its own policies. This risk management approach is based on principles that encourage the Caisse to take responsibility for the quality of risk management.

Credit risk

Credit risk represents the risk of losses if a borrower or a counterparty fails to honour its contractual obligations, appearing or not on the balance sheet.

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 21. Financial Instrument Risk Management (continued)

Credit risk management

The Caisse is responsible for the credit risk inherent in its lending activities. For this purpose, the Caisse has an approval limit assigned by the FCDQ as well as a management framework and tools.

Framework

Standards for credit management define the framework within which lending operations and other transactions that feature a credit risk are to be carried out, as well as the controls required in their regard.

For this purpose, they define, among other things:

- The minimum framework for credit risk management and control. This framework is rounded out by the credit practices of the FCDQ and the Caisse's credit policy.
- The roles and responsibilities of the main parties involved in credit.

The credit practices of the FCDQ designate the credit practices applicable to the caisses and adopted by the FCDQ. They set out the guidelines for credit risk management and control at the Caisse and the financing terms and conditions applicable to borrowers.

The Caisse adopts a credit policy and reviews it annually to confirm that the Caisse is applying the credit practices of the FCDQ.

All these structures and policies define the responsibilities of the parties involved, specify the level of risk that the Caisse is willing to assume, establish concentration limits, and set out risk management and control guidelines.

Credit granting

To assess the risk of credit activities with individuals and smaller businesses, credit rating systems developed by the FCDQ, based on proven statistics, are used. These systems were developed using a history of borrower behaviour with a profile or characteristics similar to those of the applicant to determine the risk. The performance of these systems is analyzed on an ongoing basis and adjustments are made regularly with a view to assessing borrower risk as accurately as possible.

With respect to business loans, credit granting is based on an analysis of the different parameters for each file, in which each borrower is assigned a rating that represents his level of risk, among other things.

The depth of the analysis and the approval level required depend on the complexity and extent of the transaction risk; larger loans are approved by the FCDQ.

Mitigating credit risk

In its lending operations, the Caisse obtains collateral in line with credit practices. Collateral normally takes the form of an asset such as cash, receivables, inventory, movables or capital assets. For some portfolios, programs offered by organizations like the CMHC and La Financière agricole du Québec are used in addition to customary collateral.

The large number of borrowers, for the most part consumers, but also small and medium-sized enterprises from many sectors of the economy, helps promote sound diversification of the financing portfolio. Note 6 to the financial statements presents the breakdown of loans by category of borrower. When required, the Caisse uses mechanisms to share risk, notably selling loans to other components, mainly caisses or certain Desjardins subsidiary companies.

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 21. Financial Instrument Risk Management (continued)

File monitoring and management of higher risks

The loan portfolio is monitored using credit practices that set out the degree of thoroughness and frequency of review based on the quality and extent of the risk to which the Caisse is exposed. Certain loans that present irregularities or increased risk, compared to what was accepted at the time of approval, are reported to the FCDQ. Changes in the portfolio of large, higher-risk loans are monitored, and a report is presented quarterly to the Board of Directors. Management of higher-risk loans involves more frequent monitoring and the Caisse may be supported by teams from the FCDQ's Special Accounts and Irregular Loans Follow-up Department to help manage more difficult situations.

Maximum credit risk exposure

	2010	2009 (note 6)
Recognized on the balance sheet		
Liquid assets and investments ⁽¹⁾	\$68,323,134	\$64,339,758
Loans:		
• Personal	827,663,930	753,880,007
• Business	331,631,102	315,812,980
• General allowance	(1,782,558)	(1,718,478)
Other financial assets	19,839,015	18,606,763
	\$1,245,674,623	\$1,150,921,030

(1) Liquid assets and investments exposed to credit risk exclude, in particular, investments in Desjardins subsidiary companies.

At year-end, the maximum credit risk exposure for loan commitments and for letters of credit and guarantee was \$269,394,309 (\$286,978,453 in 2009) and \$5,443,032 (\$4,992,945 in 2009), respectively.

Liquidity risk

Liquidity risk refers to the Caisse's capacity to raise the necessary funds (by increasing liabilities or converting assets) to meet a financial obligation, whether or not it appears on the balance sheet, on the date it is due or otherwise.

The purpose of liquidity risk management is to ensure access, on a timely basis and in a profitable manner, to the funds needed to meet the Caisse's financial obligations as they become due, both under normal circumstances and in a crisis situation. Managing this risk involves maintaining a minimum level of liquid securities, stable and diversified sources of funding, and an action plan to implement in extraordinary circumstances. Liquidity risk management is a key component in an overall risk management strategy because it is essential to preserving market and depositor confidence.

Policies have been established describing the principles, limits and procedures that apply to liquidity risk management. Desjardins Group has also developed a liquidity contingency plan that includes setting up an internal liquidity crisis committee vested with special decision-making powers to deal with a crisis situation. This plan permits quick and effective intervention in order to minimize disruptions caused by sudden changes in member and client behaviour and potential disruptions in markets or economic conditions. Assets and funding sources in crisis situations are monitored weekly and a report is filed with Desjardins components in order to measure the coverage ratio in relation to hypothetical crisis scenarios and to ensure compliance with the Desjardins Group liquidity policy.

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 21. Financial Instrument Risk Management (continued)

Desjardins Group's liquidity management is consolidated so that limits can be implemented for various liquidity risk indicators. Day-to-day decisions concerning short-term financing are based on the daily cumulative net cash position, which is monitored through limits tied to liquidity ratios. A specific framework sets out the minimum level of liquidity that the Caisse must maintain. This liquidity level is centrally managed by the Desjardins Group Treasury and is monitored on a daily basis. Eligible securities must meet high safety and negotiability standards. The liquid securities portfolio comprises mostly securities issued by governments, public bodies and private companies with high credit ratings, i.e., AA- or better.

The Desjardins Group Treasury ensures stable and diversified sources of funding by type, source and maturity. Desjardins Group can also issue securities and borrow on national and international markets to round out and diversify its funding.

A securitization program for mortgages insured by the CMHC is also in place.

Desjardins Group is also eligible for the Bank of Canada's various intervention programs and the loan facilities for Emergency Lending Assistance advances.

The following table presents financial liabilities and other obligations by remaining contractual maturity. Amounts presented include principal and interest, if any.

2010				
	Under 1 year	1 to 5 years	Over 5 years	Total
Deposits	\$645,397,935	\$295,063,540	\$-	\$940,461,475
Borrowings ⁽¹⁾	154,815,981	120,597,078	-	275,413,059
Other financial liabilities	9,754,540	-	-	9,754,540
Loan commitments	269,394,309	-	-	269,394,309
Letters of credit and guarantee	5,443,032	-	-	5,443,032
Derivative instruments with net settlement	(25,818)	495,013	29,688	498,883
2009				
	Under 1 year	1 to 5 years	Over 5 years	Total
Deposits	\$590,788,784	\$298,760,050	\$-	\$889,548,834
Borrowings ⁽¹⁾	223,388,168	2,953,306	-	226,341,474
Other financial liabilities	6,437,700	-	-	6,437,700
Loan commitments	286,978,453	-	-	286,978,453
Letters of credit and guarantee	4,992,945	-	-	4,992,945
Derivative instruments with net settlement	(97,381)	1,263,481	153,950	1,320,050

(1) Borrowings include subordinated securities with a related company, redeemable at the option of the holder under certain conditions and for specified purposes. This clause implies that all borrowings are included in the "Under 1 year" category. Their maturity dates range from June 1, 2017 to June 1, 2021.

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 21. Financial Instrument Risk Management (continued)

Market risk

Market risk refers to the risk of changes in the fair value of financial instruments as a result of changes in parameters affecting this value such as interest rates, exchange rates, credit spreads and their volatility.

The Caisse is exposed to market risk primarily through positions taken as part of its traditional financing and savings recruitment activities. The Caisse along with the FCDQ and Desjardins Group have adopted policies that set out the principles, limits and procedures to use in managing market risk.

Interest rate risk management

The Caisse is exposed to interest rate risk, which represents the potential impact of interest rate fluctuations on net interest income and on the economic value of equity.

Dynamic and prudent management is applied to optimize net interest income while minimizing the negative impact of interest rate movements. Interest rate risk is managed globally for the caisse network as well as individually for the Caisse.

Caisse network risk management

The policies developed by the FCDQ describe the principles, limits and mechanisms used to manage this risk. Simulations are run at the caisse network level to measure the impact of different variables on net interest income and the economic value of equity for all the caisses. The assumptions used in the simulations are based on an analysis of historical data and the impact of different interest rate conditions on the data, and concern changes in the structure of the balance sheet, including modelling of non-maturity deposits and operating expenses, member behaviour and pricing. Desjardins Group's Asset/Liability Committee is responsible for analyzing and adopting monthly the global matching strategy while respecting the parameters defined in interest rate risk management policies.

Risk management at the Caisse

The Caisse's interest rate risk is managed in compliance with this strategy, in particular by setting targets and action to be taken when the Caisse goes beyond the guidelines fixed for the caisses as a whole.

The following table presents the potential impact of a sudden and sustained 100-basis-point increase or decrease in interest rates (before income taxes) on the economic value of the Caisse's equity.

	2010	2009
Impact of an increase	\$36,084	\$343,550
Impact of a decrease	(65,317)	(391,524)

The extent of the interest rate risk depends on the gap between cash flows from assets, liabilities and off-balance sheet financial instruments. The position presented reflects the position at year-end, and may change depending on members' behaviour, the interest rate environment and the strategies adopted by the Asset/Liability Committee.

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 21. Financial Instrument Risk Management (continued)

The table below succinctly shows the Caisse's asset/liability matching at year-end. The information is from an internal report provided to Caisse officers on interest rate risk management needs.

2010			
	Net on-balance sheet gap position	Impact of derivative instruments	Total gap position
Non-interest sensitive assets and liabilities	\$(336,147,873)	\$-	\$(336,147,873)
Interest-sensitive assets and liabilities			
Floating rate	189,727,680	-	189,727,680
Fixed rate – 0 to 12 mos.	9,325,004	(142,077,462)	(132,752,458)
Fixed rate – 1 to 5 yrs.	166,925,896	128,111,722	295,037,618
Fixed rate – Over 5 yrs.	(17,955,446)	13,965,740	(3,989,706)
2009			
	Net on-balance sheet gap position	Impact of derivative instruments	Total gap position
Non-interest sensitive assets and liabilities	\$(302,882,116)	\$-	\$(302,882,116)
Interest-sensitive assets and liabilities			
Floating rate	94,469,103	-	94,469,103
Fixed rate – 0 to 12 mos.	93,965,980	(114,333,653)	(20,367,673)
Fixed rate – 1 to 5 yrs.	131,697,509	108,998,568	240,696,077
Fixed rate – Over 5 yrs.	(10,030,067)	5,335,085	(4,694,982)

The net on-balance sheet gap position is based on the earlier of the repricing or maturity dates of fixed-rate assets and liabilities. The net on-balance sheet gap position represents the difference between total assets and liabilities and equity for a given period.

The above table shows year-end balances, except in the case of non-interest sensitive assets and liabilities for which the average monthly balance is provided because it is used for management, due to the sharply fluctuating daily balances.

The impact of derivative instruments includes the impact of interest rate swaps in which the Caisse participates, and the effect of derivative instruments on interest rates contracted in the caisse network through liquidity funds under management.

Note 22. Capital Management

The goal of the Caisse's capital management is to ensure maintenance of adequate base capital for sound and prudent management.

The capital adequacy of the Québec caisses is defined by a standard established by the FCDQ concerning the adequacy of capital, its components and their relative proportions. To a certain extent, this standard was based on a guideline for standards governing capital adequacy issued by the AMF. The guideline requires that a minimum amount of capital be maintained on a cumulative basis for a number of Desjardins Group components, including the caisses. Capital management is the responsibility of the Caisse's Board of Directors.

The Caisse's regulatory capital, which constitutes equity, differs from the equity disclosed on the balance sheet.

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 22. Capital Management (continued)

During the year, the FCDQ changed its standards for capital adequacy and its components. As a result, the components of capital are now broken down into two categories.

Tier 1 capital is comprised of eligible permanent shares, surplus shares, the general reserve, the eligible appreciation reserve, the stabilization reserve, the future member dividends reserve and eligible surplus earnings.

Tier 2 capital is comprised of qualifying shares, eligible shares in investments, certain eligible borrowings and the eligible portion of the general allowance for credit losses.

As prescribed by the current provisions of the FCDQ standard, the Caisse's total capital is reduced, among other things, by certain investments made in Desjardins Group subsidiary companies.

The Caisse's expansion assets comprise its on-balance sheet assets and its off-balance sheet commitments, reduced by its investments in Desjardins subsidiary companies at their equity value.

The Caisse's risk assets are determined by the weighting of on-balance sheet and off-balance sheet items according to the risk associated with each of these items, in accordance with the various approaches to credit risk and operational risk set out in the guideline on adequacy of capital base standards issued by the AMF.

The requirements have also been revised. The Caisse must at all times maintain capital in compliance with the following requirements:

- Capital greater than or equal to 12.5% of its risk assets;
- Expansion assets less than or equal to 17 times of its capital.

These new requirements are applicable effective December 31, 2010. Prior to that, the Caisse had to maintain minimum capital corresponding to the higher of 6.75% of its expansion assets and 10.80% of its risk assets.

	2010	2009
Tier 1 capital		
Eligible permanent shares and surplus shares	\$11,069,856	\$9,175,094
General reserve, eligible appreciation reserve, stabilization reserve and future member dividends reserve	82,234,250	74,015,892
Eligible surplus earnings	8,388,340	7,480,717
Other Tier 1 capital	(420,820)	(841,641)
Deductions	(39,647,777)	(34,615,279)
Total Tier 1 capital	\$61,623,849	\$55,214,783

Caisse Desjardins de Vaudreuil-Soulanges

Notes to the Financial Statements

for the year ended December 31, 2010

Note 22. Capital Management (continued)

The following table presents the composition of the Caisse's regulatory capital.

	2010	2009
Tier 2 capital		
Qualifying shares and eligible shares in investments	\$255,520	\$254,670
Eligible portion of the general allowance for credit losses	1,526,478	2,398,187
Eligible borrowings	29,641,648	12,149,496
Other Tier 2 capital	2,420,390	2,420,390
Deductions	(4,552,354)	(6,904,742)
Total Tier 2 capital	29,291,682	10,318,001
Total capital	\$90,915,531	\$65,532,784

At year-end, the Caisse's capitalization ratios were higher than required by the standard.

Note 23. Comparative Figures

Certain figures from the previous year have been reclassified to conform with the current year's presentation.